

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re: AHERN RENTALS, INC.

Case No. 11-53860-BTB

**CHAPTER 11
MONTHLY OPERATING REPORT
(GENERAL BUSINESS CASE)**

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: Feb-12 PETITION DATE: 12/22/11

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).
Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
2. Asset and Liability Structure			
a. Current Assets	\$103,152,454	\$100,598,073	
b. Total Assets	\$460,314,992	\$466,357,753	\$485,807,118
c. Current Liabilities	\$31,100,427	\$25,929,904	
d. Total Liabilities	\$659,258,234	\$656,442,349	\$649,919,474
			<u>Cumulative</u>
3. Statement of Cash Receipts & Disbursements for Month	<u>Current Month</u>	<u>Prior Month</u>	<u>(Case to Date)</u>
a. Total Receipts	\$63,546,587	\$294,688,852	\$367,336,025
b. Total Disbursements	\$60,643,876	\$300,393,543	\$364,415,370
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	\$2,902,711	(\$5,704,691)	\$2,920,655
d. Cash Balance Beginning of Month	\$3,436,251	\$9,140,942	\$3,418,307
e. Cash Balance End of Month (c + d)	\$6,338,962	\$3,436,251	\$6,338,962
			<u>Cumulative</u>
4. Profit/(Loss) from the Statement of Operations	(\$6,039,878)	(\$11,133,763)	(\$17,173,641)
5. Account Receivables (Pre and Post Petition)	\$65,783,902	\$65,817,832	
6. Post-Petition Liabilities	\$274,840,989	\$264,773,894	
7. Past Due Post-Petition Account Payables (over 30 days)	\$3,615,489	\$3,573,948	

At the end of this reporting month:

	<u>Yes</u>	<u>No</u>
8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee)	X	_____
9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)	_____	X
10. If the answer is yes to 8 or 9, were all such payments approved by the court?	X	_____
11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)	X	_____
12. Is the estate insured for replacement cost of assets and for general liability?	X	_____
13. Are a plan and disclosure statement on file?	_____	X
14. Was there any post-petition borrowing during this reporting period?	X	_____

15. Check if paid: Post-petition taxes X; U.S. Trustee Quarterly Fees X; Check if filing is current for: Post-petition tax reporting and tax returns: X.
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 4-3-12

[Signature]
Responsible Individual



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REVISED 1/1/98

Case No.: 11-53860-BTB

Monthly Operating Report

February 2012

Question 11: Detail listing of payments to officers, insiders, shareholders, relatives

Date of Payment	Name of Payee	Amount of Payment	Reason for Payment
02/07/2012	Tim Lotspeich	2,500.00	Payroll
02/07/2012	Gary Willingham	623.00	Payroll
02/07/2012	Evan Ahern	7,692.31	Payroll
02/07/2012	Howard Brown	3,461.54	Payroll
02/07/2012	John Ahern	2,403.85	Payroll
02/07/2012	Terry Quattrocchi	1,346.15	Payroll
02/07/2012	Ryan Ahern	1,923.08	Payroll
02/07/2012	Fan Chou	1,923.08	Payroll
02/07/2012	Philip Keesling	240.38	Payroll
02/07/2012	Don Ahern	15,846.15	Payroll
02/07/2012	Kirk Hartle	3,846.15	Payroll
02/14/2012	Tim Lotspeich	2,500.00	Payroll
02/14/2012	Gary Willingham	623.00	Payroll
02/14/2012	Evan Ahern	7,692.31	Payroll
02/14/2012	Howard Brown	3,461.54	Payroll
02/14/2012	John Ahern	2,403.85	Payroll
02/14/2012	Terry Quattrocchi	1,346.15	Payroll
02/14/2012	Ryan Ahern	1,923.08	Payroll
02/14/2012	Fan Chou	1,923.08	Payroll
02/14/2012	Philip Keesling	240.38	Payroll
02/14/2012	Don Ahern	15,846.15	Payroll
02/14/2012	Kirk Hartle	3,846.15	Payroll
02/21/2012	Tim Lotspeich	2,500.00	Payroll
02/21/2012	Gary Willingham	623.00	Payroll
02/21/2012	Evan Ahern	7,692.31	Payroll
02/21/2012	Howard Brown	3,461.54	Payroll
02/21/2012	John Ahern	2,403.85	Payroll
02/21/2012	Terry Quattrocchi	1,346.15	Payroll
02/21/2012	Ryan Ahern	1,923.08	Payroll
02/21/2012	Fan Chou	1,923.08	Payroll
02/21/2012	Philip Keesling	240.38	Payroll
02/21/2012	Don Ahern	15,846.15	Payroll
02/21/2012	Kirk Hartle	3,846.15	Payroll
02/28/2012	Tim Lotspeich	2,500.00	Payroll
02/28/2012	Gary Willingham	623.00	Payroll
02/28/2012	Evan Ahern	7,692.31	Payroll
02/28/2012	Howard Brown	3,461.54	Payroll
02/28/2012	John Ahern	2,403.85	Payroll
02/28/2012	Terry Quattrocchi	1,346.15	Payroll
02/28/2012	Ryan Ahern	1,923.08	Payroll
02/28/2012	Fan Chou	1,923.08	Payroll
02/28/2012	Philip Keesling	240.38	Payroll
02/28/2012	Don Ahern	15,846.15	Payroll
02/28/2012	Kirk Hartle	3,846.15	Payroll
02/02/2012	DFA, LLC	781,378.50	Rent
02/02/2012	Philip Keesling	24,801.32	Rent
02/02/2012	Don & Paul, LLC	56,430.00	Rent
02/03/2012	Xtreme Manufacturing	167,844.50	Parts, rerents, and equipment
02/06/2012	Fan Chou	750.00	Car allowance
02/07/2012	Don Ahern	5,054.65	Employee loan repayments
02/08/2012	Diamond A Equipment LLC	60,207.00	Parts
02/09/2012	Xtreme Financial	2,757.00	Pass through commission
02/10/2012	Xtreme Manufacturing	32,636.82	Rerents
02/13/2012	Howard Brown	448.00	Expense reimbursement
02/14/2012	Don Ahern	4,754.32	Employee loan repayments
02/14/2012	Equipment Connections LLC	1,944.25	Contract consulting services
02/14/2012	Xtreme Manufacturing	20,403.78	Parts and equipment

Case No.: 11-53860-BTB
 Monthly Operating Report
 February 2012

Question 11: Detail listing of payments to officers, insiders, shareholders, relatives

Date of Payment	Name of Payee	Amount of Payment	Reason for Payment
02/15/2012	Ahern IT LLC	14,337.60	Fiber contract
02/15/2012	American Sports Works	1,835.35	Parts
02/15/2012	Diamond A Equipment LLC	24,897.93	Parts
02/15/2012	Xtreme Manufacturing	314,559.24	Parts, rerents, and equipment
02/21/2012	Don Ahern	4,963.26	Employee loan repayments
02/21/2012	American Sports Works	962.21	Parts
02/21/2012	Diamond A Equipment LLC	13,509.84	Parts
02/22/2012	Evan Ahern	1,795.70	Expense reimbursement
02/22/2012	Xtreme Manufacturing	48,459.00	Parts and equipment
02/27/2012	American Sports Works	303.28	Parts
02/27/2012	Diamond A Equipment LLC	10,068.08	Parts
02/27/2012	Don F Ahern Family LP	38,406.00	Rent
02/27/2012	Evan Ahern	717.62	Expense reimbursement
02/27/2012	Xtreme Manufacturing	425,884.84	Parts, rerents, and equipment
02/28/2012	Don Ahern	4,781.63	Employee loan repayments
02/29/2012	Equipment Connections LLC	2,366.74	Contract consulting services

STATEMENT OF OPERATIONS

(General Business Case)

For the Month Ended 02/29/12

	<u>Current Month</u>	<u>Cumulative</u>
	<u>Actual</u>	<u>(Case to Date)</u>
Revenues:		
1 Gross Sales	\$28,157,308	\$65,328,636
2 less: Sales Returns & Allowances		
3 Net Sales	\$28,157,308	\$65,328,636
4 less: Cost of Goods Sold (Schedule 'B')	\$0	
5 Gross Profit	\$28,157,308	\$65,328,636
6 Interest		
7 Other Income: <u>Other, net</u>	(\$8,144)	(\$559)
8		
9		
10 Total Revenues	\$28,149,164	\$65,328,077
Expenses:		
11 Compensation to Owner(s)/Officer(s)		
12 Salaries		
13 Commissions		
14 Contract Labor		
Rent/Lease:		
15 Personal Property		
16 Real Property		
17 Insurance		
18 Management Fees		
19 Depreciation	\$7,360,206	\$17,173,821
Taxes:		
20 Employer Payroll Taxes		
21 Real Property Taxes		
22 Other Taxes		
23 Other Selling		
24 Other Administrative		
25 Interest		
26 Other Expenses:		
27 Cost of equipment rental operations	\$13,742,590	\$33,011,532
28 Cost of rental equipment sales	\$959,028	\$1,489,373
29 Cost of new equipment sales and other	\$1,395,838	\$2,478,630
30 Selling, general & administrative	\$4,812,298	\$11,542,799
31		
32		
33		
34 Interest expense	\$4,973,409	\$11,633,621
35 Total Expenses	\$33,243,369	\$77,329,776
36 Subtotal	(\$5,094,205)	(\$12,001,699)
Reorganization Items:		
37 Professional Fees	(\$945,673)	(\$5,161,542)
38 Provisions for Rejected Executory Contracts		
39 Interest Earned on Accumulated Cash from Resulting Chp 11 Case		
40 Gain or (Loss) from Sale of Equipment		
41 U.S. Trustee Quarterly Fees	\$0	(\$10,400)
42		
43 Total Reorganization Items	(\$945,673)	(\$5,171,942)
44 Net Profit (Loss) Before Federal & State Taxes	(\$6,039,878)	(\$17,173,641)
45 Federal & State Income Taxes		
46 Net Profit (Loss)	(\$6,039,878)	(\$17,173,641)

BALANCE SHEET
(General Business Case)
For the Month Ended 02/29/12

Assets**From Schedules****Book Value****Current Assets**

1	Cash and cash equivalents - unrestricted		
2	Cash and cash equivalents - restricted		\$6,338,962
3	Accounts receivable (net)	A	\$65,783,902
4	Inventory	B	\$25,178,519
5	Prepaid expenses		\$2,637,444
6	Professional retainers		\$524,422
7	Other: <u>Deposits</u>		\$2,689,205
8			
9	Total Current Assets		\$103,152,454

Property and Equipment (Book Value)

10	Real property	C	\$0
11	Machinery and equipment	D	\$290,376,426
12	Furniture and fixtures	D	\$9,441,183
13	Office equipment	D	\$0
14	Leasehold improvements	D	\$27,840,600
15	Vehicles	D	\$20,658,877
16	Other: _____	D	
17	_____	D	
18	_____	D	
19	_____	D	
20	_____	D	
21	Total Property and Equipment		\$348,317,086

Other Assets

22	Loans to shareholders		
23	Loans to affiliates		
24	Debt issuance costs		\$5,808,778
25	Other		\$3,036,674
26	_____		
27	_____		
28	Total Other Assets		\$8,845,452
29	Total Assets		\$460,314,992

Liabilities and Equity
(General Business Case)

Liabilities From Schedules

Post-Petition

Current Liabilities

30	Salaries and wages		\$3,198,422
31	Payroll taxes		\$702,342
32	Real and personal property taxes		\$1,277,095
33	Income taxes		\$0
34	Sales taxes		\$1,994,863
35	Notes payable (short term)		
36	Accounts payable (trade)	A	\$13,862,287
37	Real property lease arrearage		
38	Personal property lease arrearage		
39	Accrued professional fees		
40	Current portion of long-term post-petition debt (due within 12 months)		
41	Other: Insurance and other		\$1,611,191
42	Interest payable (see attached notes to MOR)		\$7,030,156
43	Lease exit costs		\$1,424,071

44	Total Current Liabilities		<u>\$31,100,427</u>
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45	Long-Term Post-Petition Debt, Net of Current Portion		<u>\$243,740,562</u>
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46	Total Post-Petition Liabilities		<u>\$274,840,989</u>
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Pre-Petition Liabilities

47	Secured claims	F	\$379,244,086
48	Priority unsecured claims	F	\$54,901
49	General unsecured claims	F	\$5,118,258
50	Total Pre-Petition Liabilities		<u>\$384,417,245</u>

51	Total Liabilities		<u>\$659,258,234</u>
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Equity (Deficit)

52	Retained Earnings/(Deficit) at time of filing		(\$184,866,047)
53	Capital Stock		\$5,915,214
54	Additional paid-in capital		
55	Cumulative profit/(loss) since filing of case		(\$17,173,641)
56	Post-petition contributions/(distributions) or (draws)		
57	Year end 2011 audit adjustments		(\$2,818,768)
58	Market value adjustment		

59	Total Equity (Deficit)		<u>(\$198,943,242)</u>
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60	Total Liabilities and Equity (Deficit)		<u><u>\$460,314,992</u></u>
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SCHEDULES TO THE BALANCE SHEET
(General Business Case)

Schedule A

Accounts Receivable and (Net) Payable

Receivables and Payables Agings	<u>Accounts Receivable</u> <u>[Pre and Post Petition]</u>	<u>Accounts Payable</u> <u>[Post Petition]</u>	<u>Past Due</u> <u>Post Petition Debt</u>
0 -30 Days	\$27,131,950	\$10,246,798	
31-60 Days	\$14,522,270	\$3,615,489	
61-90 Days	\$7,503,015		\$3,615,489
91+ Days	\$19,787,890		
Total accounts receivable/payable	\$68,945,125	<u>\$13,862,287</u>	
Allowance for doubtful accounts	\$3,161,223		
Accounts receivable (net)	<u>\$65,783,902</u>		

Schedule B

Inventory/Cost of Goods Sold

<u>Types and Amount of Inventory(ies)</u>	<u>Inventory(ies)</u> <u>Balance at</u> <u>End of Month</u>	<u>Cost of Goods Sold</u>	
		<u>Inventory Beginning of Month</u>	_____
		Add -	
Retail/Restaurants -		Net purchase	_____
Product for resale	_____	Direct labor	_____
		Manufacturing overhead	_____
Distribution -		Freight in	_____
Products for resale	\$25,178,519	Other:	_____

Manufacturer -			_____
Raw Materials	_____		_____
Work-in-progress	_____	Less -	
Finished goods	_____	Inventory End of Month	_____
		Shrinkage	_____
Other - Explain	_____	Personal Use	_____

<u>TOTAL</u>	<u>\$25,178,519</u>	Cost of Goods Sold	<u>\$0</u>

Method of Inventory Control

Do you have a functioning perpetual inventory system?

Yes X No _____

How often do you take a complete physical inventory?

Weekly See attached Notes to MOR

Monthly _____

Quarterly _____

Semi-annually _____

Annually _____

Date of last physical inventory was See attached Notes to MOR

Date of next physical inventory is See attached Notes to MOR

Inventory Valuation Methods

Indicate by a checkmark method of inventory used.

Valuation methods -

FIFO cost _____

LIFO cost _____

Lower of cost or market _____

Retail method _____

Other X

Explain _____

See attached Notes to MOR

**Schedule C
Real Property**

Description	<u>Cost</u>	<u>Market Value</u>
NONE		
Total	\$0	\$0

**Schedule D
Other Depreciable Assets**

Description	<u>Cost</u>	<u>Book Value</u>
Machinery & Equipment -		
Rental equipment, net	\$290,376,426	\$290,376,426
Total	\$290,376,426	\$290,376,426

Furniture & Fixtures -		
Other property and equipment, net	\$9,441,183	\$9,441,183
Total	\$9,441,183	\$9,441,183

Office Equipment -		\$0
Total	\$0	\$0

Leasehold Improvements -		
Leasehold improvements, net	\$24,010,978	\$24,010,978
Construction in progress	\$3,829,622	\$3,829,622
Total	\$27,840,600	\$27,840,600

Vehicles -		
Transportation equipment, net	\$20,658,877	\$20,658,877
Total	\$20,658,877	\$20,658,877

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 02/29/12

	Actual Current Month	Cumulative (Case to Date)
Cash Receipts		
1 Rent/Leases Collected		
2 Cash Received from Sales	\$29,937,578	\$72,747,415
3 Interest Received		
4 Borrowings	\$33,609,009	\$294,588,610
5 Funds from Shareholders, Partners, or Other Insiders		
6 Capital Contributions		
7 _____		
8 _____		
9 _____		
10 _____		
11 _____		
12 Total Cash Receipts	\$63,546,587	\$367,336,025
Cash Disbursements		
13 Payments for Inventory		
14 Selling		
15 Administrative		
16 Capital Expenditures	\$770,023	\$981,240
17 Principal Payments on Debt	\$28,712,437	\$309,715,544
18 Interest Paid	\$2,695,770	\$3,588,689
Rent/Lease:		
19 Personal Property		
20 Real Property	\$1,211,357	\$2,424,419
Amount Paid to Owner(s)/Officer(s)		
21 Salaries		
22 Draws		
23 Commissions/Royalties		
24 Expense Reimbursements		
25 Other		
26 Salaries/Commissions (less employee withholding)	\$5,539,454	\$12,597,123
27 Management Fees		
Taxes:		
28 Employee Withholding		
29 Employer Payroll Taxes	\$2,213,714	\$5,486,472
30 Real Property Taxes		
31 Other Taxes	\$6,842,610	\$6,951,062
32 Other Cash Outflows:		
33 Operating disbursements	\$5,571,794	\$10,702,190
34 Other selling, general, and administrative	\$1,873,546	\$2,902,682
35 Equipment held for sale	\$1,431,620	\$1,617,793
36 Insurance	\$1,710,873	\$2,491,682
37 Restructuring expenses	\$2,070,678	\$4,956,474
38 Total Cash Disbursements:	\$60,643,876	\$364,415,370
39 Net Increase (Decrease) in Cash	\$2,902,711	\$2,920,655
40 Cash Balance, Beginning of Period	\$3,436,251	\$3,418,307
41 Cash Balance, End of Period	\$6,338,962	\$6,338,962

**In re: AHERN RENTALS, INC.
Case No.: 11-53860-BTB
MONTHLY OPERATING REPORT
GENERAL NOTES
FEBRUARY 2012**

Basis of Presentation

The financial statements and related information contained herein are unaudited, preliminary, and may not comply with generally accepted accounting principles in the United States of America ("U.S. GAAP") in all material respects. The unaudited financial statements have been derived from the books and records of the Debtor. The financial information furnished herein includes normal recurring adjustments necessary for a fair statement of the results for the period. The results of operations presented herein are not necessarily indicative of results that may be expected for any other period.

Method of Inventory Control and Accounting

Parts managers at each of Debtor's branches perform a daily cycle count of at least 1% of inventory (not including rental equipment) so that a full cycle count is completed in approximately 6 months. Branch managers perform a monthly inventory count of all rental equipment assigned to their branch. Additionally, Debtor's Internal Audit department performs test counts of inventories during routine branch audits and ensures compliance with Debtor's inventory policies.

Debtor's inventories (not including rental equipment) are valued at the lower of market or cost determined by the average cost method, except to new serialized equipment units held for sale, the cost of which is determined using the specific identification method.

Bank Accounts and Reconciliation – Schedule H

The Debtor has, on a timely basis, completed all bank account reconciliations in the ordinary course of business. Copies of bank statements, check registers, and reconciliations are available for inspections upon request by the United States Trustee's Office.

The Debtor's bank account structure is fairly complex and the amounts reflected as Cash in Bank on Debtor's Balance Sheet are comprised of either deposits in transit or amounts drawn on the DIP Credit Facility to fund for disbursements, and until the disbursement clear the bank, this funding will show as cash in bank. The structure of the Debtor's bank accounts is very much like a zero balance sweep structure wherein draws are made on the DIP credit facility to fund disbursements as they occur and the DIP credit facility is paid down as deposits clear the bank and are swept.

In re: AHERN RENTALS, INC.
Case No.: 11-53860-BTB
MONTHLY OPERATING REPORT
GENERAL NOTES
FEBRUARY 2012

Interest payable

Interest payable included in the post-petition liabilities section of the Monthly Operating Report includes the following:

- Accrued and unpaid interest on the DIP revolving credit facility
- Interest accrued post-petition on the Debtor's first-lien last-out Term Loan ("Term Loan"). The Term Loan and interest accrued pre-petition on the Term Loan are included in Pre-petition liabilities – Secured Claims. The Debtor is authorized to pay post-petition interest on the Term Loan monthly in cash.
- Interest accrued post-petition on the Debtor's Second Priority Senior Secured Notes ("2nd Lien Notes"). The 2nd Lien Notes and interest accrued pre-petition on the 2nd Lien Notes are included in Pre-petition liabilities – Secured Claims.

It has not been determined by the Bankruptcy Court that all the debt of the Debtor is fully secured and hence may not be entitled to interest. However, in the interest of being conservative, and until such determination is made by the Bankruptcy Court, the financial statements reflect an interest accrual on all debt.

Payments made on pre-petition debt

The Debtor has paid prepetition obligations since the filing per first day orders and subsequent orders approved by the Bankruptcy Court. Such orders include but are not limited to: employees related obligations, shipping and warehouseman costs, selected customer practices costs, 503 b (9) claims, DIP financing costs and taxes.