

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2006

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 333-128688

AHERN RENTALS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0381960
(I.R.S. Employer
Identification No.)

4241 South Arville Street
Las Vegas, Nevada
(Address of principal executive offices)

89103
(Zip Code)

(702) 362-0623
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 9, 2006
Common Stock, no par value per share	1,000 shares

Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements, including statements regarding future growth and market opportunities, which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this report under “Part II. Item 1A - Risk Factors.” You should carefully review the risks described in this report and in other documents we file from time to time with the Securities and Exchange Commission (“SEC”). When used in this report, the words “expects,” “could,” “would”, “may,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “targets,” “estimates,” “looks for,” “looks to,” and similar expressions, as well as statements regarding our focus for the future, are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

AHERN RENTALS, INC.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AHERN RENTALS, INC.
Balance Sheets
March 31, 2006 and December 31, 2005

	<u>MARCH 31,</u> <u>2006</u>	<u>DECEMBER 31,</u> <u>2005</u>
ASSETS		
Cash	\$ 989,487	\$ 1,695,531
Accounts receivable, net of allowance of \$1,864,106 and \$1,707,468	34,165,580	37,071,240
Inventories	14,631,995	13,915,384
Rental equipment, net	285,884,122	262,842,720
Property and other equipment, net	29,147,261	27,699,723
Debt issuance costs	10,340,052	10,836,936
Other	2,749,636	3,118,927
	<u>\$ 377,908,133</u>	<u>\$ 357,180,461</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Line of credit payable	\$ 111,485,334	\$ 93,417,105
Accounts payable, other	25,141,308	17,431,929
Accrued expenses	8,878,229	14,108,803
Notes payable and capital lease obligations	2,262,054	2,305,892
Second priority senior secured notes	200,000,000	200,000,000
	<u>347,766,925</u>	<u>327,263,729</u>
Stockholders' Equity		
Common stock, no par, 25,000 shares authorized, 1,000 shares issued and outstanding	5,915,214	5,915,214
Retained earnings	24,225,994	24,001,518
	<u>30,141,208</u>	<u>29,916,732</u>
	<u>\$ 377,908,133</u>	<u>\$ 357,180,461</u>

See notes to financial statements.

AHERN RENTALS, INC.
Statements of Income and Retained Earnings (Unaudited)
Three Month Periods Ended March 31, 2006 and 2005

	2006	2005
REVENUES		
Equipment rentals and related	\$ 49,554,578	\$ 35,326,271
Sales of rental equipment	3,187,899	2,460,844
Other	2,839,133	2,332,267
	<u>55,581,610</u>	<u>40,119,382</u>
COST OF REVENUES		
Cost of equipment rental operations, excluding depreciation, including related party rent expense of \$620,859 and \$590,673	20,116,410	16,792,750
Depreciation, rental equipment	11,823,037	7,898,416
Cost of rental equipment sales	2,059,384	1,829,301
Other	2,136,506	1,797,814
	<u>36,135,337</u>	<u>28,318,281</u>
GROSS PROFIT	<u>19,446,273</u>	<u>11,801,101</u>
OPERATING EXPENSES		
Selling, general, and administrative, including related party rent expense of \$310,653 and \$247,500	7,605,446	6,732,861
Non-rental equipment depreciation and amortization	1,362,703	949,813
	<u>8,968,149</u>	<u>7,682,674</u>
OPERATING INCOME	<u>10,478,124</u>	<u>4,118,427</u>
OTHER INCOME (EXPENSE)		
Interest expense	(6,926,766)	(5,632,641)
Interest income	37,142	56,946
Other	27,612	(8,902)
NET INCOME (LOSS)	<u>\$ 3,616,112</u>	<u>\$ (1,466,170)</u>
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 24,001,518	\$ 18,404,709
Net income (loss)	3,616,112	(1,466,170)
Distributions	(3,391,636)	—
RETAINED EARNINGS, END OF PERIOD	<u>\$ 24,225,994</u>	<u>\$ 16,938,539</u>

See notes to financial statements.

AHERN RENTALS, INC.
Statements of Cash Flows (Unaudited)
Three Month Periods Ended March 31, 2006 and 2005

	2006	2005
OPERATING ACTIVITIES:		
Net income (loss)	\$ 3,616,112	\$ (1,466,170)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gross profit on disposition of property and equipment	(1,156,127)	(622,642)
Depreciation and amortization of property and equipment	13,185,740	8,848,229
Amortization of deferred gain and rent payments	—	(385,070)
Amortization of debt issuance costs	488,477	426,686
Bad debts	71,472	70,359
Non-cash interest	—	566,098
Changes in operating assets and liabilities:		
Accounts receivable	2,834,188	2,086,831
Inventories	(716,611)	(2,605,971)
Other	377,698	1,303,384
Accounts payable, other	7,709,379	1,173,386
Accrued expenses	(5,230,574)	(552,446)
Net cash provided by operating activities	<u>21,179,754</u>	<u>8,842,674</u>
INVESTING ACTIVITIES:		
Purchases of rental equipment and other property	(39,782,536)	(17,393,797)
Proceeds from sales of rental equipment and other property	3,263,983	2,540,940
Collections from affiliate	—	1,007,201
Net cash used in investing activities	<u>(36,518,553)</u>	<u>(13,845,656)</u>
FINANCING ACTIVITIES:		
Line of credit borrowings	81,074,176	52,111,633
Line of credit repayments	(63,005,947)	(47,378,393)
Proceeds from other borrowings	—	1,168,256
Repayment of other borrowings	(43,838)	(703,295)
Distributions	(3,391,636)	—
Net cash provided by financing activities	<u>14,632,755</u>	<u>5,198,201</u>
NET INCREASE (DECREASE) IN CASH	<u>(706,044)</u>	<u>195,219</u>
CASH, BEGINNING OF PERIOD	<u>1,695,531</u>	<u>913,821</u>
CASH, END OF PERIOD	<u>\$ 989,487</u>	<u>\$ 1,109,040</u>

See notes to financial statements.

AHERN RENTALS, INC.
Notes to the Financial Statements
Three Month Periods Ended March 31, 2006 and 2005

1. Nature of business and basis of presentation:

The Company operates a comprehensive equipment rental and sales business, servicing a customer base that includes construction and industrial companies, municipalities, manufacturers, utilities, homeowners and others in Nevada, California, Arizona, Texas, Colorado, Utah, Oregon, and New Jersey. Each of the Company's 32 equipment rental and sales locations is considered a separate profit center. All profit centers are aggregated into one reportable segment because they offer similar products and services in similar markets and the factors that influence the Company's strategic decisions are comparable. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Therefore, the accompanying balance sheets are presented on an unclassified basis.

The accompanying unaudited interim financial statements are prepared in accordance with the accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (the "2005 Form 10-K") and the interim reporting requirements of Form 10-Q. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of management, all necessary adjustments have been made to present fairly, in all material respects, the financial position, results of operations and cash flows of the Company at March 31, 2006, and for all periods presented. These unaudited financial statements should be read in conjunction with the Company's 2005 Form 10-K.

2. Related party transactions:

The Company purchases forklifts and certain other equipment from Xtreme Manufacturing, LLC ("Xtreme"), an entity controlled by Don F. Ahern, the Company's majority shareholder, Chairman of the Board, Chief Executive Officer and President. During the three month periods ended March 31, 2006 and 2005, the Company purchased approximately \$5.8 million and \$3.1 million of equipment from Xtreme, respectively.

On March 31, 2006, the Company paid a dividend of \$3,391,630 to its shareholders.

3. Subsequent event

On April 20, 2006, the Company entered into an operating lease agreement for a corporate aircraft with Key Equipment Finance, Inc. The lease is for ten years with aggregate annual rental commitments at lease commencement of \$513,886. The monthly rental payment will float with changes in the 30-day LIBOR rate. There are early buyout options in years 3 and 9 based on a percentage of the original cost of the aircraft, and the buyout option at the end of the lease is at fair market value. Don F. Ahern, the Company's principal officer and majority shareholder, is a joint lessee in this agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information should be read in conjunction with the financial statements and notes thereto included in Item 1 of Part I of this Quarterly Report and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2005 contained in our 2005 Annual Report on Form 10-K.

Overview

Through our network of 32 equipment rental branches, we rent a full range of equipment, sell our used rental equipment, new equipment, parts, supplies and related merchandise, and provide maintenance, repair and other services that supplement our rental activities. The types of equipment we rent range from a fleet of high reach and earth engaging units to hand tools. Accordingly, our business is capital intensive, and our profitability and cash flows depend upon the availability and terms of financing. See "–Liquidity and Capital Resources."

Our revenues are affected primarily by changes in the level of investment in new equipment for our rental fleet, openings of new branch locations and the relative strength of the economies in the geographic regions in which we operate. For financial reporting purposes, our revenues are divided into three categories:

- *Equipment rentals and related* includes revenues from renting equipment and related revenues such as the fees we charge for equipment delivery, damage waivers, repair of rental equipment and fuel. For the quarter ended March 31, 2006, revenues from equipment rentals and related accounted for approximately 89% of our total revenues. Of equipment rentals and related revenues in that period, 69% were attributable to rentals of high reach equipment, 19% to rentals of general rental equipment, including ground engaging equipment, and 12% to rental related revenues.
- *Sales of rental equipment* includes revenues from the sale of our used rental equipment. For the quarter ended March 31, 2006, these revenues accounted for approximately 6% of our total revenues.
- *Other* is primarily revenues from the sale of new equipment, merchandise and supplies. For the quarter ended March 31, 2006, these revenues accounted for approximately 5% of our total revenues.

Equipment rental revenues are affected by several factors including general economic conditions and conditions in the non-residential construction industry in particular, the amount and quality of equipment available for rent, rental rates, the mix and percentage of equipment rented, length of time the equipment is on rent, and weather. One metric we use to measure the interaction of changes in rental rates, product mix, average length of rental, and time utilization is "dollar utilization." Dollar utilization is the annualized ratio (expressed as a percentage) of equipment rentals and related revenues on our entire fleet of rental equipment for a period to the average original cost of our rental fleet during that period. Revenues from the sale of used equipment are affected by price, general economic conditions, the amount and type of equipment available in the marketplace, and the condition and age of the equipment. Consequently, the age and mix of equipment in our rental fleet has a direct impact on these revenues. Other revenues, including revenues from the sale of new equipment and from the sale of parts, supplies and maintenance and repair services, are affected by price and general economic conditions.

For financial reporting purposes, our cost of revenues is divided into four categories:

- *Cost of equipment rental operations, excluding depreciation* includes branch personnel costs, the cost of repairing and maintaining rental equipment and our service and delivery vehicles, fuel costs, occupancy costs and supply costs for our rental locations, and historically, operating lease payments relating to our rental equipment.
- *Depreciation on rental equipment.*
- *Cost of rental equipment sales* which represents the net book value of rental equipment sold.

- *Other* includes the cost of the items we sell, including new equipment, parts, merchandise and supplies.

Operating expenses include all selling, general and administrative expenses (“SG&A”) and depreciation and amortization on non-rental equipment. SG&A expenses include primarily sales force compensation, administrative payroll, marketing costs, professional fees, and property and casualty insurance. Non-rental equipment is comprised of all non-rental property and other equipment and includes items such as our fleet of service and delivery trucks.

Our cost of revenues and operating expenses also include lease expense for rental branches and other facilities, several of which we lease from affiliates.

Our operating results are subject to annual and seasonal variations resulting from a variety of factors, including overall economic conditions, construction activity in the geographic regions we serve, the competitive supply of rental equipment, the number of our significant competitors and, to a lesser extent, seasonal rental patterns resulting from lower activity by our customers during the winter. The expansion or contraction of our network of rental branches also causes fluctuations in our revenues and operating results, particularly as a result of the timing of new branch openings and expenditures related to those openings. Thus, the results of any period are not necessarily indicative of the results that may be expected for any other period.

Results of Operations

Three Months Ended March 31, 2006 (“2006”) Compared to Three Months Ended March 31, 2005 (“2005”)

The following table illustrates our operating activity for the three month periods ended March 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u> (in thousands)	<u>CHANGE</u>
Revenues:			
Equipment rentals and related	\$ 49,555	\$ 35,326	\$ 14,229
Sales of rental equipment	3,188	2,461	727
Other	2,839	2,332	507
Total revenues	<u>55,582</u>	<u>40,119</u>	<u>15,463</u>
Cost of revenues:			
Cost of equipment rental operations, excluding depreciation	20,116	16,793	3,323
Depreciation, rental equipment	11,823	7,898	3,925
Cost of rental equipment sales	2,059	1,829	230
Other	2,137	1,798	339
Total cost of revenues	<u>36,135</u>	<u>28,318</u>	<u>7,817</u>
Gross profit	19,447	11,801	7,646
Selling, general and administrative	(7,605)	(6,733)	(872)
Non-rental equipment depreciation and amortization	(1,363)	(950)	(413)
Other expense, net	(6,863)	(5,584)	(1,279)
Net income (loss)	<u>\$ 3,616</u>	<u>\$ (1,466)</u>	<u>\$ 5,082</u>

Revenues

Revenues in 2006 increased 39% over 2005. The primary factors contributing to the change are discussed below.

Equipment rentals and related revenues. Equipment rentals and related revenues in 2006 increased 40%. These revenues accounted for 89% and 88% of total revenues in 2006 and 2005, respectively. The increased revenues were the result of (1) average dollar utilization increasing to 48% from 43% in 2005, and (2) higher average investment in our rental fleet due mainly to capital expenditures on rental equipment of \$149.2 million during the twelve months ended March 31, 2006. The primary factors contributing to the increase in dollar utilization are (1) a 12% increase in average rental rates, and (2) an increase in average time utilization of our high reach

equipment to 69% in 2006 compared to 66% in 2005, primarily as a result of improved economic conditions in the construction industry in our principal markets.

Sales of rental equipment and other revenues. Sales of rental equipment in 2006 increased 30% over 2005. Other revenues in 2006 increased 22% over 2005. These increases are partially attributable to the strong retail and secondary market demand for rental equipment. In addition, the increasing volume of equipment on rent has led to increases in our sales of used rental equipment and merchandise and supplies.

Cost of Revenues

Cost of revenues in 2006 increased 28% over 2005. As a percentage of revenues, cost of revenues was 65% and 71% for 2006 and 2005, respectively. The primary factors contributing to the change are described below.

Cost of equipment rental operations, excluding depreciation. Cost of equipment rental operations, excluding depreciation, in 2006 increased 20% over 2005. The increase is due to increased payroll in support of the increase in revenues. As a percentage of Equipment rentals and related revenues, Cost of equipment rental operations was 41% in 2006 and 48% in 2005. The lower cost percentage in 2006 is due mainly to economies of scale in payroll costs, repairs and maintenance, and vehicle expenses.

Depreciation, rental equipment. Depreciation, rental equipment in 2006 increased 50% over 2005. Approximately \$0.8 million of the total \$3.9 million increase is due to depreciation on equipment now owned by us that was previously leased by us under an operating lease that was terminated in September 2005. The remaining \$3.1 million increase results from the increased investment in our rental fleet as described in the above description of “—Revenues—*Equipment rentals and related revenues.*”

Cost of rental equipment sales. Cost of rental equipment sales in 2006 increased 13% over 2005. The main cost of rental equipment sales is the net book value of the sold equipment, which averaged 65% and 74% of the selling price in 2006 and 2005, respectively. The lower cost percentage in 2006 results from a combination of improved strength in the secondary market for rental equipment and changes in the mix of equipment sold.

Other. Other cost of revenues in 2006 increased 19% over 2005. This increase is due mainly to the increase in other revenues described above under the caption “—Revenues— *Sales of rental equipment and other revenues,*” offset by slightly improved margins in sales of new equipment.

Gross Profit

Gross profit in 2006 increased 65% to \$19.4 million. As a percentage of revenues, gross profit was 35% in 2006 and 29% in 2005.

Selling, General and Administrative

SG&A in 2006 increased 13% over 2005. The increase relates to payroll and related costs, rents, and other miscellaneous administrative costs. However, as a percentage of total revenues, SG&A was 14% in 2006 and 17% in 2005. The improved cost percentage in 2006 is due to operating leverage in our business from revenues increasing at a higher rate than SG&A.

Non-Rental Equipment Depreciation and Amortization

Non-rental equipment depreciation and amortization in 2006 increased 43% over 2005. The increase is due mainly to our acquisition of approximately \$11.8 million of non-rental equipment for the twelve months ended March 31, 2006.

Other Expense, Net

Other expense, net in 2006 increased 23% over 2005. This increase is almost entirely in interest expense which, despite a small decline in average interest rates, has increased due to higher average debt balances to fund the growth in our fleet of rental and transportation equipment. Average debt balances increased to approximately \$303 million in 2006 compared to \$220 million in 2005. Although our average debt balances increased, our weighted average interest rate decreased to 8.5% in 2006 compared to 9.4% in 2005. See “—Liquidity and Capital Resources.”

Liquidity and Capital Resources

In October 2004, we refinanced approximately \$197 million of prior debt. The refinancing was accomplished through a five year credit facility with a syndicate of banks and the issuance of five year notes to two affiliates of a commercial lender. That credit facility (the “2004 Credit Facility”) had an aggregate commitment of up to \$175.0 million. The five-year notes (the “2004 Notes”) were in an aggregate principal amount of \$90.0 million.

Borrowings under the 2004 Credit Facility bore interest at either (1) the bank’s base rate (prime rate) plus 1.00% to 1.75% or, at our option, (2) the London Interbank Offered Rate (“LIBOR”) plus 2.50% to 3.25%. The interest rates charged could vary within these ranges depending on our leverage ratio, as defined in the loan agreement. The 2004 Notes bore interest at 14.5% payable monthly. This interest was paid in cash at the rate of 12.0% per annum and interest in kind through the issuance of additional notes at the rate of 2.5% per annum.

In August 2005, we issued \$200 million of second priority senior secured notes (“Second Priority Notes”) in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 144A promulgated under the Securities Act, the proceeds of which were used to (1) terminate our obligations under the 2004 Notes by paying off approximately \$99 million, including prepayment penalties, (2) pay down the 2004 Credit Facility by approximately \$85 million, (3) pay off other debt totaling approximately \$10 million, and (4) pay fees and expenses related to the transaction of approximately \$6 million (the “2005 Refinancing”). In connection with, and as a condition to, the offering of the Second Priority Notes, we amended and restated the 2004 Credit Facility by entering into the “Amended Credit Facility” with Bank of America, N.A. and a syndicate of banks and other institutional lenders. As of March 31, 2006, there was \$111.5 million outstanding and \$53.5 million available to borrow under the Amended Credit Facility. As of March 31, 2006, the weighted average interest rate on the Amended Credit Facility was 6.9%.

On January 24, 2006, the Company completed an exchange offer of \$200 million principal amount of the Second Priority Notes for an equivalent amount of notes having substantially the same terms as the Second Priority Notes except that the new notes are not subject to the transfer restrictions that applied to the Second Priority Notes. The exchange notes were registered on a registration statement declared effective by the SEC in December 2005.

The Second Priority Notes are due August 15, 2013, bear interest at 9 ¼% with interest payable semi-annually on each February 15 and August 15, and are secured on a second priority basis, behind the Amended Credit Facility, by substantially all of our existing and future acquired assets.

The Amended Credit Facility is a five-year facility providing for revolving loans of up to an aggregate of \$175 million, including a \$10 million sub-limit for the issuance of standby or commercial letters of credit; however, advances under the Amended Credit Facility are limited based on a percentage of qualified collateral and reserves required by the lenders. The Amended Credit Facility is secured by first priority liens (ahead of the Second Priority Notes) upon substantially all of our existing and future acquired assets.

Borrowings under the Amended Credit Facility bear interest at a rate equal to an applicable margin percentage plus one of the following indexes: (i) LIBOR or (ii) an alternate base rate. The applicable margin percentage varies from 187.5 to 237.5 basis points for LIBOR-based loans and 12.5 to 62.5 basis points for alternate base rate loans, depending upon our financial performance. In addition, the Amended Credit Facility has an annual unused line fee of 25 basis points for each lender’s unused commitments under the revolving credit line.

Prior to September 14, 2005, we leased some of our rental equipment under a sale/leaseback financing arrangement with General Electric Capital Corporation ("GECC"). On September 14, 2005, we purchased all of the equipment we leased from GECC under this arrangement for approximately \$21.6 million and terminated the lease. In connection therewith in September 2005, GECC returned to us \$8.7 million held by it as a security deposit.

We financed the purchase of the leased equipment through borrowings under the Amended Credit Facility. As a result of the purchase and increased borrowings under the Amended Credit Facility, our operating lease expense decreased and our interest and depreciation expenses increased.

Liquidity

We manage our liquidity using cash management practices that project our future sources and uses of cash taking into consideration the requirements of the agreements to which we are a party. Our principal existing sources of cash are cash generated from operations and from the sale of rental equipment and borrowings under our Amended Credit Facility. Our current and expected long-term cash requirements consist primarily of expenditures to fund operating activities and working capital, to purchase new rental equipment, and to meet debt service obligations. We believe our existing sources of liquidity will be sufficient to meet the cash requirements of our operations for at least the next twelve months. To the extent the sources of liquidity described above are not sufficient to fund our operations, we may require additional debt or equity financing. Our ability to access these sources of capital is restricted by the indenture governing the Second Priority Notes and the terms of the Amended Credit Facility. See "Part II. Item 1A – Risk Factors."

Sources and uses of cash. During the three months ended March 31, 2006, we generated cash from operations of \$21.2 million, cash from sales of rental equipment and other property of \$3.3 million, and net proceeds from line of credit borrowings of \$18.1 million. We used cash of \$39.8 million during this period principally to purchase rental equipment and other property, and we made a dividend distribution to our shareholders of \$3.4 million.

Adequacy of Capital Resources

Our business is capital intensive. We purchase new equipment both to expand the size and maintain the age of our rental fleet. For 2006 and 2005, we had total expenditures on new rental equipment of \$36.8 million and \$15.2 million, respectively. If demand for rental equipment from our customers remains strong, we expect the rate of expenditures to purchase new rental equipment, replace used rental equipment, and purchase transportation equipment will remain constant or increase. To continue this rate of expenditures, we may require additional debt or equity financing. We may be unable to obtain such financing on terms that are acceptable to us. In addition, our ability to access these sources of capital is restricted by the indenture governing the Second Priority Notes and the terms of the Amended Credit Facility. If we are unable to obtain such financing, we may need to reduce our rate of expenditures.

As of March 31, 2006, our weighted average interest rate was approximately 8.4% and our debt totaled \$313.7 million.

Off-Balance Sheet Transactions

On April 20, 2006, the Company entered into an operating lease agreement for a corporate aircraft with Key Equipment Finance, Inc. The lease is for ten years with aggregate annual rental commitments at lease commencement of \$513,886. The monthly rental payment will float with changes in the 30-day LIBOR rate. There are early buyout options in years 3 and 9 based on a percentage of the original cost of the aircraft, and the buyout option at the end of the lease is at fair market value. Don F. Ahern, the Company's principal officer and majority shareholder, is a joint lessee in this agreement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The fair market value of long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair market value of our long-term fixed interest rate debt at March 31, 2006 was \$209.0 million; its carrying value was \$200.0 million. Fair market values were determined from quoted market prices.

The interest on borrowings under our credit facility is at variable rates based on a financial performance test. Borrowings under the revolving credit facility bear interest at a rate equal to an applicable margin percentage plus one of the following indexes: (i) LIBOR or (ii) an alternate base rate. The applicable margin percentage varies from 187.5 to 237.5 basis points for LIBOR-based loans and 12.5 to 62.5 basis points for alternate base rate loans. In addition, our credit facility has an annual unused line fee of 25 basis points for each lender's unused commitments under the revolving credit line. An increase in interest of 100 basis points would increase our annual interest expense by \$1.1 million based on \$111.5 million, which was the amount of outstanding debt under our credit facility as of March 31, 2006.

ITEM 4. CONTROLS AND PROCEDURES

(a) **Evaluation of disclosure controls and procedures.** Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

(b) **Changes in internal controls over financial reporting.** There were no changes in our internal controls over financial reporting that occurred during the first quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party to various litigation matters in the ordinary course of our business. We cannot estimate with certainty our ultimate legal and financial liability with respect to our pending litigation matters. However, we believe, based on our examination of such matters, that our ultimate liability will not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

If you are a holder of our 9-1/4% Second Priority Senior Secured Notes, your investment is subject to a variety of risks and uncertainties. If any of the circumstances described in the following risk factors occurs, our business, results of operations or financial condition would likely suffer and the value of your investment could be adversely affected.

Decreases in construction or industrial activities or in the convention business could adversely affect our revenues and operating results by decreasing the demand for our equipment or the rental rates or prices we can charge.

Our products and services are used primarily in non-residential construction activity and, to a lesser extent, in residential construction activity, industrial activity and the convention business. Weakness in our end markets, such as a decline in construction or industrial activity or the convention business, has led in the past and may in the future lead to a decrease in the demand for our equipment or the rental rates or prices we can charge. For example, in 2002 and 2003, non-residential construction activity declined significantly from prior periods, which had an adverse effect on our results in 2002 and 2003. Further declines in the construction industry could adversely affect our operating results by decreasing our revenues and gross profit margins.

Certain factors that may cause weakness in the construction industry include:

- weakness in the economy or the onset of a recession;
- reductions in corporate spending for plants and facilities or government spending for infrastructure projects;
- an increase in interest rates;
- adverse weather conditions and natural disasters;
- terrorism or hostilities involving the United States; and
- an increase in the cost of construction materials.

Our operating results are highly dependent on the strength of the Las Vegas economy. In 2003, 2004 and 2005, the percentage of our total revenues attributable to our Las Vegas operations was 40.1%, 37.8% and 37.4%, respectively. Any future weakness in the Las Vegas economy could have a material adverse effect on our operations.

We depend on key personnel whom we may not be able to retain.

Our future performance depends on the continued contributions of key management personnel. A loss of one or more of these key people, our inability to attract and retain additional key management personnel, including qualified rental store managers, or the inability of these personnel to manage our operations successfully could harm our business and prevent us from implementing our business strategy. We do not maintain “key man” life insurance on the lives of any of our key employees. We also do not have employment agreements with any of our key employees.

The equipment rental industry is highly competitive, and competition could lead to a decrease in our market share or in the rental rates and prices we charge.

The equipment rental industry is highly fragmented and competitive. Our competitors include:

- small independent businesses with one or two rental locations;
- regional competitors that operate in one or more states;
- large national companies, including public companies and divisions of public companies; and
- equipment manufacturers and dealers that both sell and rent equipment directly to customers.

Many of our competitors are significantly larger and have greater financial and marketing resources than we have, are more geographically diverse than we are and have greater name recognition than we do. We may in the future encounter increased competition in the equipment rental market or in the equipment repair and services market from existing competitors or from new market entrants.

Competition could adversely affect our revenues and operating results by decreasing our market share or depressing the rental rates and prices we can charge. We believe rental rates are one of the primary competitive factors in the equipment rental industry. From time to time, we or our competitors may attempt to compete aggressively by lowering rental rates or prices. To the extent we lower rental rates or prices to attempt to increase or retain market share, our operating margins would be adversely impacted. In some cases, we may not be able to or may choose not to match a competitor’s rate or price reductions. If we do not, we may lose market share, resulting in decreased revenues and cash flow, which could have a material adverse effect on our business.

Disruptions in our information technology systems could adversely affect our operating results by limiting our capacity to effectively monitor and control our operations.

Our information technology systems help us monitor and control our operations to adjust to changing market conditions, including management of our floating fleet. Any disruptions in our information technology systems or the failure of these systems to operate as expected could adversely affect our operating results.

The nature of our business exposes us to liability claims, which may exceed the level of our insurance.

Our business exposes us to claims for personal injury, death or property damage resulting from the use of the equipment we rent, sell, service or repair and from injuries caused in motor vehicle accidents in which our personnel are involved. Our business also exposes us to worker compensation claims and other employment-related claims. We carry comprehensive insurance, subject to deductibles, at levels we believe are sufficient to cover existing and future claims. Although we have not experienced any material losses that were not covered by insurance, claims have been made against us which, on their face, far exceeded the level of our insurance. Future claims may exceed the level of our insurance, and our insurance may not continue to be available on economically reasonable terms, or at all. In addition, certain types of claims, such as claims for punitive damages, are not covered by our insurance.

We must comply with numerous environmental and occupational health and safety regulations that may subject us to unanticipated liabilities.

Our facilities and operations are subject to federal, state and local environmental and occupational safety and health requirements, including those relating to discharges of substances into the air, water and land, the handling, storage, use and disposal of hazardous materials and wastes and the cleanup of properties affected by pollutants. We do not anticipate any material adverse effect on our business, financial condition or competitive position as a result of our efforts to comply with these requirements. However, if we violate environmental laws or regulations, we may be held liable for damages and the costs of remedial actions, and could be subject to fees and penalties. We may violate or incur liability under environmental laws and regulations in the future as a result of human error, newly discovered noncompliance, contamination or other causes. These violations or liabilities could have a material adverse effect on our business, financial condition and results of operations.

Under some environmental laws and regulations, an owner or operator of a site or facility may be liable for the costs of removal or remediation of hazardous substances located on or emanating from the site or facility. These laws and regulations often impose strict and, under certain circumstances, joint and several liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous substances.

Some of our business operations at existing and former branches use, or have used, substances which are or may be considered hazardous or otherwise are subject to applicable environmental requirements. As a result, we may incur liability in connection with the use, management and disposal of these substances. We use hazardous materials such as petroleum products for fueling our rental equipment and vehicles and solvents to clean and maintain rental equipment and vehicles. We incur expenses associated with using, storing and managing these materials in compliance with environmental requirements. We also generate and must manage in accordance with applicable environmental laws and regulations certain used or spent materials such as used motor oil, radiator fluid and solvents. We often seek to reuse, recycle or dispose of these spent materials at offsite disposal facilities in accordance with environmental laws and regulations. We may be liable under various federal, state and local laws and regulations for environmental contamination at off-site facilities where our waste has been disposed of, regardless of whether the waste was disposed of in compliance with environmental requirements.

Environmental and safety requirements may become stricter or be interpreted and applied more strictly in the future. In addition, we may be required to indemnify other parties for adverse environmental conditions that are now unknown to us. These future changes or interpretations, or the indemnification for such adverse environmental conditions, could result in environmental compliance or remediation costs not anticipated by us, which could have a material adverse effect on our business, financial condition or results of operations.

We may encounter substantial competition in our efforts to expand our operations.

A key element of our growth strategy is to continue to expand by opening new rental branches. The success of our growth strategy depends in part on identifying sites for new branches at attractive prices. Zoning restrictions often prevent us from being able to open new branches at sites we have identified. We may also encounter substantial competition in our efforts to acquire new sites or in any efforts we may make to acquire other equipment rental companies, which may limit the number of acquisition opportunities and lead to higher acquisition costs. We may not have the financial resources necessary to open any new branches or complete any acquisitions in the future or the ability to obtain the necessary funds on satisfactory terms or at all.

In the past when we have opened new branches, we have attracted talented salespeople who have terminated their employment with other rental equipment companies to work for us. We believe there has been a trend recently for equipment rental companies to seek noncompetition agreements when they hire salespeople. This trend may hinder our ability to attract talented salespeople to work at new branches, which could prevent us from opening new branches at sites we have identified or result in our failure to realize the expected benefits from any new branch we open.

If we are unable to obtain additional capital as required, we may be unable to fund the capital outlays required for the success of our business, including those relating to purchasing equipment and to new rental branches. If we are successful in our efforts to expand our operations, it may result in significant transaction expenses and risks associated with entering new markets.

Our ability to compete, sustain our growth and expand our operations through new branches largely depends on access to capital. If the cash we generate from our business, together with cash on hand and cash that we may borrow under our Amended Credit Facility ("credit facility"), is not sufficient to implement our growth strategy and meet our capital needs, we will require additional financing. However, we may not succeed in obtaining additional financing on terms that are satisfactory to us or at all. In addition, our ability to obtain additional financing is restricted by both the indenture governing our outstanding 9¼% second priority, senior secured notes due 2013 (our "notes") and our credit facility. If we are unable to obtain sufficient additional capital in the future, we may be unable to fund the capital outlays required for the success of our business, including those relating to purchasing equipment and to new rental branches. In addition, any additional indebtedness that we do incur may make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures.

The opening of any new branches or the completion of any future acquisitions of other equipment rental companies may result in significant start-up or transaction expenses and risks associated with entering new markets in which we have limited or no experience. New rental branches, in particular, require significant capital expenditures and may initially have a negative impact on our results of operations. New branches may not become profitable when projected or ever. Our ability to realize the expected benefits from any future acquisitions of other equipment rental companies depends in large part on our ability to integrate and consolidate the new operations with our existing operations in a timely and effective manner. In addition, we may fail or be unable to discover certain liabilities of any acquired business, including liabilities relating to noncompliance with environmental and occupational health and safety laws and regulations. Any significant diversion of management's attention from our existing operations, the loss of key employees or customers of any acquired business, or any major difficulties encountered in opening new branches or integrating new operations could have a material adverse effect on our business, financial condition or results of operations.

We are controlled by one shareholder. His interests may conflict with the interests of the holders of our notes.

Don F. Ahern, our President and Chief Executive Officer, beneficially owns 97% of our outstanding common stock. John Paul Ahern, Jr., Don F. Ahern's brother, owns the remaining 3% of our outstanding common stock. As a result, Don F. Ahern controls the outcome of matters submitted to a shareholder vote. Circumstances may occur in which the interests of Don F. Ahern, as our majority shareholder, could conflict with the interests of our creditors, including the holders of our notes.

We purchase a significant amount of our equipment from a small number of manufacturers. Termination of our relationship with any of those manufacturers could have a material adverse effect on our business because we may be unable to obtain adequate rental and sales equipment from other sources in a timely manner or at all.

We purchase most of our rental and sales equipment from a small number of original equipment manufacturers. For example, we acquired from JLG Industries, Inc. more than 30% of all rental equipment we purchased in 2005. Although we believe we have alternative sources of supply for the rental and sales equipment we purchase in each of our principal product categories, termination of our relationship with any of these major suppliers could have a material adverse effect on our business, financial condition or results of operations if we were unable to obtain adequate rental and sales equipment from other sources in a timely manner or at all.

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

The market value of any piece of rental equipment could be less than its depreciated value at the time it is sold, in which case, that sale would result in a loss. The market value of used rental equipment depends on several factors, including:

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

The cost of new equipment we use in our rental fleet is increasing, and therefore we may spend significantly more for replacement equipment.

The cost of new equipment used in our rental fleet increased in 2005 and is continuing to increase in 2006. These cost increases are due primarily to:

- a significant increase in the cost of steel, which is a primary material used in most of the equipment we rent;
- the manufacturers of equipment operating at full capacity with long lead-times for orders and therefore commanding higher prices; and
- the prices for new equipment were comparatively lower in recent years due to an oversupply of equipment in the rental equipment marketplace and reduced construction and industrial activity.

Although we do not anticipate these price increases to have a significant impact on our financial condition and results of operations in the near term, these increases could materially adversely impact our financial condition and results of operations in future periods.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

By unanimous written consent effective February 23, 2006, the shareholders of the Company elected each of the following directors to serve until the next annual meeting of shareholders and until his successor is duly elected and qualified:

Don F. Ahern
Howard L. Brown
Evan B. Ahern
Mark J. Wattles
P. Enoch Stiff

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certifications of Chief Executive Officer Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certifications of Chief Financial Officer Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	Certifications of Chief Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certifications of Chief Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 9, 2006.

AHERN RENTALS, INC.

By: /s/ HOWARD L. BROWN

Howard L. Brown
Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

I, Don F. Ahern, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ahern Rentals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2006

/s/ DON F. AHERN
Don F. Ahern
Chief Executive Officer

I, Howard L. Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ahern Rentals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2006

/s/ HOWARD L. BROWN
Howard L. Brown
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Don F. Ahern, Chief Executive Officer, in connection with the Quarterly Report on Form 10-Q of Ahern Rentals, Inc. for the quarterly period ended March 31, 2006 (the "Report"), hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ahern Rentals, Inc.

/s/ DON F. AHERN

Don F. Ahern
Chief Executive Officer
Dated: May 9, 2006

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Howard L. Brown, Chief Financial Officer, in connection with the Quarterly Report on Form 10-Q of Ahern Rentals, Inc. for the quarterly period ended March 31, 2006 (the "Report"), hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ahern Rentals, Inc.

/s/ HOWARD L. BROWN

Howard L. Brown
Chief Financial Officer
Dated: May 9, 2006
