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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2007

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 333-130841

NEFF RENTAL LLC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

3750 N.W. 87th Avenue, Suite 400

Miami, Florida

(Address of principal executive offices)

11-3753649

(I.R.S. Employer
Identification No.)

33178

(Zip Code)

(305) 513-3350

(Registrant's telephone number, including area code)

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. (Check one):

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

NEFF RENTAL LLC
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

NEFF RENTAL LLC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 59	\$ 158
Accounts receivable, net of allowance for doubtful accounts of \$1,320 in 2007 and \$1,589 in 2006	45,145	49,357
Inventories	1,716	1,617
Rental equipment, net	346,199	318,446
Property and equipment, net	29,262	21,391
Goodwill	8,714	8,726
Deferred tax asset, net	3,182	3,774
Prepaid expenses and other assets	17,046	17,163
Total assets	<u>\$ 451,323</u>	<u>\$ 420,632</u>
LIABILITIES AND CAPITAL DEFICIT		
Liabilities		
Accounts payable	\$ 13,774	\$ 4,498
Accrued expenses	33,381	20,958
Credit facility	170,800	163,500
11¼% second priority senior secured notes	245,000	245,000
13% senior subordinated notes, net of unamortized discount of \$2,743 in 2007 and \$2,812 in 2006 (including related party balances of \$72,428 in 2007 and \$72,364 in 2006)	77,257	77,188
Total liabilities	<u>540,212</u>	<u>511,144</u>
Commitments and contingencies		
Capital deficit		
Members' deficit	(88,889)	(90,512)
Total liabilities and capital deficit	<u>\$ 451,323</u>	<u>\$ 420,632</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NEFF RENTAL LLC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	For the Three Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
Revenues		
Rental revenues	\$62,352	\$61,876
Equipment sales	14,599	11,993
Parts and service	3,471	3,791
Total revenues	<u>80,422</u>	<u>77,660</u>
Cost of revenues		
Cost of equipment sold	10,062	8,662
Depreciation of rental equipment	15,131	13,954
Maintenance of rental equipment	17,470	17,359
Cost of parts and service	2,154	2,262
Total cost of revenues	<u>44,817</u>	<u>42,237</u>
Gross profit	<u>35,605</u>	<u>35,423</u>
Other operating expenses		
Selling, general and administrative expenses	18,957	17,726
Other depreciation and amortization	1,754	1,370
Total other operating expenses	<u>20,711</u>	<u>19,096</u>
Income from operations	<u>14,894</u>	<u>16,327</u>
Other expenses		
Interest expense (including related party interest of \$2,502 in 2007 and \$2,495 in 2006)	12,627	11,847
Amortization of debt issue costs	536	469
Total other expenses	<u>13,163</u>	<u>12,316</u>
Income before income taxes	1,731	4,011
Income taxes	(717)	—
Net income	<u>\$ 1,014</u>	<u>\$ 4,011</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NEFF RENTAL LLC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Three months Ended March 31,	
	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Net income	\$ 1,014	\$ 4,011
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,885	15,324
Amortization of debt issue costs	536	469
Gain on sale of equipment	(4,536)	(3,331)
Provision for bad debt	11	22
Stock compensation expense	609	599
Deferred income taxes	592	—
Changes in operating assets and liabilities:		
Accounts receivable	4,201	2,285
Inventories and other assets	(437)	(640)
Accounts payable and accrued expenses	15,432	19,437
Net cash provided by operating activities	<u>34,307</u>	<u>38,176</u>
Cash Flows from Investing Activities		
Purchases of rental equipment	(46,680)	(58,975)
Proceeds from sale of equipment	14,599	11,993
Purchases of property and equipment	(9,625)	(4,721)
Net cash used in investing activities	<u>(41,706)</u>	<u>(51,703)</u>
Cash Flows from Financing Activities		
Borrowings under credit facility	7,300	13,527
Net cash provided by financing activities	<u>7,300</u>	<u>13,527</u>
Net decrease in cash and cash equivalents	(99)	—
Cash and cash equivalents, beginning of period	158	33
Cash and cash equivalents, end of period	<u>\$ 59</u>	<u>\$ 33</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NEFF RENTAL LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BASIS OF PRESENTATION

Neff Rental LLC and its wholly-owned subsidiaries (“Neff LLC” or the “Company”) own and operate equipment rental locations throughout the southern and western regions of the United States. The Company also sells used equipment, parts and merchandise and provides ongoing repair and maintenance services. The Company is a wholly-owned subsidiary of its parent, Neff Corp. (the “Parent”).

The condensed consolidated balance sheet as of December 31, 2006 has been derived from the Company’s audited financial statements. The condensed consolidated interim financial statements as of March 31, 2007 and for the three months ended March 31, 2007 and 2006 are unaudited. However, in our opinion, these unaudited condensed consolidated financial statements reflect all adjustments which are necessary for a fair presentation of our financial position, results of operations and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial reporting. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and the related notes thereto for the year ended December 31, 2006, included in the Financial Statements section of Form 10-K filed by the Company with the United States Securities and Exchange Commission (“SEC”) on March 26, 2007. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results which may be reported for the year ending December 31, 2007.

All intercompany transactions and balances have been eliminated in consolidation.

As a limited liability company with a single owner that has not elected to be taxed as a corporation, the Company is treated as a disregarded entity for federal and state income tax reporting purposes. As a disregarded entity, the Company is not subject to income taxes. Rather, the Company’s income tax basis and results of operations flow through and are included in the tax return of its sole member, the Parent, and income taxes are allocated to the Company on a separate return basis.

The Merger

On March 31, 2007, the Parent entered into an Agreement and Plan of Merger (the “Merger Agreement”) with LYN Holdings LLC, a Delaware limited liability company (the “Buyer”), LYN Holdings Corp., a Delaware corporation and direct, wholly-owned subsidiary of the Buyer (“Holdings”), and LYN Acquisition Corp., a Delaware corporation and direct, wholly-owned subsidiary of Holdings (“Merger Sub”), pursuant to which, among other things, the Parent will be acquired for aggregate merger consideration to the Parent’s stockholders and optionholders of approximately \$409.0 million less transaction expenses payable by the Parent. In addition to the merger consideration, the existing indebtedness of the Parent and the Company will be repaid. Under the terms of the Merger Agreement, Merger Sub will merge with and into the Parent with the Parent continuing as the surviving corporation and an indirect, wholly-owned subsidiary of the Buyer (the “Merger”). The Buyer, Holdings and Merger Sub are controlled by private investment funds affiliated with Lightyear Capital LLC. The Board of Directors of the Parent recommended the approval of the Merger Agreement and the Merger to the

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1—BASIS OF PRESENTATION (Continued)

stockholders of the Parent, and the stockholders of the Parent approved the Merger Agreement and the Merger by unanimous written consent in lieu of a meeting in accordance with Delaware law.

At the effective time of the Merger, each outstanding share of the Class A Common Stock of the Parent, other than any shares owned by the Parent, the Buyer, Holdings or Merger Sub and shares owned by stockholders who are entitled to and who properly exercise appraisal rights under Delaware law, will be cancelled and converted into the right to receive a specific amount in cash.

The Buyer, Holdings and Merger Sub have obtained equity and debt financing commitments for the transactions contemplated by the Merger Agreement, the aggregate proceeds of which will be sufficient for the Buyer, Holdings and Merger Sub to pay the aggregate merger consideration, repay existing indebtedness of the Parent and all of its subsidiaries (including the Company's 11¼% Second Priority Senior Secured Notes due 2012 (the "11¼% Notes"), the Company's 13% Senior Subordinated Notes due 2013 (the "13% Notes" and, together with the 11¼% Notes, the "Securities") and Neff Rental, Inc.'s ABL credit facility (the "Credit Facility")) and pay the Buyer's, Holdings' and Merger Sub's fees and expenses related to the Merger. These equity and debt financing commitments are subject to customary conditions. Consummation of the Merger is subject to various conditions, including the Buyer, Holdings or Merger Sub having obtained an aggregate of \$732.5 million of debt financing pursuant to the terms of the debt financing commitments, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the absence of the occurrence of a material adverse effect on our Parent and its subsidiaries and other customary closing conditions. The parties expect to close the transaction during the second quarter of 2007.

The foregoing summary of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement attached as Exhibit 2.1 to the Company's report on Form-8-K, filed with the SEC on April 2, 2007.

As a result of the Merger, if and when it occurs, Neff LLC will become an indirect, wholly-owned subsidiary of the Buyer.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the unaudited condensed consolidated financial statements including the valuation of rental equipment and other long-lived assets, the valuation of accounts receivable and the valuation of deferred tax assets. Management relies on historical experience and other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ from those estimates.

Recognition of Revenue

The Company recognizes revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred, (iii) the price is fixed or determinable, and (iv) collectability is probable.

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1—BASIS OF PRESENTATION (Continued)

Rental revenues in the unaudited condensed consolidated statements of operations include revenue earned on equipment rentals and rental equipment pick-up and delivery fees. Revenue earned on equipment rentals is recognized as earned over the contract period which may be daily, weekly or monthly. Revenue earned on rental equipment pick-up and delivery fees is recognized at the time the services are provided.

Revenue from the sale of equipment and parts is recognized at the time of delivery to, or pick-up by, the customer and when all obligations under the sales contract have been fulfilled. Service revenues are recognized at the time the services are provided.

Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Stock-based Compensation

During the three months ended March 31, 2007 and 2006, stock compensation expense related to the Company's stock-based compensation awards was \$0.6 million and \$0.6 million, respectively. During the three months ended March 31, 2007 and 2006, no stock-based awards were granted, forfeited, or exercised.

Segment Reporting

The Company's operations consist of the rental and sale of equipment, and parts and services in five geographical operating segments. Each of the Company's regions have been aggregated into one reportable segment because they offer similar products and services in similar markets and have similar economic characteristics. The Company operates primarily in the United States and had minimal international sales for any of the periods presented. No single customer accounted for more than 10% of the Company's total revenues in any of the periods presented.

Fair Value of Financial Instruments

The fair market value of financial instruments held by the Company are based on a variety of factors and assumptions and may not necessarily be representative of the actual gains or losses that will be realized in the future and do not include expenses that could be incurred in an actual sale or settlement of such financial instruments.

New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 provides guidance relative to the recognition, derecognition and measurement of tax positions for financial statement purposes. The standard also requires expanded disclosures. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company adopted the provisions of FIN 48 on January 1, 2007. As of January 1, 2007 and March 31, 2007, the Company had no material unrecognized tax benefits and no adjustments to its financial position, results of operations or cash flows were required. The Company does not expect that unrecognized tax benefits will increase within the next twelve months. In the event the Company were to recognize interest and penalties

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1—BASIS OF PRESENTATION (Continued)

related to uncertain tax positions, it would be recognized in the financial statements as income tax expense. Tax years 2003 through 2006 and 2002 through 2006 are subject to examination by the federal and state taxing authorities, respectively. There are no income tax examinations currently in process.

In September 2006, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements”, (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined, and companies may be required to provide additional disclosures based on that hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the impact adoption of SFAS 157 may have on its results of operations, financial position or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”, (“SFAS 159”). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact adoption of SFAS 159 may have on its results of operations, financial position or cash flows.

NOTE 2—SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	For the Three months Ended March 31,	
	2007	2006
	(in thousands)	
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 3,105	\$ 2,332
Cash paid for rental equipment additions:		
Total fleet additions	\$52,947	\$ 67,564
Less amounts included in accounts payable and accrued expenses at March 31,	(6,891)	(12,134)
Add amounts included in accounts payable and accrued expenses at December 31 of prior year	624	3,545
Cash payments made for rental equipment additions	\$46,680	\$ 58,975

NOTE 3—ACQUISITION

On May 18, 2006, the Company acquired River City Connections, Inc., a rental equipment business with two locations in Sacramento, California, for \$17.1 million after giving effect to post-closing purchase price adjustments. The purchase was funded through borrowings on the Credit Facility. The acquired company was immediately merged with and into Valley Rents and Ready Mix, Inc. (“Valley Rents”), a Delaware corporation, which remained as the surviving entity and a wholly-owned subsidiary of Neff Rental, Inc. Valley Rents subsequently became a co-guarantor of the Credit Facility, 11¼% Notes and 13% Notes. On December 22, 2006 Valley Rents was merged into Neff Rental, Inc., with Neff Rental, Inc. remaining as the surviving entity.

The purchase price of \$17.1 million was allocated to the assets acquired, mainly rental equipment, and liabilities assumed based on their estimated fair values at the date of acquisition. The excess purchase price

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3—ACQUISITION (Continued)

over the fair values of assets acquired and liabilities assumed of \$8.7 million was allocated to goodwill. In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets,” goodwill is no longer amortized, but is tested at least annually for impairment. The allocation of the purchase price to the identifiable intangible assets acquired in these unaudited condensed consolidated financial statements is preliminary until the Company obtains final information regarding their fair values.

The results of operations of the acquired business have been included in the Company’s unaudited condensed consolidated statements of operations since the acquisition date and did not have a material impact on the Company’s results of operations. The pro forma results of operations, assuming the acquisition took place at the beginning of the periods presented, were not significantly different from the Company’s reported results of operations.

NOTE 4—SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING FINANCIAL INFORMATION

On July 8, 2005, the Company issued the 11¼% Notes, and assumed the obligations of the Parent as issuer of the 13% Notes (collectively, the “Securities”). Neff Finance Corp (“Neff Finance”) is the co-issuer of the Securities and Neff Rental, Inc. is a guarantor of the Securities. Both Neff Finance and Neff Rental, Inc. are direct, 100% owned subsidiaries of Neff LLC. The obligations of Neff Finance and Neff Rental, Inc. in respect of the Securities are full and unconditional. The obligations of Neff Finance are joint and several with Neff LLC, and the obligations of Neff Rental, Inc. are joint and several with all future guarantors in respect of the Securities.

The Company conducts substantially all of its business through, and derives all of its income from, its operating subsidiary, Neff Rental, Inc. Therefore, the Company’s ability to make required principal and interest payments with respect to its indebtedness depends on the earnings of its subsidiaries and its ability to receive funds from its subsidiaries through dividend and other payments. Neff Rental, Inc. is subject to various financial and restrictive covenants under its Credit Facility that limit its ability to distribute cash to Neff LLC. However, the Credit Facility expressly allows distributions of cash in connection with regularly scheduled payments of principal and interest and certain other amounts in respect of the Securities.

Neff Finance has no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Securities. Its only assets are its nominal capitalization of \$1.00, and thus, the Company has not presented separate financial statements and other disclosures concerning Neff Finance.

In accordance with criteria established under Rule 3-10(f) of Regulation S-X under the Securities Act of 1933, as amended, the following tables present unaudited condensed consolidating financial information of (a) the Parent, in its capacity as predecessor to Neff LLC, a co-issuer of the Securities (collectively, the “Parent”) and (b) Neff Rental, Inc. (the “Guarantor Subsidiary”), in its capacity as guarantor of the Securities:

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

**SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2007
(in thousands)**

	Guarantor Subsidiary	Parent	Eliminations	Condensed Consolidated
ASSETS				
Cash and cash equivalents	\$ 59	\$ —	\$ —	\$ 59
Accounts receivable, net	45,145	—	—	45,145
Inventories	1,716	—	—	1,716
Rental equipment, net	346,199	—	—	346,199
Property and equipment, net	29,262	—	—	29,262
Investment in subsidiaries	—	14,534	(14,534)	—
Goodwill	8,714	—	—	8,714
Deferred tax asset, net	3,182	—	—	3,182
(Due to) from affiliates	(220,363)	220,363	—	—
Prepaid expenses and other assets	7,399	9,647	—	17,046
Total assets	\$ 221,313	\$244,544	\$(14,534)	\$451,323
LIABILITIES AND CAPITAL DEFICIT				
Liabilities				
Accounts payable	\$ 13,774	\$ —	\$ —	\$ 13,774
Accrued expenses	22,205	11,176	—	33,381
Credit facility	170,800	—	—	170,800
11¼% second priority senior secured notes	—	245,000	—	245,000
13% senior subordinated notes	—	77,257	—	77,257
Total liabilities	206,779	333,433	—	540,212
Capital deficit				
Members' deficit	—	(88,889)	—	(88,889)
Additional paid-in capital	37,498	—	(37,498)	—
Accumulated deficit	(22,964)	—	22,964	—
Total capital deficit	14,534	(88,889)	(14,534)	(88,889)
Total liabilities and capital deficit	\$ 221,313	\$244,544	\$(14,534)	\$451,323

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

**SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2006
(in thousands)**

	<u>Guarantor Subsidiary</u>	<u>Parent</u>	<u>Eliminations</u>	<u>Condensed Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 158	\$ —	\$ —	\$ 158
Accounts receivable, net	49,357	—	—	49,357
Inventories	1,617	—	—	1,617
Rental equipment, net	318,446	—	—	318,446
Property and equipment, net	21,391	—	—	21,391
Investment in subsidiaries	—	3,040	(3,040)	—
Goodwill	8,726	—	—	8,726
Deferred tax asset, net	3,774	—	—	3,774
(Due to) from affiliates	(220,361)	220,361	—	—
Prepaid expenses and other assets	7,203	9,960	—	17,163
Total assets	<u>\$ 190,311</u>	<u>\$ 233,361</u>	<u>\$ (3,040)</u>	<u>\$ 420,632</u>
LIABILITIES AND CAPITAL DEFICIT				
Liabilities				
Accounts payable	\$ 4,498	\$ —	\$ —	\$ 4,498
Accrued expenses	19,273	1,685	—	20,958
Credit facility	163,500	—	—	163,500
11¼% second priority senior secured notes	—	245,000	—	245,000
13% senior subordinated notes	—	77,188	—	77,188
Total liabilities	<u>187,271</u>	<u>323,873</u>	<u>—</u>	<u>511,144</u>
Capital deficit				
Members' deficit	—	(90,512)	—	(90,512)
Additional paid-in capital	36,889	—	(36,889)	—
Accumulated deficit	(33,849)	—	33,849	—
Total capital deficit	<u>3,040</u>	<u>(90,512)</u>	<u>(3,040)</u>	<u>(90,512)</u>
Total liabilities and capital deficit	<u>\$ 190,311</u>	<u>\$ 233,361</u>	<u>\$ (3,040)</u>	<u>\$ 420,632</u>

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

**SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(in thousands)**

	<u>Guarantor Subsidiary</u>	<u>Parent</u>	<u>Eliminations</u>	<u>Condensed Consolidated</u>
Revenues				
Rental revenues	\$62,352	\$ —	\$ —	\$62,352
Equipment sales	14,599	—	—	14,599
Parts and service	3,471	—	—	3,471
Total revenues	<u>80,422</u>	<u>—</u>	<u>—</u>	<u>80,422</u>
Cost of revenues				
Cost of equipment sold	10,062	—	—	10,062
Depreciation of rental equipment	15,131	—	—	15,131
Maintenance of rental equipment	17,470	—	—	17,470
Costs of parts and service	2,154	—	—	2,154
Total cost of revenues	<u>44,817</u>	<u>—</u>	<u>—</u>	<u>44,817</u>
Gross profit	<u>35,605</u>	<u>—</u>	<u>—</u>	<u>35,605</u>
Other operating expenses				
Selling, general and administrative expenses	18,957	—	—	18,957
Other depreciation and amortization	1,754	—	—	1,754
Total other operating expenses	<u>20,711</u>	<u>—</u>	<u>—</u>	<u>20,711</u>
Income from operations	<u>14,894</u>	<u>—</u>	<u>—</u>	<u>14,894</u>
Other expenses				
Interest expense	3,067	9,560	—	12,627
Amortization of debt issue costs	225	311	—	536
Total other expenses	<u>3,292</u>	<u>9,871</u>	<u>—</u>	<u>13,163</u>
Income (loss) before income taxes and equity earnings in subsidiaries	11,602	(9,871)	—	1,731
Income taxes	(717)	—	—	(717)
Equity earnings in subsidiaries	—	10,885	(10,885)	—
Net income	<u>\$10,885</u>	<u>\$ 1,014</u>	<u>\$(10,885)</u>	<u>\$ 1,014</u>

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

**SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(in thousands)**

	<u>Guarantor Subsidiary</u>	<u>Parent</u>	<u>Eliminations</u>	<u>Condensed Consolidated</u>
Revenues				
Rental revenues	\$61,876	\$ —	\$ —	\$61,876
Equipment sales	11,993	—	—	11,993
Parts and service	3,791	—	—	3,791
Total revenues	<u>77,660</u>	<u>—</u>	<u>—</u>	<u>77,660</u>
Cost of revenues				
Cost of equipment sold	8,662	—	—	8,662
Depreciation of rental equipment	13,954	—	—	13,954
Maintenance of rental equipment	17,359	—	—	17,359
Costs of parts and service	2,262	—	—	2,262
Total cost of revenues	<u>42,237</u>	<u>—</u>	<u>—</u>	<u>42,237</u>
Gross profit	<u>35,423</u>	<u>—</u>	<u>—</u>	<u>35,423</u>
Other operating expenses				
Selling, general and administrative expenses	17,726	—	—	17,726
Other depreciation and amortization	1,370	—	—	1,370
Total other operating expenses	<u>19,096</u>	<u>—</u>	<u>—</u>	<u>19,096</u>
Income from operations	<u>16,327</u>	<u>—</u>	<u>—</u>	<u>16,327</u>
Other expenses				
Interest expense	2,296	9,551	—	11,847
Amortization of debt issue costs	211	258	—	469
Total other expenses	<u>2,507</u>	<u>9,809</u>	<u>—</u>	<u>12,316</u>
Income (loss) before equity earnings in subsidiaries ...	13,820	(9,809)	—	4,011
Equity earnings in subsidiaries	—	13,820	(13,820)	—
Net income	<u>\$13,820</u>	<u>\$ 4,011</u>	<u>\$(13,820)</u>	<u>\$ 4,011</u>

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2007

(in thousands)

	<u>Guarantor Subsidiary</u>	<u>Parent</u>	<u>Eliminations</u>	<u>Condensed Consolidated</u>
Cash Flows from Operating Activities				
Net income	\$ 10,885	\$ 1,014	\$(10,885)	\$ 1,014
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	16,885	—	—	16,885
Amortization of debt issue costs	225	311	—	536
Gain on sale of equipment	(4,536)	—	—	(4,536)
Provision for bad debt	11	—	—	11
Stock compensation expense	609	—	—	609
Equity earnings in subsidiaries	—	(10,885)	10,885	—
Deferred income taxes	592	—	—	592
Changes in operating assets and liabilities:				
Accounts receivable	4,201	—	—	4,201
Inventories and other assets	(437)	—	—	(437)
Accounts payable and accrued expenses	5,941	9,491	—	15,432
Net cash provided by (used in) operating activities	<u>34,376</u>	<u>(69)</u>	<u>—</u>	<u>34,307</u>
Cash Flows from Investing Activities				
Purchases of rental equipment	(46,680)	—	—	(46,680)
Proceeds from sale of equipment	14,599	—	—	14,599
Purchases of property and equipment	(9,625)	—	—	(9,625)
Net cash used in investing activities	<u>(41,706)</u>	<u>—</u>	<u>—</u>	<u>(41,706)</u>
Cash Flows from Financing Activities				
Borrowings under credit facility	7,300	—	—	7,300
Due to (from) affiliates	(69)	69	—	—
Net cash provided by financing activities	<u>7,231</u>	<u>69</u>	<u>—</u>	<u>7,300</u>
Net decrease in cash and cash equivalents	(99)	—	—	(99)
Cash and cash equivalents, beginning of period	158	—	—	158
Cash and cash equivalents, end of period	<u>\$ 59</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 59</u>

NEFF RENTAL LLC AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

SUPPLEMENTAL UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2006

(in thousands)

	<u>Guarantor Subsidiary</u>	<u>Parent</u>	<u>Eliminations</u>	<u>Consensed Consolidated</u>
Cash Flows from Operating Activities				
Net income	\$ 13,820	\$ 4,011	\$(13,820)	\$ 4,011
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	15,324	—	—	15,324
Amortization of debt issue costs	211	258	—	469
Gain on sale of equipment	(3,331)	—	—	(3,331)
Provision for bad debt	22	—	—	22
Stock compensation expense	599	—	—	599
Equity earnings in subsidiaries	—	(13,820)	13,820	—
Changes in operating assets and liabilities:				
Accounts receivable	2,285	—	—	2,285
Inventories and other assets	(429)	(211)	—	(640)
Accounts payable and accrued expenses	9,946	9,491	—	19,437
Net cash provided by (used in) operating activities	<u>38,447</u>	<u>(271)</u>	<u>—</u>	<u>38,176</u>
Cash Flows from Investing Activities				
Purchases of rental equipment	(58,975)	—	—	(58,975)
Proceeds from sale of equipment	11,993	—	—	11,993
Purchases of property and equipment	(4,721)	—	—	(4,721)
Net cash used in investing activities	<u>(51,703)</u>	<u>—</u>	<u>—</u>	<u>(51,703)</u>
Cash Flows from Financing Activities				
Borrowings under credit facility	13,527	—	—	13,527
Due to (from) affiliates	(271)	271	—	—
Net cash provided by financing activities	<u>13,256</u>	<u>271</u>	<u>—</u>	<u>13,527</u>
Net change in cash and cash equivalents	—	—	—	—
Cash and cash equivalents, beginning of period	33	—	—	33
Cash and cash equivalents, end of period	<u>\$ 33</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33</u>

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

References in this section to “us” or “we” refer to Neff Rental LLC (“Neff LLC” or the “Company”) and its wholly-owned subsidiaries.

Overview

Founded in 1988, we are the eighth largest equipment rental company in the United States, according to Rental Equipment Register. We have 66 branches located primarily in the sunbelt states, and we rent a broad variety of construction and industrial equipment, including earthmoving, material handling, aerial, compaction and related equipment. In addition to our rental business, we sell our used rental equipment, new equipment, parts and other supplies and provide maintenance, repair and other services that supplement our rental activities. We are a wholly-owned subsidiary of our parent, Neff Corp. (our “Parent”).

Our revenues are affected primarily by the rental rates we can charge for our equipment, the amount of rental fleet we have available for rent, the timing of sale of our used equipment and the general economic conditions in the geographic regions in which we operate, particularly conditions affecting the non-residential construction industry.

We divide our total revenues into the following three categories:

- *Rental revenues.* This category includes rental revenues and related revenues such as the fees we charge for the pickup and delivery of equipment, damage waivers and other surcharges.
- *Equipment sales.* This category includes revenues from the sale of our used rental equipment as well as sales of new equipment to our customers.
- *Parts and service.* This category includes revenues from customers for the repair of damaged rental equipment and fuel as well as from the sale of complementary parts, supplies and merchandise to our customers in conjunction with our equipment rental and sales business.

On March 31, 2007, our Parent entered into an Agreement and Plan of Merger (the “Merger Agreement”) with LYN Holdings LLC, a Delaware limited liability company (the “Buyer”), LYN Holdings Corp., a Delaware corporation and direct, wholly-owned subsidiary of the Buyer (“Holdings”), and LYN Acquisition Corp., a Delaware corporation and direct, wholly-owned subsidiary of Holdings (“Merger Sub”), pursuant to which, among other things, the Parent will be acquired for aggregate merger consideration to the Parent’s stockholders and optionholders of approximately \$409.0 million less transaction expenses payable by the Parent. In addition to the merger consideration, our existing indebtedness will be repaid. Under the terms of the Merger Agreement, Merger Sub will merge with and into the Parent with the Parent continuing as the surviving corporation and an indirect, wholly-owned subsidiary of the Buyer (the “Merger”). The Buyer, Holdings and Merger Sub are controlled by private investment funds affiliated with Lightyear Capital LLC. The Board of Directors of the Parent recommended the approval of the Merger Agreement and the Merger to the stockholders of the Parent, and the stockholders of our Parent approved the Merger Agreement and the Merger by unanimous written consent in lieu of a meeting in accordance with Delaware law.

At the effective time of the Merger, each outstanding share of the Class A Common Stock of the Parent, other than any shares owned by the Parent, the Buyer, Holdings or Merger Sub and shares owned by stockholders who are entitled to and who properly exercise appraisal rights under Delaware law, will be cancelled and converted into the right to receive a specific amount in cash.

The Buyer, Holdings and Merger Sub have obtained equity and debt financing commitments for the transactions contemplated by the Merger Agreement, the aggregate proceeds of which will be sufficient for the Buyer, Holdings and Merger Sub to pay the aggregate merger consideration, repay existing

indebtedness of the Parent and all of its subsidiaries (including our 11¼% Second Priority Senior Secured Notes due 2012 (the “11¼% Notes”), our 13% Senior Subordinated Notes due 2013 (the “13% Notes” and, together with the 11¼% Notes, the “Notes”) and Neff Rental, Inc.’s ABL credit facility (the “Credit Facility”)) and pay the Buyer’s, Holdings’ and Merger Sub’s fees and expenses related to the Merger. These equity and debt financing commitments are subject to customary conditions. Consummation of the Merger is subject to various conditions, including the Buyer, Holdings or Merger Sub having obtained an aggregate of \$732.5 million of debt financing pursuant to the terms of the debt financing commitments, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the absence of the occurrence of a material adverse effect on our Parent and its subsidiaries and other customary closing conditions. The parties expect to close the transaction during the second quarter of 2007.

The foregoing summary of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement attached as Exhibit 2.1 to our report on Form-8-K, filed with the SEC on April 2, 2007.

As a result of the Merger, if and when it occurs, we will become an indirect, wholly-owned subsidiary of the Buyer.

Revenues

Our rental revenues are affected by several factors including the amount and quality of our equipment available for rent, rental rates, the mix and the amount of equipment. Our revenues are also affected by weather as well as general economic conditions, in particular, conditions affecting the non-residential construction industry.

Revenues from the sale of used and new 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. Parts and service revenues, including the sale of parts, supplies and maintenance and repair services, are affected by the amount of rental activity, prices we are able to charge, service volumes and general economic activity.

Dollar Utilization

One of the performance measures that we use to analyze our operating performance is “dollar utilization.” Dollar utilization for any period is the ratio, expressed as a percentage, of our “net rental revenues” generated from our rental fleet, divided by the “average monthly original cost” of our rental fleet, including both owned and leased equipment, during such period. Net rental revenues generated from our rental fleet are calculated as total rental revenues less rental revenues from the rental of equipment that we rent from third parties and then “re-rent” to our customers, which we refer to as “re-rent revenue.” Monthly original cost for each month is calculated as the average of the original cost of our rental fleet, including cost of equipment under lease, on the first and last day of that month.

Management uses dollar utilization to measure the interaction of changes in our rental rates, the mix of equipment on rent and the percentage of equipment on rent, each of which affects our equipment rental revenues. However, dollar utilization is a statistic that is not financial in nature or a measure of performance or liquidity in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, while management believes dollar utilization provides useful additional information about our business, dollar utilization should not be considered in isolation or as a substitute for comparable U.S. GAAP financial measures. In addition, our presentation of dollar utilization may not be directly comparable to that of other companies in our industry.

As illustrated in the table below, dollar utilization for the three months ended March 31, 2007 and 2006, was 46.6% and 50.5%, respectively:

	Three Months Ended	
	March 31,	
	<u>2007</u>	<u>2006</u>
	(in thousands)	
Total rental revenues	\$ 62,352	\$ 61,876
Re-rent revenues	<u>(1,350)</u>	<u>(1,369)</u>
Net rental revenues(a)	\$ 61,002	\$ 60,507
Average monthly original cost(b)(c)	\$526,158	\$479,578
Dollar utilization(d)	46.6%	50.5%

- (a) Amounts are annualized when determining dollar utilization for periods of less than 12 months. Accordingly, annualized net rental revenues for the three months ended March 31, 2007 and 2006 are \$244,946 and \$242,028, respectively.
- (b) Average monthly original cost includes the cost of equipment held in the rental fleet under operating leases.
- (c) Average monthly original cost for each period is presented as the average of the monthly original cost computations for each of the months in the periods presented.
- (d) Dollar utilization is calculated as net rental revenues divided by average monthly original cost.

Cost of Revenues

Our cost of revenues consist primarily of the following:

- depreciation costs relating to our rental equipment;
- the cost of repairing and maintaining our rental equipment, including parts and supplies, outside repairs, operating lease payments, personnel costs and casualty insurance premiums and claims expense; and
- the net book value of the items we sell, including new and used equipment and parts, and costs to provide services.

Operating Expenses

Operating expenses include all selling, general and administrative expenses and other amortization and depreciation. Selling, general and administrative expenses include sales force compensation, managerial and administrative payroll, marketing costs, professional fees, telecommunication costs, facility costs and taxes. Other amortization and depreciation primarily consists of depreciation of non-rental fleet equipment such as delivery vehicles, sales vehicles, leasehold improvements and office equipment.

Business Cycles and Seasonality

Our operating results are subject to annual and seasonal fluctuations resulting from a variety of factors, including overall economic conditions and construction activity in the geographic regions we serve. These factors include increases in the competitive supply of rental equipment, the number of our significant competitors and seasonal rental patterns resulting in lower rental activity by our customers during the winter. Thus, the results of any period are not necessarily indicative of the results that may be expected from any other period.

Capital Expenditures

Our business is capital intensive. We own a substantial percentage of the equipment we rent to our customers. The amount of equipment we purchase is significant as we replace aging equipment and expand the amount of the rental fleet at our existing branch locations. Historically, we have financed our equipment primarily through cash from operations, net proceeds from the sale of our used rental equipment, operating leases and borrowings under our existing credit facilities and other long-term debt.

Current Business Environment and Outlook

We operate in a competitive and capital-intensive business environment. The participants in our industry consist of national, regional and local rental companies, certain original equipment manufacturers and their dealers and national home improvement store chains. The equipment rental industry is highly cyclical and its revenues are closely tied to general economic conditions and to conditions in the non-residential construction industry in particular. Beginning in the second half of 2003 and continuing through the present, the non-residential construction market has been increasing which in turn has had a positive impact on the equipment rental industry. We believe that the rental industry will continue to benefit from the secular shift from owning to renting equipment and continuing growth in non-residential construction industry conditions. According to FMI, a leading industry research source, total U.S. non-residential construction spending is projected to grow by 8.6% in 2007 and at a compounded annual growth rate of 7.6% through 2010. However, macroeconomic factors that effect the U.S. non-residential construction industry and the rental equipment market are outside of our control, and we cannot assure you that the improvement in our operating results that we have experienced will continue in future periods.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP. Our critical accounting policies are those that are both most important to our financial condition and results of operations and require the most difficult, subjective or complex judgments on the part of management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Because of the uncertainty of factors surrounding the estimates or judgments used in the preparation of the consolidated financial statements, actual results may vary from these estimates. We believe that the following discussion represents our critical accounting policies.

Revenue Recognition

Rental contracts are structured as operating leases entered into at the time our customer takes delivery of the equipment and revenues are recognized as they are earned over the rental period. As a result of our billing and rental cycles, there are a certain number of rental contracts entered into during a reporting period that are not billed to customers by the end of such reporting period. We identify each rental contract that has not been billed at the end of such period and calculate and record the corresponding amount of revenue to the reporting period in which the contract was entered into.

Revenue from the sale of equipment and parts is recognized at the time of delivery to, or pick-up by, the customer and when all obligations under the sales contract have been fulfilled. Service revenues are recognized at the time the services are provided.

Useful Lives and Salvage Value of Rental Equipment

Rental equipment is stated at original cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful life of the related equipment (generally two to seven years with estimated 10-20% residual values). Routine repairs and maintenance are expensed as incurred; improvements are capitalized at cost.

We routinely review the assumptions utilized in computing rates of depreciation of our rental equipment. Changes to the assumptions (such as the length of service lives and/or the amount of residual values) are made when, in the opinion of management, such changes are necessary to more appropriately allocate asset costs to operations over the service life of the assets. Management utilizes, among other factors, historical experience and industry comparisons in determining the propriety of any such changes. We may be required to change these estimates based on changes in our industry, end-markets or other circumstances. If these estimates change in the future, we may be required to recognize increased or decreased depreciation expense for these assets.

Betterment of Assets

We charge ordinary maintenance and repair costs, such as repair costs related to equipment damage caused by a customer and preventive maintenance, to operations as incurred. Costs incurred to extend the useful life, increase efficiency or increase capacity of rental equipment are capitalized and include rebuilding tracks and undercarriages, filling pneumatic tires with foam, adding truck bodies to bare chassis and installing safety devices.

Valuation of Long-Lived Assets

We review the valuation of our long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Our asset impairment review assesses the fair value of the assets based on the future cash flows we believe the assets are expected to generate. An impairment loss is recognized when these estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. This approach uses our estimates of future market growth, revenue and costs, as well as the expected periods the assets will be utilized. These estimates and assumptions may prove to be inaccurate due to factors such as changes in economic conditions, our business prospects or other circumstances. If these estimates change in the future, we may be required to recognize write-downs of our long-lived assets.

Impairment of Goodwill

Goodwill is no longer amortized, but instead is reviewed for impairment annually or more frequently if events indicate a decline in fair value below its carrying value. This means that we must determine whether the fair value of the goodwill, calculated in accordance with applicable accounting standards, is at least equal to the recorded value on our balance sheet. If the fair value of the goodwill is less than the recorded value, we are required to write-off the excess goodwill as an operating expense.

Determination of the amount of impairment is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations."

Income Taxes

As a limited liability company with a single owner that has not elected to be taxed as a corporation, the Company is treated as a disregarded entity for federal and state income tax reporting purposes. As a disregarded entity, the Company is not subject to income taxes. Rather, the Company's income tax basis

results of operations flow through and are included in the tax return of its member, the Parent, and income taxes are allocated to the Company on a separate return basis.

We account for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Developing our provision for income taxes requires significant judgment regarding the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets.

Valuation of Accounts Receivable

We evaluate the collectibility of our receivables based on a combination of factors. We regularly analyze our customer accounts. When we become aware of a specific customer's inability to meet its financial obligations to us, such as in the case of bankruptcy or deterioration in the customer's operating results or financial position, we record a specific reserve for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record reserves for bad debt for all other customers based on a variety of factors including the length of time the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, we may determine that an increase to the allowance is required. Additionally, if actual collections of accounts receivable differ from the estimates we used to determine our allowance, we will increase or decrease, as applicable, the allowance through charges or credits to selling, general and administrative expenses in the unaudited condensed consolidated statement of operations for the period in which such changes in collection become known. If conditions change in future periods, additional allowances or reversals may be required.

Reserve for Claims

We are exposed to various claims relating to our business. These may include claims relating to motor vehicle accidents involving our delivery and service personnel, employment related claims and claims relating to personal injury or death caused by equipment rented or sold. We establish reserves for reported claims that are asserted against us and the claims that we believe have been incurred but not reported. These reserves reflect our estimates of the amounts that we will be required to pay in connection with these claims, net of insurance recoveries. Our estimate of reserves is based on an actuarial reserve analysis that takes into consideration the probability of losses and our historical payment experience related to claims settlements. These estimates may change based on, among other things, changes in our claims history or receipt of additional information relevant to assessing the claims. Accordingly, we may increase or decrease our reserves for claims, and such changes could be significant.

Results of Operations

Three months ended March 31, 2007 Compared with Three months ended March 31, 2006

The following table illustrates our operating activity for the three months ended March 31, 2007 and 2006.

	<u>Three Months Ended March 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
	(dollars in thousands)		
Revenues			
Rental revenues	\$62,352	\$61,876	0.8%
Equipment sales	14,599	11,993	21.7
Parts and service	<u>3,471</u>	<u>3,791</u>	(8.4)
Total revenues	<u>80,422</u>	<u>77,660</u>	3.6
Cost of revenues			
Cost of equipment sold	10,062	8,662	16.2
Depreciation of rental equipment	15,131	13,954	8.4
Maintenance of rental equipment	17,470	17,359	0.6
Costs of parts and service	<u>2,154</u>	<u>2,262</u>	(4.8)
Total cost of revenues	<u>44,817</u>	<u>42,237</u>	6.1
Gross profit	<u>35,605</u>	<u>35,423</u>	0.5
Other operating expenses			
Selling, general and administrative expenses	18,957	17,726	7.0
Other depreciation and amortization	<u>1,754</u>	<u>1,370</u>	28.0
Total other operating expenses	<u>20,711</u>	<u>19,096</u>	8.5
Income from operations	<u>14,894</u>	<u>16,327</u>	(8.8)
Other expenses			
Interest expense	12,627	11,847	6.6
Other non-operating expense, net	<u>536</u>	<u>469</u>	14.3
Total other expenses	<u>13,163</u>	<u>12,316</u>	6.9
Income before income taxes	1,731	4,011	(56.8)
Income taxes	<u>(717)</u>	<u>—</u>	n/m
Net income	<u>\$ 1,014</u>	<u>\$ 4,011</u>	(74.7)

n/m means the percentage change is not meaningful.

Total Revenues. Total revenues for the three months ended March 31, 2007 increased 3.6% to \$80.4 million from \$77.7 million for the three months ended March 31, 2006. The components of our revenues are discussed below:

Rental Revenues. Rental revenues for the three months ended March 31, 2007 increased 0.8% to \$62.4 million from \$61.9 million for the three months ended March 31, 2006. The increase in rental revenues was primarily due to increases in rental rates and the size of our rental fleet. For the three months ended March 31, 2007, we estimate that our rental rates increased 2.2%. A decrease in the percentage of equipment on rent, partially offset by increased rental rates, led to a decrease in dollar utilization to 46.6% for the three months ended March 31, 2007 from 50.5% for the three months ended March 31, 2006. The decrease in the percentage of equipment on rent was due to a decrease in hurricane related cleanup activity for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. As of March 31, 2007, our average rental fleet value at original cost, including cost of equipment under lease, increased to \$526.2 million from \$479.6 million as of March 31, 2006. Total rental

revenues at locations open for more than one year decreased 0.9% for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. Rental revenues decreased to 77.5% of total revenues for the three months ended March 31, 2007 from 79.7% of total revenues for the three months ended March 31, 2006.

Equipment Sales. Equipment sales revenue for the three months ended March 31, 2007 increased 21.7% to \$14.6 million from \$12.0 million for the three months ended March 31, 2006. The increase in equipment sales is due to the decision by management to sell more equipment during the period. Equipment sales increased to 18.2% of total revenues for the three months ended March 31, 2007 from 15.4% of total revenues for the three months ended March 31, 2006.

Parts and Service. Revenues from the sales of parts and service for the three months ended March 31, 2007 decreased 8.4% to \$3.5 million from \$3.8 million for the three months ended March 31, 2006. The decrease in parts and service revenue was primarily due to the continued replacement of older equipment with new equipment resulting in less revenue generated by parts and service. Parts and service revenue decreased slightly to 4.3% of total revenues for the three months ended March 31, 2007 from 4.9% of total revenues for the three months ended March 31, 2006.

Cost of Equipment Sold. Costs associated with the sale of rental equipment increased 16.2% to \$10.1 million for the three months ended March 31, 2007 from \$8.7 million for the three months ended March 31, 2006, primarily as a result of the increase in the amount of equipment sales.

Depreciation of Rental Equipment. Depreciation of rental equipment for the three months ended March 31, 2007 increased 8.4% to \$15.1 million from \$14.0 million for the three months ended March 31, 2006. The increased depreciation expense of rental equipment is primarily due to the increase in size of our average rental fleet which increased by 9.7% from March 31, 2006 to March 31, 2007.

Maintenance of Rental Equipment. Maintenance costs associated with our rental equipment increased 0.6% to \$17.5 million for the three months ended March 31, 2007 from \$17.4 million for the three months ended March 31, 2006.

Cost of Parts and Service. Costs associated with our parts and service revenues decreased 4.8% to \$2.2 million for the three months ended March 31, 2007 from \$2.3 million for the three months ended March 31, 2006, primarily as a result of decreased volume of parts and service revenue.

Gross Profit. Gross profit for the three months ended March 31, 2007 increased 0.5% to \$35.6 million or 44.3% of total revenues from \$35.4 million or 45.6% of total revenues for the three months ended March 31, 2006. The increase in gross profit was primarily due to an increase in equipment sales gross profit of \$1.2 million.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended March 31, 2007 increased 7.0% to \$19.0 million from \$17.7 million for the three months ended March 31, 2006. The increase in selling, general and administrative expenses is primarily due to increased payroll and payroll related expenses as a result of increases in salaries and incentive compensation. Selling, general and administrative expenses increased slightly to 23.6% of total revenues for the three months ended March 31, 2007 from 22.8% of total revenues for the three months ended March 31, 2006.

Other Depreciation and Amortization. Other depreciation and amortization expense (which relates to non-rental equipment) for the three months ended March 31, 2007 increased 28.0% to \$1.8 million from \$1.4 million for the three months ended March 31, 2006. The increase is due to increased levels of property and equipment.

Income from Operations. Income from operations for the three months ended March 31, 2007 decreased 8.8% to \$14.9 million from \$16.3 million for the three months ended March 31, 2006, primarily

as a result of the foregoing reasons. Income from operations decreased to 18.5% of total revenues for the three months ended March 31, 2007 from 21.0% of total revenues for the three months ended March 31, 2006.

Interest Expense. Interest expense for the three months ended March 31, 2007 increased 6.6% to \$12.6 million from \$11.9 million for the three months ended March 31, 2006. The increase is primarily due to increased borrowings to fund the acquisition of River City Connections, Inc. (“Valley Rents”), and the increase in rental fleet, as well as higher interest rates on those borrowings.

Other non-operating expense, net. Other non-operating expense, net represents amortization of debt issuance costs. Other non-operating expense, net for the three months ended March 31, 2007 increased 14.3% to \$0.5 million.

Net Income. For the reasons described above, net income for the three months ended March 31, 2007 decreased 74.7% to \$1.0 million from \$4.0 million for the three months ended March 31, 2006.

Liquidity and Capital Resources

During the three months ended March 31, 2007, our operating activities provided net cash flow of \$34.3 million as compared to \$38.2 million for the three months ended March 31, 2006. The decrease is attributable primarily to decreased net income.

Cash used in investing activities was \$41.7 million for the three months ended March 31, 2007 as compared to \$51.7 million for the three months ended March 31, 2006. The decrease in cash used in investing activities was primarily due to decreased purchases of rental equipment in comparison to 2006. We received cash proceeds from the sale of equipment assets of \$14.6 million for the three months ended March 31, 2007 and \$12.0 million for the three months ended March 31, 2006.

Net cash provided by financing activities was \$7.3 million for the three months ended March 31, 2007 as compared to \$13.5 million for the three months ended March 31, 2006. The change in cash from financing activities was primarily due to the reduced level of equipment purchases from 2006.

Our primary sources of liquidity continue to be cash flow from operations and borrowings under the Credit Facility. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

In 2005, the Company issued \$245.0 million in aggregate principal amount of the 11¼% Notes and \$80.0 million in aggregate principal amount of the 13% Notes. During 2005, the Company also entered into the Credit Facility which provides for aggregate borrowings of up to \$225.0 million, subject to a borrowing base formula. As of March 31, 2007, borrowings under the Credit Facility totaled \$170.8 million and \$45.3 million was available for additional borrowings. The Credit Facility extends to 2010.

The Credit Facility contains various restrictive covenants. It limits us from prepaying other indebtedness, including the Notes, and it requires us to obtain rental equipment appraisals on a quarterly basis. In addition, the Credit Facility restricts our ability to incur indebtedness or liens, make investments or declare or pay any dividends. The indentures governing the Notes, among other things and subject to certain exceptions: (i) limits our ability and the ability of our subsidiary to incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments and enter into certain transactions with affiliates and (ii) places restrictions on our ability and the ability of our subsidiary to merge or consolidate with any other person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of our assets.

Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 provides guidance relative to the recognition, derecognition and measurement of tax positions for financial statement purposes. The standard also requires expanded disclosures. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We adopted the provisions of FIN 48 on January 1, 2007. As of January 1, 2007 and March 31, 2007 we had no material unrecognized tax benefits and no adjustments to our financial position, results of operations or cash flows were required. We do not expect that unrecognized tax benefits will increase within the next twelve months. In the event we were to recognize interest and penalties related to uncertain tax positions, it would be recognized in the financial statements as income tax expense. Tax years 2003 through 2006 and 2002 through 2006 are subject to examination by the federal and state taxing authorities, respectively. There are no income tax examinations currently in process.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined and companies may be required to provide additional disclosures based on that hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact adoption of SFAS 157 may have on our unaudited condensed consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”, (“SFAS 159”). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact adoption of SFAS 159 may have on our unaudited condensed consolidated financial statements.

Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “foresee,” “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

- cyclical or seasonality affecting our or our customers’ industries;
- a significant decline in non-residential construction and industrial spending;
- competitive factors in the industries in which we operate;

- a significant increase in the costs associated with our equipment fleet, including the cost of new equipment and the cost of maintenance of existing equipment, as well as the timing of capital expenditures;
- exposure to liability claims which may exceed the level of our insurance or not be covered at all;
- environmental and occupational health and safety regulations;
- the termination of one or more relationships with our suppliers;
- our reliance on complex information systems;
- our inability to obtain additional capital as required;
- the loss of key members of our senior management team;
- our inability to make timely deliveries to our customers;
- the costs associated with the requirements of being a reporting company under the Securities Exchange Act of 1934;
- conflicts between the interests of our financial sponsor, which has the power to control our affairs and policies, and the interests of the holders of the Securities, such as the pursuit of acquisitions that could enhance the equity investments of our sponsor but involve risk to the holders of the Securities as our creditors;
- our substantial indebtedness; and
- our ability to identify and consummate acquisitions and to integrate any acquired business.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements. For further information about these and other risks and uncertainties, see Item 1A, Risk Factors, in our 10-K filed with the SEC on March 26, 2007.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included herein are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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 increase. The fair value of the Credit Facility is assumed to be equal to its carrying value, as interest rates approximate market rates. As of March 31, 2007, the 11¼% Notes had a face value of \$245.0 million and an estimated fair value of \$271.3 million, based on quoted market prices. The estimated fair value of the 13% Notes as of March 31, 2007 was \$77.3 million, which approximates the carrying value. As of March 31, 2007, the 13% Notes were recorded net of \$2.7 million of unamortized discount.

At March 31, 2007, we had fixed rate debt of \$322.3 million and variable rate debt of \$170.8 million. Holding debt levels constant, a one percentage point increase in interest rates would decrease the fair market value of our fixed rate debt by approximately \$12.0 million and increase annual interest expense for our variable rate debt by approximately \$1.7 million.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, or the “Exchange Act”) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of March 31, 2007, we had carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

(b) Changes in internal controls.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

There have been no material changes with respect to this item from the disclosures included in our filing on form 10-K, filed with the SEC on March 26, 2007.

Item 1A. Risk Factors.

There have been no material changes with respect to this item from the disclosures included in our filing on form 10-K, filed with the SEC on March 26, 2007.

Item 6. Exhibits.

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
2.1	Agreement and Plan of Merger, dated as of March 31, 2007, by and among Neff Corp., LYN Holdings LLC, LYN Holdings Corp. and LYN Acquisition Corp. (previously filed as Exhibit 2.1 to the Company's Report on Form 8-K, filed with the Securities and Exchange Commission on April 2, 2007 and incorporated herein by reference)
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.
*32.1	Section 906 Certifications of Juan Carlos Mas (Chief Executive Officer) and Mark H. Irion (Chief Financial Officer) furnished in accordance with Securities Act Release 33-8212.

* Filed herewith

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.

NEFF RENTAL LLC

Date: May 1, 2007

/s/ JUAN CARLOS MAS

Juan Carlos Mas
Chief Executive Officer

Date: May 1, 2007

/s/ MARK IRION

Mark Irion
Executive Vice President and
Chief Financial Officer

CERTIFICATIONS

I, Juan Carlos Mas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neff Rental LLC;
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 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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 reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 1, 2007

/s/ JUAN CARLOS MAS

Juan Carlos Mas,
Chief Executive Officer

CERTIFICATIONS

I, Mark Irion, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neff Rental LLC;
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 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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 reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 1, 2007

/s/ MARK IRION

Mark Irion
Executive Vice President and
Chief Financial Officer

CERTIFICATION OF PERIODIC REPORT

The undersigned, Chief Executive Officer and President and Executive Vice President and Chief Financial Officer of Neff Rental LLC (the "Company"), each hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2007

/s/ JUAN CARLOS MAS

Juan Carlos Mas,
Chief Executive Officer

/s/ MARK IRION

Mark Irion
Executive Vice President and
Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to Neff Rental LLC and will be retained by Neff Rental LLC and furnished to the Securities and Exchange Commission or its staff upon request.]