HERTZ GLOBAL HOLDINGS INC
Form 10-Q
November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

OR

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

Commission File Number 001-33139

HERTZ GLOBAL HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**20-3530539**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

225 Brae Boulevard
Park Ridge, New Jersey 07656-0713
(201) 307-2000
(Address, including Zip Code, and telephone number, including area code, of Registrant's principal executive offices)

Not Applicable
(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 ý No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer ý Accelerated filer o Smaller reporting company o

Non-accelerated filer o
(Do not check if a
smaller reporting
company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

There were 409,739,273 shares of the Registrant's common stock, par value $0.01 per share, issued and outstanding as of November 3, 2009.

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

ITEM l. Condensed Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of Hertz Global Holdings, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Hertz Global Holdings, Inc. and its subsidiaries as of September 30, 2009, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2009 and September 30, 2008 and the consolidated statements of cash flows for the nine month periods ended September 30, 2009 and September 30, 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated balance sheet and the related consolidated interim statements of operations and of cash flows for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, the related consolidated statements of operations, of stockholders' equity and of cash flows for the year then ended (not presented herein), and in our report dated March 3, 2009, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 1 to the accompanying condensed consolidated balance sheet and the related consolidated interim statements of operations and of cash flows, the Company changed its method of accounting for noncontrolling interests in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification 810. The accompanying December 31, 2008 condensed consolidated balance sheet reflects this change.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
November 6, 2009

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands of Dollars)

Unaudited

	September 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 926,717	$ 594,266
Restricted cash	404,658	731,373
Receivables, less allowance for doubtful accounts of $21,486 and $16,572	1,266,926	1,911,084
Inventories, at lower of cost or market	99,274	96,187
Prepaid expenses and other assets	312,900	286,712
Revenue earning equipment, at cost:		
Cars	8,463,129	7,635,402
Less accumulated depreciation	(1,306,016)	(1,133,946)
Other equipment	2,558,009	2,708,254
Less accumulated depreciation	(664,897)	(518,172)
Total revenue earning equipment	9,050,225	8,691,538
Property and equipment, at cost:		
Land, buildings and leasehold improvements	1,023,722	1,033,098
Service equipment	810,390	751,925
	1,834,112	1,785,023
Less accumulated depreciation	(644,029)	(530,463)
Total property and equipment	1,190,083	1,254,560
Other intangible assets, net	2,620,289	2,621,586
Goodwill	285,588	264,061
Total assets	$ 16,156,660	$ 16,451,367
LIABILITIES AND EQUITY		
Accounts payable	$ 747,326	$ 931,336
Accrued liabilities	986,540	1,137,874
Accrued taxes	92,702	128,360
Debt	10,348,381	10,972,297
Public liability and property damage	294,748	311,352
Deferred taxes on income	1,566,054	1,481,866
Total liabilities	14,035,751	14,963,085
Commitments and contingencies (Note 15)		
Equity:		
Hertz Global Holdings Inc. and Subsidiaries stockholders' equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 409,645,364 and 322,987,299 shares issued	4,096	3,230
Preferred Stock, $0.01 par value, 200,000,000 shares authorized, no shares issued		

Additional paid-in capital		3,135,299		2,503,819
Accumulated deficit		(1,031,415)		(936,296)
Accumulated other comprehensive loss		(4,243)		(100,135)
Total Hertz Global Holdings, Inc. and Subsidiaries stockholders' equity		2,103,737		1,470,618
Noncontrolling interest		17,172		17,664
Total equity		2,120,909		1,488,282
Total liabilities and equity	$	16,156,660	$	16,451,367

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

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands of Dollars, except per share data)

Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenues:				
Car rental	$ 1,724,887	$ 1,946,136	$ 4,436,691	$ 5,339,955
Equipment rental	280,281	432,885	836,421	1,286,836
Other	36,247	42,853	87,673	109,521
Total revenues	2,041,415	2,421,874	5,360,785	6,736,312
Expenses:				
Direct operating	1,118,596	1,351,790	3,062,489	3,801,827
Depreciation of revenue earning equipment	499,050	595,016	1,468,228	1,658,715
Selling, general and administrative	179,778	234,321	488,012	595,744
Interest expense	169,294	220,077	498,238	637,151
Interest and other income, net	(1,066)	(5,490)	(52,598)	(20,450)
Total expenses	1,965,652	2,395,714	5,464,369	6,672,987
Income (loss) before income taxes	75,763	26,160	(103,584)	63,325
(Provision) benefit for taxes on income	(6,792)	(2,855)	19,873	(35,972)
Net income (loss)	68,971	23,305	(83,711)	27,353
Less: Net income attributable to noncontrolling interest	(4,443)	(5,641)	(11,408)	(16,146)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	$ 64,528	$ 17,664	$ (95,119)	$ 11,207
Weighted average shares outstanding (in thousands)				
Basic	407,364	322,886	358,452	322,599
Diluted	425,171	322,886	358,452	322,599
Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and				

Subsidiaries' common stockholders:								
Basic	$	0.16	$	0.05	$	(0.27)	$	0.03
Diluted	$	0.15	$	0.05	$	(0.27)	$	0.03

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

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

Unaudited

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008 (Note 1)
Cash flows from operating activities:		
Net income (loss)	$ (83,711)	$ 27,353
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of revenue earning equipment	1,468,228	1,658,715
Depreciation of property and equipment	119,712	131,441
Amortization of other intangible assets	50,161	49,747
Amortization of deferred financing costs	42,249	36,777
Amortization of debt discount	26,731	11,630
Stock-based compensation charges	26,603	20,303
Loss on derivatives	2,020	12,058
Amortization and ineffectiveness of cash flow hedges	52,227	7,791
Provision for losses on doubtful accounts	22,459	21,693
Asset writedowns	26,463	34,113
Deferred taxes on income	99,922	5,010
Gain on sale of property and equipment	(1,149)	(9,370)
Changes in assets and liabilities, net of effects of acquisition:		
Receivables	(25,118)	(101,462)
Inventories, prepaid expenses and other assets	(252)	(61,860)
Accounts payable	(188,137)	86,570
Accrued liabilities	(191,165)	(31,043)
Accrued taxes	(112,994)	37,760
Public liability and property damage	(27,047)	(7,307)
Net cash provided by operating activities	$ 1,307,202	$ 1,929,919

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

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands of Dollars)

Unaudited

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008 (Note 1)
Cash flows from investing activities:		
Net change in restricted cash	$ 330,627	$ 146,084
Revenue earning equipment expenditures	(5,194,514)	(8,888,941)
Proceeds from disposal of revenue earning equipment	4,162,671	6,010,267
Property and equipment expenditures	(68,970)	(152,868)
Proceeds from disposal of property and equipment	6,140	62,281
Acquisitions, net of cash acquired	(76,212)	(68,864)
Purchase of short-term investments, net	(4,169)	
Other investing activities	652	82
Net cash used in investing activities	(843,775)	(2,891,959)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	7,151	19,357
Proceeds from convertible debt offering	459,483	
Repayment of long-term debt	(814,099)	(362,776)
Short-term borrowings:		
Proceeds	324,576	391,131
Repayments	(272,559)	(302,856)
Proceeds (repayments) under the revolving lines of credit, net	(374,846)	1,294,208
Distributions to noncontrolling interest	(11,900)	(12,950)
Proceeds from sale of stock	528,758	
Proceeds from exercise of stock options	4,807	6,753
Proceeds from employee stock purchase plan	1,846	
Proceeds from disgorgement of stockholder short-swing profits	15	135
Payment of financing costs	(40,888)	(33,839)
Net cash provided by (used in) financing activities	(187,656)	999,163
Effect of foreign exchange rate changes on cash and cash equivalents	56,680	(35,787)
Net increase in cash and cash equivalents during the period	332,451	1,336
Cash and cash equivalents at beginning of period	594,266	730,203
Cash and cash equivalents at end of period	$ 926,717	$ 731,539
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	$ 556,932	$ 626,934
Income taxes	20,721	22,562
Supplemental disclosures of non-cash flow information:		
Purchases of revenue earning equipment included in accounts payable	$ 207,720	$ 232,045

Sales of revenue earning equipment included in receivables	358,013	842,831
Purchases of property and equipment included in accounts payable	12,629	31,153
Sales of property and equipment included in receivables	8,741	5,008

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

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Note 1 Background, Basis of Presentation and Liquidity

Background

Hertz Global Holdings, Inc., or "Hertz Holdings," is our top-level holding company. The Hertz Corporation, or "Hertz," is our primary operating company and a direct wholly-owned subsidiary of Hertz Investors, Inc., which is wholly-owned by Hertz Holdings. "We," "us" and "our" mean Hertz Holdings and its consolidated subsidiaries, including Hertz. Capitalized terms used in this Form 10-Q without definition have the meanings given in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the United States Securities and Exchange Commission, or "SEC," on March 3, 2009, or the "Form 10-K."

We are a successor to corporations that have been engaged in the car and truck rental and leasing business since 1918 and the equipment rental business since 1965. Hertz Holdings was incorporated in Delaware in 2005 and had no operations prior to the Acquisition (as defined below).

On December 21, 2005, investment funds associated with or designated by:

- Clayton, Dubilier & Rice, Inc., or "CD&R,"
- The Carlyle Group, or "Carlyle," and
- Merrill Lynch Global Private Equity, or "MLGPE,"

or collectively the "Sponsors," acquired all of Hertz's common stock from Ford Holdings LLC for aggregate consideration of $4,379 million in cash, debt refinanced or assumed of $10,116 million and transaction fees and expenses of $447 million. We refer to the acquisition of all of Hertz's common stock by the Sponsors as the "Acquisition."

In November 2006, we completed our initial public offering of 88,235,000 shares of our common stock. In June 2007, the Sponsors completed a secondary public offering of 51,750,000 shares of their Hertz Holdings common stock. In January 2009, Bank of America Corporation, or "Bank of America," acquired Merrill Lynch & Co., the parent company of MLGPE. Accordingly, Bank of America is now an indirect beneficial owner of our common stock held by MLGPE and certain of its affiliates.

2009 Hertz Holdings Offerings

In May and June 2009, we completed a follow-on public offering of 52,900,000 shares of our common stock at a price of $6.50 per share with proceeds before underwriting discounts and offering expenses of approximately $343.9 million, or the "Common Stock Public Offering."

In addition, in May 2009 we entered into subscription agreements with investment funds affiliated with CD&R and Carlyle to purchase an additional 32,101,182 shares of our common stock at a price of $6.23 per share (the same price per share paid to us by the underwriters in the Common Stock Public Offering) with proceeds to us of approximately $200.0 million, or the "Private Offering." The Private Offering closed on July 7, 2009 and the 32,101,182 shares of our common stock were issued to the CD&R and Carlyle affiliated investment funds on the same date. Giving effect to the Common Stock Public Offering and the Private Offering, the Sponsors' ownership percentage in us is approximately 51%.

In May and June 2009, we also completed a public offering of an aggregate principal amount of $474,755,000 of 5.25% convertible senior notes due 2014, or the "Convertible Debt Public Offering."

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

We used the net proceeds from the Common Stock Public Offering, the Private Offering and the Convertible Debt Public Offering, collectively the "2009 Hertz Holdings Offerings," to increase our liquidity and for general corporate purposes, including the repayment of principal amounts with respect to maturing debt under the fleet financing facilities of certain of our consolidated subsidiaries.

See Note 7 Debt and Note 11 Total Equity.

Basis of Presentation

The significant accounting policies summarized in Note 1 to our audited consolidated financial statements contained in our Form 10-K, have been followed in preparing the accompanying condensed consolidated financial statements, except for the adoption of Financial Accounting Standards Board Accounting Standards Codification, or "ASC," or "Codification," 810-10, "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51," or "ASC 810-10," ASC 805, "Business Combinations," and ASC 820-10 "Fair Value Measurements."

The December 31, 2008 condensed consolidated balance sheet data was derived from our audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America, or "GAAP."

In our opinion, all adjustments (which include only normal recurring adjustments) necessary for a fair statement of the results of operations for the interim periods have been made. Results for interim periods are not necessarily indicative of results for a full year.

Certain prior period amounts have been reclassified to conform with current reporting, including those relating to noncontrolling interests which conform with the provisions of ASC 810-10, which became effective for us in January 2009.

For all periods presented in this Report we have revised our consolidated statements of cash flows to exclude the impact of non-cash purchases and sales of revenue earning equipment and property and equipment which were included in "accounts payable" or "receivables" at the end of the period. See Note 17 in our Form 10-Q for the quarterly period ended June 30, 2009 filed with the SEC on August 7, 2009, or the "Second Quarter Form 10-Q."

Liquidity

The car and equipment rental industries are significantly influenced by general economic conditions. In the final three months of 2008 and continuing in the nine months ended September 30, 2009, both the car and equipment rental markets experienced unprecedented declines due to the precipitous slowdown in consumer spending as well as significantly reduced demand for industrial and construction equipment. The car rental industry is also significantly influenced by developments in the travel industry, and, particularly, in airline passenger traffic while the equipment rental segment is being impacted by the difficult economic and business environment as investment in commercial construction and the industrial markets slow. The United States and international markets are currently experiencing a significant decline in economic activities, including a tightening of the credit markets, reduced airline passenger traffic, reduced consumer spending and volatile fuel prices. These conditions are expected to continue through the remainder of 2009. During 2008 and the nine months ended September 30, 2009, this resulted in a rapid decline in the volume of car rental and equipment rental transactions, soft industry pricing and until only recently an increase in depreciation and fleet related costs as a percentage of revenues and lower residual values for the non-program cars and equipment that we sold.

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

"Non-program cars" mean cars not purchased under repurchase or guaranteed depreciation programs for which the car rental company is exposed to residual risk.

In response to the economic downturn, in 2008 we implemented aggressive strategic actions to reduce costs and improve liquidity. These actions included reducing wage and benefit costs through significant headcount reductions, accelerating fleet deletions and delaying additions to right-size the fleet to current demand levels and rationalizing our location footprint by closing a number of locations. We have developed additional plans for the remainder of 2009 in an effort to mitigate the impact of continued revenue declines on our results of operations, including reducing costs further through the additional headcount reductions that we announced in 2009, continuing to right-size our car and equipment rental fleet in response to the economic conditions, continued re-engineering of our processes, increasing prices and continuing to reduce the cost of acquiring our car and equipment rental fleet, among other actions.

As of September 30, 2009, we had $10,348.4 million of total indebtedness outstanding. Accordingly, we are highly leveraged and a substantial portion of our liquidity needs arise from debt service on indebtedness incurred in connection with the Acquisition and from the funding of our costs of operations and capital expenditures.

In 2009 we have also significantly addressed the fact that we had approximately $4.2 billion of our fleet debt that matures in 2010. We began addressing these liquidity needs at the end of the second quarter and the beginning of the third quarter by completing the 2009 Hertz Holdings Offerings, pursuant to which we received approximately $990 million of net proceeds, after deducting underwriting discounts and commissions and before offering expenses payable by Hertz Holdings. $200 million of the $990 million of net proceeds were received during the three months ended September 30, 2009.

On September 18, 2009, Hertz Vehicle Financing LLC, or "HVF," a bankruptcy-remote special purpose entity wholly-owned by Hertz, completed the closing of a new variable funding note facility referred to as the Series 2009-1 Variable Funding Rental Car Asset Backed Notes, or the "Series 2009-1 Notes." The facility has an expected maturity date of January 2012 and a 3 month controlled amortization period beginning in November 2011. The aggregate principal amount of such facility is $2.1 billion and such facility is available to HVF on a revolving basis until the controlled amortization period begins in November 2011. As of September 30, 2009, we had an aggregate principal amount outstanding of $300.0 million of Series 2009-1 Notes. This amount was subsequently paid in October 2009.

Immediately prior to the issuance of the Series 2009-1 Notes, HVF caused the termination of the series supplements and note purchase agreements relating to its Series 2005-3 Variable Funding Rental Car Asset Backed Notes, or the "Series 2005-3 Notes," Series 2005-4 Variable Funding Rental Car Asset Backed Notes, or the "Series 2005-4 Notes," and Series 2008-1 Variable Funding Rental Car Asset Backed Notes, or the "Series 2008-1 Notes," or the "Terminated VFNs," and caused the repayment and cancellation in full of the Terminated VFNs. The Terminated VFNs had expected final maturity dates ranging from November 2009 to November 2010 and we had an aggregate of approximately $2.0 billion of total capacity (prior to borrowing base or other limitations) under the Terminated VFNs. In effect we replaced the $2.0 billion of total capacity under the Terminated VFNs with the $2.1 billion of capacity that we have under the Series 2009-1 Notes while extending the expected final maturity date to January 2012.

In October 2009 HVF issued $1.2 billion in aggregate principal amount of new medium term notes (3 and 5 year) Series 2009-2 rental car asset backed notes, or the "Series 2009-2 Notes." The 3 year notes carry a 4.26% coupon (4.30% yield) and the 5 year notes carry a 5.29% coupon (5.35% yield) with expected

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

final maturities in 2013 and 2015, respectively. The advance rate on the notes is approximately 66%. In general, we expect to use the Series 2009-2 Notes to replace the Series 2005-1 and 2005-2 Rental Car Asset Backed Notes, or the "2005 Notes," as they mature in 2010.

Based on all that we have been able to accomplish in the first 10 months of 2009, our current availability under our various credit facilities and our business plan, we believe we have sufficient liquidity to meet our 2010 debt maturities. We still need to refinance approximately $1.7 billion of our international fleet debt that matures in December 2010 and we are currently in discussions with banks and lenders to review our refinancing options; however there can be no assurance that we will be able to refinance this indebtedness on terms comparable to our recent refinancings, or at all.

The agreements governing our corporate indebtedness require us to comply with two key covenants based on a consolidated leverage ratio and a consolidated interest expense coverage ratio. Our failure to comply with the obligations contained in any agreements governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt becoming immediately due and payable and could further result in a cross default or cross acceleration of our debt issued under other instruments. However, as a result of the above-mentioned actions and planned future actions, we believe that we will remain in compliance with our corporate debt covenants and that cash generated from operations, together with amounts available under various liquidity facilities will be adequate to permit us to meet our debt service obligations, ongoing costs of operations, working capital needs and capital expenditure requirements for the next twelve months. Our future financial and operating performance, ability to service or refinance our debt and ability to comply with covenants and restrictions contained in our corporate debt agreements will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Chrysler LLC and General Motors Bankruptcies / Financial Status of Monoline Insurance Companies

Immediately prior to Chrysler LLC's bankruptcy, less than 1% of our fleet was comprised of Chrysler LLC vehicles, so its bankruptcy filing has not had a material impact on our business, financial condition or results of operations.

General Motors filed for bankruptcy in June 2009, which we will refer to as "Old General Motors," however we do not believe that this will have a material long-term impact on our business, financial condition or results of operations, because:

- Old General Motors paid us, and New General Motors, as defined below, continues to pay us, all of the amounts owed under our repurchase programs;
- With the approval of the bankruptcy court, Old General Motors assumed the vehicle repurchase programs it has with us and assigned the repurchase programs to a newly formed company referred to as "New General Motors";
- New General Motors emerged from bankruptcy quickly; and
- The resale value of vehicles manufactured by Old General Motors has not declined following its filing.

MBIA Insurance Corporation, or "MBIA," and Ambac Corporation, or "Ambac," provide credit enhancements in the form of financial guaranties for our 2005 Notes, with each providing guaranties for approximately half of the $3.2 billion in principal amount of the 2005 Notes that was outstanding as of September 30, 2009, all of which matures in 2010.

An event of bankruptcy with respect to MBIA or Ambac between now and November 2010 would result in an amortization event under the portion of the 2005 Notes guaranteed by the affected insurer. In addition, if an amortization event continues for 30 days or longer, the noteholders of the affected series of notes would have the right to require liquidation of a portion of the fleet sufficient to repay such notes, provided that the exercise of the right was exercised by a majority of the affected noteholders.

Since MBIA and Ambac are facing financial instability, have been downgraded one or more times and are on review for further credit downgrade or under developing outlook by one or more credit agencies, we did not have the Series 2009-1 Notes or the Series 2009-2 Notes guaranteed. Accordingly, if a bankruptcy of MBIA or Ambac were to occur prior to the 2005 Notes maturing, we expect that we would use our corporate liquidity and the borrowings under or proceeds from the Series 2009-1 Notes and the Series 2009-2 Notes to pay down the amounts owed under the affected series of 2005 Notes.

Note 2 Recently Issued and/or Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board, or "FASB," issued The FASB Accounting Standards Codification. The Codification became the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On July 1, 2009, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification became nonauthoritative.

Under ASC 470-20, "Debt with Conversion and Other Options", or "ASC 470-20," cash settled convertible securities are separated into their debt and equity components. The value assigned to the debt component is the estimated fair value, as of the issuance date, of a similar debt instrument without the conversion feature, and the difference between the proceeds for the convertible debt and the amount reflected as a debt liability is recorded as additional paid-in capital. As a result, the debt is recorded at a discount reflecting its below market coupon interest rate. The debt is subsequently accreted to its par value over its expected life, with the rate of interest that reflects the market rate at issuance being reflected on the consolidated statements of operations. We applied the provisions of ASC 470-20 to the Convertible Debt Public Offering. See Note 7 Debt and Note 11 Total Equity.

In January 2009, the FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP has been incorporated into and contains amendments to ASC 715,"Compensation Retirement Benefits," or "ASC 715," that are intended to enhance the transparency surrounding the types of assets and associated risks in an employer's defined benefit pension or other postretirement plan. These particular amendments to ASC 715 will become effective for us beginning with our annual report for the period ended December 31, 2009. We will provide the required disclosure requirements beginning December 31, 2009, as required, and we do not believe it will have a material impact on our financial position or results of operations.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No 46(R)," or "SFAS No. 167." SFAS No. 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The provisions of SFAS No. 167 become effective for us on January 1, 2010, and we do not believe that they will have a material impact on our financial position or results of operations.

Note 3 Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash includes cash and cash equivalents that are not readily available for our normal disbursements. Restricted cash and cash equivalents are restricted for the purchase of revenue earning vehicles and other specified uses under our fleet debt facilities, for our like-kind exchange programs and to satisfy certain of our self-insurance regulatory reserve requirements. As of September 30, 2009 and December 31, 2008, the portion of total restricted cash that was associated with our fleet debt facilities was $282.5 million and $557.2 million, respectively. The decrease in restricted cash associated with our fleet debt of $274.7 million from December 31, 2008 to September 30, 2009, primarily related to payments to reduce fleet debt and the timing of purchases and sales of revenue earning vehicles.

Note 4 Goodwill and Other Intangible Assets

The following summarizes the changes in our goodwill for the period presented (in millions of dollars):

	Car Rental	Equipment Rental	Total
Balance as of January 1, 2009			
Goodwill	$ 307.1	$ 651.9	$ 959.0
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	264.1		264.1
Goodwill acquired during the year	13.9	2.4	16.3
Other changes during the year[1]	5.0	0.2	5.2
Balance as of September 30, 2009			
Goodwill	326.0	654.5	980.5
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	$ 283.0	$ 2.6	$ 285.6

(1) Consists of changes resulting from the translation of foreign currency denominated balances at different exchange rates from the beginning of the period to the end of the period.

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Other intangible assets, net, consisted of the following major classes (in millions of dollars):

	September 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:			
Customer-related	$ 600.7	$ (231.9)	$ 368.8
Other	56.4	(10.2)	46.2
Total	657.1	(242.1)	415.0
Indefinite-lived intangible assets:			
Trade name	2,190.0		2,190.0
Other	15.3		15.3
Total	2,205.3		2,205.3
Total other intangible assets, net	$ 2,862.4	$ (242.1)	$ 2,620.3

	December 31, 2008			
	Gross Carrying Amount	Accumulated Amortization	Impairment Charge	Net Carrying Value
Amortizable intangible assets:				
Customer-related	$ 620.2	$ (187.9)	$ (17.0)	$ 415.3
Other	10.9	(4.5)		6.4
Total	631.1	(192.4)	(17.0)	421.7
Indefinite-lived intangible assets:				
Trade name	2,624.0		(434.0)	2,190.0
Other	9.9			9.9
Total	2,633.9		(434.0)	2,199.9
Total other intangible assets, net	$ 3,265.0	$ (192.4)	$ (451.0)	$ 2,621.6

Amortization of other intangible assets for the three months ended September 30, 2009 and 2008, was approximately $16.5 million and $16.5 million, respectively, and for the nine months ended September 30, 2009 and 2008, was approximately $49.7 million and $49.7 million, respectively. Based on our amortizable intangible assets as of September 30, 2009, we expect amortization expense to be approximately $18.5 million for the remainder of 2009 and range from $59.4 million to $67.6 million for each of the next five fiscal years.

During the nine months ended September 30, 2009, we added 27 locations by acquiring former franchisees in our domestic and international car rental operations, as well as approximately 20 locations associated with our acquisition of Advantage Rent A Car and two locations related to an external acquisition done within our equipment rental operations. Total cash paid for intangible assets during the nine months ended September 30, 2009 was $50.9 million, of this amount, $45.5 million was allocated to amortizable intangible assets, primarily comprised of the tradename and concession agreements associated with the Advantage Rent A Car acquisition and technology assets associated with the acquisition of Eileo, S.A., and $5.4 million was allocated to indefinite-lived intangible assets

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associated with reacquired franchise rights during the nine months ended September 30, 2009. Each of these transactions has been accounted for using the acquisition method of accounting in accordanc