

HERTZ GLOBAL HOLDINGS INC  
Form 10-K/A  
March 01, 2010

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

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**FORM 10-K/A**

**Amendment No. 1**

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

For the fiscal year ended December 31, 2009

OR

**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**  
(State or other jurisdiction of  
incorporation or organization)

**20-3530539**  
(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)

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, Par Value \$0.01 per share	New York Stock Exchange
<b>Securities registered pursuant to Section 12(g) of the Act: None</b>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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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 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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2009, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the stock on the New York Stock Exchange on such date was \$1,591,837,824.

As of February 23, 2010, 410,419,945 shares of the registrant's common stock were outstanding.

### Documents incorporated by reference:

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders scheduled for May 27, 2010 are incorporated by reference into Part III.

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**Explanatory Note**

We are filing this Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2009 which was filed with the U.S. Securities and Exchange Commission on February 26, 2010, or the "Original Filing." The sole purpose of this Amendment No. 1 is to correct a typographical error in the opinion date on the Report of Independent Registered Public Accounting Firm as presented on page 93 of the Original Filing. Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have repeated the entire text of Item 8 of the Original Filing in this Amendment No. 1. However, we have made no other changes to the Original Filing other than the correction noted above. Except as expressly set forth above, this Amendment No. 1 does not, and does not purport to, amend or restate the information in any other item of the Original Filing.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Hertz Global Holdings, Inc. and its subsidiaries at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP  
Florham Park, New Jersey  
February 26, 2010

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In Thousands of Dollars)

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 985,642	\$ 594,266
Restricted cash and cash equivalents	365,159	731,373
Receivables, less allowance for doubtful accounts of \$21,268 and \$16,572	1,325,332	1,911,084
Inventories, at lower of cost or market	93,415	96,187
Prepaid expenses and other assets	300,125	286,712
Revenue earning equipment, at cost:		
Cars	8,205,579	7,635,402
Less accumulated depreciation	(1,186,299)	(1,133,946)
Other equipment	2,582,029	2,708,254
Less accumulated depreciation	(749,724)	(518,172)
Total revenue earning equipment	8,851,585	8,691,538
Property and equipment, at cost:		
Land, buildings and leasehold improvements	1,023,891	1,033,098
Service equipment	838,906	751,925
Less accumulated depreciation	1,862,797	1,785,023
Less accumulated depreciation	(674,668)	(530,463)
Total property and equipment	1,188,129	1,254,560
Other intangible assets, net	2,597,682	2,621,586
Goodwill	295,350	264,061
Total assets	\$ 16,002,419	\$ 16,451,367
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 658,671	\$ 931,336
Accrued salaries and other compensation	465,281	437,340
Other accrued liabilities	559,541	700,534
Accrued taxes	108,356	128,360
Debt	10,364,367	10,972,297
Public liability and property damage	277,828	311,352
Deferred taxes on income	1,470,934	1,481,866
Total liabilities	13,904,978	14,963,085
Commitments and contingencies (Note 10)		
Equity:		
Hertz Global Holdings Inc. and Subsidiaries stockholders' equity		
Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 410,245,225 and 322,987,299 shares issued and outstanding	4,102	3,230
Preferred Stock, \$0.01 par value, 200,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	3,141,695	2,503,819
Accumulated deficit	(1,062,318)	(936,296)
Accumulated other comprehensive loss	(3,331)	(100,135)

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Total Hertz Global Holdings, Inc. and Subsidiaries stockholders' equity	2,080,148	1,470,618
Noncontrolling interest	17,293	17,664
Total equity	2,097,441	1,488,282
Total liabilities and equity	\$ 16,002,419	\$ 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 share and per share data)

## Years ended December 31,

	2009	2008	2007
<b>Revenues:</b>			
Car rental	\$ 5,872,905	\$ 6,730,349	\$ 6,800,657
Equipment rental	1,110,243	1,657,277	1,755,330
Other	118,359	137,429	129,644
<b>Total revenues</b>	<b>7,101,507</b>	<b>8,525,055</b>	<b>8,685,631</b>
<b>Expenses:</b>			
Direct operating	4,084,176	4,930,018	4,644,148
Depreciation of revenue earning equipment	1,931,358	2,194,164	2,003,360
Selling, general and administrative	641,148	769,632	775,881
Interest expense	680,273	869,950	916,725
Interest and other income, net	(64,439)	(24,802)	(41,303)
Impairment charges		1,168,900	
<b>Total expenses</b>	<b>7,272,516</b>	<b>9,907,862</b>	<b>8,298,811</b>
Income (loss) before income taxes	(171,009)	(1,382,807)	386,820
(Provision) benefit for taxes on income	59,666	196,847	(102,571)
Net income (loss)	(111,343)	(1,185,960)	284,249
Less: Net income attributable to noncontrolling interest	(14,679)	(20,786)	(19,690)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ (126,022)	\$ (1,206,746)	\$ 264,559
<b>Weighted average shares outstanding (in thousands)</b>			
Basic	371,456	322,701	321,185
Diluted	371,456	322,701	325,487
<b>Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders:</b>			
Basic	\$ (0.34)	\$ (3.74)	\$ 0.82
Diluted	\$ (0.34)	\$ (3.74)	\$ 0.81

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





**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In Thousands of Dollars, except share data)

	Number of Shares	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Total Equity
Balance at:								
December 31, 2006	320,618,692	\$ 3,206	\$	\$2,427,293	\$ 9,535	\$ 94,528	\$ 14,813	\$ 2,549,375
Net income attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders					264,559			264,559
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$31,294						(49,142)		(49,142)
Translation adjustment changes						126,279		126,279
Unrealized holding losses on securities, net of tax of \$7						(51)		(51)
Unrealized loss on Euro-denominated debt, net of tax of \$13,611						(20,729)		(20,729)
Defined benefit pension plans:								
Prior service cost from plan curtailment						20		20
Amortization or settlement recognition of net loss						4,048		4,048
Net gain arising during the period						21,914		21,914
Income tax related to defined pension plans						(6,360)		(6,360)
Defined benefit pension plans, net						19,622		19,622
								340,538

Total Comprehensive  
Income

Dividend payment to noncontrolling interest					(13,475)	(13,475)
Net income relating to noncontrolling interest					19,690	19,690
Stock-based employee compensation charges			32,939			32,939
Exercise of stock options	1,227,950	13	5,586			5,599
Cumulative effect of the adoption of FIN 48 (incorporated in ASC 740-10)					(3,644)	(3,644)
Common shares issued to Directors	15,441		328			328
Phantom shares issued to Directors			192			192
Proceeds from disgorgement of stockholder short-swing profits, net of tax of \$1,880			2,875			2,875
December 31, 2007	321,862,083	3,219	2,469,213	270,450	170,507	21,028
Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders					(1,206,746)	(1,206,746)
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$28,429					(44,012)	(44,012)
Translation adjustment changes					(163,359)	(163,359)
Unrealized holding gains on securities, net of tax of \$6					120	120
Unrealized gain on Euro-denominated debt, net of tax of \$5,665					12,116	12,116
Defined benefit pension plans:					505	505

Amortization or settlement recognition of net loss										
Net loss arising during the period						(114,279)		(114,279)		
Income tax related to defined pension plans						38,267		38,267		
Defined benefit pension plans, net						(75,507)		(75,507)		
Total Comprehensive Loss								(1,477,388)		
Dividend payment to noncontrolling interest						(24,150)		(24,150)		
Net income relating to noncontrolling interest						20,786		20,786		
Stock-based employee compensation charges, net of tax of \$643				27,380				27,380		
Exercise of stock options	1,086,360	11		6,743				6,754		
Common shares issued to Directors	38,856			243				243		
Phantom shares issued to Directors				150				150		
Proceeds from disgorgement of stockholder short-swing profits, net of tax of \$48				90				90		
December 31, 2008	322,987,299	\$ 3,230	\$	\$2,503,819	\$	(936,296)	\$	(100,135)	\$ 17,664	\$ 1,488,282

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

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

(In Thousands of Dollars, except share data)

	Number of Shares	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Total Equity
December 31, 2008	322,987,299	\$ 3,230	\$	\$ 2,503,819	\$ (936,296)	\$ (100,135)	\$ 17,664	\$ 1,488,282
Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders					(126,022)			(126,022)
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$25,555						39,852		39,852
Translation adjustment changes						77,528		77,528
Unrealized holding gains on securities, net of tax of \$0						(20)		(20)
Unrealized gain on Euro-denominated debt, net of tax of \$5,182						(3,509)		(3,509)
Defined benefit pension plans:								
Amortization or settlement recognition of net loss						1,132		1,132
Net loss arising during the period						(31,864)		(31,864)
Income tax related to defined pension plans						13,685		13,685
Defined benefit pension plans, net						(17,047)		(17,047)
Total Comprehensive Loss								(29,218)
Dividend payment to							(15,050)	(15,050)

noncontrolling interest									
Net income relating to noncontrolling interest						14,679		14,679	
Proceeds from sale of common stock	85,001,182	850		527,908				528,758	
Proceeds from debt offering, net of tax of \$46,204				68,140				68,140	
Employee stock purchase plan	513,638	5		2,818				2,823	
Net settlement on vesting of restricted stock				(2,219)				(2,219)	
Restricted stock grants	402,593	4		(4)					
Stock-based employee compensation charges, net of tax of \$0				35,464				35,464	
Exercise of stock options	1,158,892	12		5,330				5,342	
Common shares issued to Directors	181,621	1		245				246	
Phantom shares issued to Directors				182				182	
Proceeds from disgorgement of stockholder short-swing profits, net of tax of \$7				12				12	
December 31, 2009	410,245,225	\$ 4,102	\$	\$ 3,141,695	\$ (1,062,318)	\$	(3,331)	\$ 17,293	\$ 2,097,441

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)

Years ended December 31,

	2009	2008 (Note 1)	2007 (Note 1)
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Cash flows from operating activities:			
Net income (loss)	\$ (111,343)	\$ (1,185,960)	\$ 284,249
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of revenue earning equipment	1,931,358	2,194,164	2,003,360
Depreciation of property and equipment	159,693	172,848	177,113
Amortization of other intangible assets	66,059	66,282	62,594
Amortization and write-off of deferred financing costs	58,849	70,193	48,409
Amortization of debt discount	38,458	17,908	20,747
Debt modification costs			16,177
Gain on debt buyback	(48,472)		
Stock-based compensation charges	35,464	28,023	32,939
(Gain) loss on derivatives	418	12,058	(3,925)
Amortization and ineffectiveness of cash flow hedges	74,597	11,807	20,424
Provision for losses on doubtful accounts	27,951	31,068	13,874
Asset writedowns	36,063	93,211	
Deferred taxes on income	111,233	(234,810)	59,743
Gain on sale of property and equipment	(1,072)	(9,602)	(24,807)
Impairment charges		1,168,900	
Changes in assets and liabilities, net of effects of acquisition:			
Receivables	38,634	47,063	(2,073)
Inventories, prepaid expenses and other assets	5,568	17,956	709
Accounts payable	(227,479)	108,530	105,979
Accrued liabilities	(179,416)	(43,582)	(20,299)
Accrued taxes	(207,029)	(1,801)	10,875
Public liability and property damage	(34,536)	(20,068)	(1,405)
Net cash provided by operating activities	1,774,998	2,544,188	2,804,683
Cash flows from investing activities:			
Net change in restricted cash and cash equivalents	368,721	(71,836)	(105,856)
Revenue earning equipment expenditures	(7,527,317)	(10,150,982)	(11,157,763)
Proceeds from disposal of revenue earning equipment	6,024,940	8,511,216	9,321,823
Property and equipment expenditures	(100,701)	(193,766)	(189,954)
Proceeds from disposal of property and equipment	23,697	68,515	85,826
Acquisitions, net of cash acquired	(76,419)	(70,920)	(12,514)

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Purchase of short-term investments, net	(3,492)		
Other investing activities	828	(488)	(362)
Net cash used in investing activities	(1,289,743)	(1,908,261)	(2,058,800)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	1,200,896	22,565	9,903
Proceeds from convertible debt offering	459,483		
Repayment of long-term debt	(1,149,876)	(860,515)	(996,203)
<b>Short-term borrowings:</b>			
Proceeds	364,065	396,679	695,000
Repayments	(351,773)	(374,333)	(695,000)
Proceeds (repayments) under the revolving lines of credit, net	(1,126,099)	198,761	295,229
Distributions to noncontrolling interest	(15,050)	(24,150)	(13,475)
Proceeds from the sale of common stock	528,758		
Proceeds from employee stock purchase plan	2,400		
Net settlement on vesting of restricted stock	(2,219)		
Proceeds from exercise of stock options	5,342	6,754	5,599
Proceeds from disgorgement of stockholder short-swing profits	19	138	4,755
Payment of financing costs	(45,017)	(61,223)	(39,895)
Net cash used in financing activities	(129,071)	(695,324)	(734,087)
Effect of foreign exchange rate changes on cash and cash equivalents	35,192	(76,540)	43,858
Net change in cash and cash equivalents during the period	391,376	(135,937)	55,654
Cash and cash equivalents at beginning of period	594,266	730,203	674,549
Cash and cash equivalents at end of period	\$ 985,642	\$ 594,266	\$ 730,203
<b>Supplemental disclosures of cash flow information:</b>			
<b>Cash paid during the period for:</b>			
Interest (net of amounts capitalized)	\$ 635,153	\$ 763,953	\$ 814,059
Income taxes	31,321	33,408	28,293
<b>Supplemental disclosures of non-cash flow information:</b>			
Purchases of revenue earning equipment included in accounts payable	\$ 141,039	\$ 347,581	\$ 421,886
Sales of revenue earning equipment included in receivables	537,862	1,025,832	731,993
Purchases of property and equipment included in accounts payable	38,210	19,490	34,582
Sales of property and equipment included in receivables	5,229	2,452	30,543

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





**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 Summary of Significant Accounting Policies**

***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.

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 was incorporated in Delaware in 1967. Ford Motor Company, or "Ford," acquired an ownership interest in Hertz in 1987. Prior to this, Hertz was a subsidiary of UAL Corporation (formerly Allegis Corporation), which acquired Hertz's outstanding capital stock from RCA Corporation in 1985. Hertz Holdings was incorporated in Delaware in 2005 and had no operations prior to the Acquisition (as defined below).

On December 21, 2005, or the "Closing Date," 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, or "Ford Holdings," 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." Following our initial public offering in November 2006 and subsequent offerings in June 2007, May 2009 and June 2009, the Sponsors currently own approximately 51% of the common stock of Hertz Holdings.

**2009 Hertz Holdings Offerings**

In January 2009, Bank of America Corporation, or "Bank of America," acquired Merrill Lynch & Co., Inc., 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.

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."

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

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

liquidity and for general corporate purposes, including the repayment of principal amounts with respect to debt under the fleet financing facilities of certain of our consolidated subsidiaries.

**Liquidity**

The car and equipment rental industries are significantly influenced by general economic conditions. In the final three months of 2008 and throughout 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 into 2010. During 2008 and 2009, this resulted in a rapid decline in the volume of car rental and equipment rental transactions, soft industry pricing and lower residual values for the non-program cars and equipment that we sold. "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. In an effort to mitigate the impact of continued revenue declines on our results of operations, we reduced costs further through the additional headcount reductions.

As of December 31, 2009, we had \$10,364.4 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 raised new capital intended to fund the 2010 fleet debt maturities as they occur. 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.

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.

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

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 (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 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 accomplished in 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 \$1.2 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.

**Basis of Presentation**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Hertz Holdings and our wholly-owned and majority-owned domestic and international subsidiaries. All significant intercompany transactions have been eliminated.

*Use of Estimates and Assumptions*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or "GAAP," requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the consolidated financial statements include depreciation of revenue earning equipment, reserves for litigation and other contingencies, accounting

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

for income taxes and related uncertain tax positions, pension costs valuation, useful lives and impairment of long-lived tangible and intangible assets, valuation of stock-based compensation, public liability and property damage reserves, reserves for restructuring, allowance for doubtful accounts and fair value of derivatives.

***Reclassifications***

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 2008 and 2007 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. Cash provided by operating activities for the years ended December 31, 2008 and 2007 was revised to \$2,544.2 million and \$2,804.7 million from the \$2,095.5 million and \$3,089.5 million, respectively, previously reported, while cash used for investing activities was revised to \$1,908.3 million and \$2,058.8 million from the \$1,459.6 million and \$2,343.6 million, respectively, previously reported. 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."

***Revenue Recognition***

Rental and rental-related revenue (including cost reimbursements from customers where we consider ourselves to be the principal versus an agent) are recognized over the period the revenue earning equipment is rented based on the terms of the rental or leasing contract. Revenue related to new equipment sales and consumables is recognized at the time of delivery to, or pick-up by, the customer and when collectability is reasonably assured. Fees from our licensees are recognized over the period the underlying licensees' revenue is earned (over the period the licensees' revenue earning equipment is rented).

Sales tax amounts collected from customers have been recorded on a net basis.

***Cash and Cash Equivalents and Other***

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

In our Consolidated Statements of Cash Flows, we net cash flows from revolving borrowings in the line item "Proceeds (repayments) under the revolving lines of credit, net." The contractual maturities of such borrowings may exceed 90 days in certain cases.

***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents 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 Program, or "LKE Program," and to satisfy certain of our self-insurance regulatory reserve requirements. As of December 31, 2009 and 2008, the portion of total restricted cash and cash equivalents that was associated with our Fleet Debt facilities was \$295.0 million and \$557.2 million, respectively. The decrease in restricted cash and cash equivalents associated with our fleet debt of

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

\$262.2 million from December 31, 2008 to December 31, 2009, primarily related to payments to reduce fleet debt and the timing of purchases and sales of revenue earning vehicles.

**Receivables**

Receivables are stated net of allowances for doubtful accounts, and represents credit extended to manufacturers and customers that satisfy defined credit criteria. The estimate of the allowance for doubtful accounts is based on our historical experience and our judgment as to the likelihood of ultimate payment. Actual receivables are written-off against the allowance for doubtful accounts when we determine the balance will not be collected. Bad debt expense is reflected as a component of Selling, general and administrative in our consolidated statements of operations.

**Depreciable Assets**

The provisions for depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Revenue Earning Equipment:	
Cars	4 to 24 months
Other equipment	24 to 108 months
Buildings	8 to 50 years
Capitalized internal use software	1 to 15 years
Service cars and service equipment	1 to 25 years
Other intangible assets	3 to 15 years
Leasehold improvements	The shorter of their economic lives or the lease term.

We follow the practice of charging maintenance and repairs, including the cost of minor replacements, to maintenance expense accounts. Costs of major replacements of units of property are capitalized to property and equipment accounts and depreciated on the basis indicated above. Gains and losses on dispositions of property and equipment are included in income as realized. When revenue earning equipment is acquired, we estimate the period that we will hold the asset, primarily based on historical measures of the amount of rental activity (e.g., automobile mileage and equipment usage) and the targeted age of equipment at the time of disposal. We also estimate the residual value of the applicable revenue earning equipment at the expected time of disposal. The residual values for rental vehicles are affected by many factors, including make, model and options, age, physical condition, mileage, sale location, time of the year and channel of disposition (e.g., auction, retail, dealer direct). The residual value for rental equipment is affected by factors which include equipment age and amount of usage. Depreciation is recorded on a straight-line basis over the estimated holding period. Depreciation rates are reviewed on a quarterly basis based on management's ongoing assessment of present and estimated future market conditions, their effect on residual values at the time of disposal and the estimated holding periods. Market conditions for used vehicle and equipment sales can also be affected by external factors such as the economy, natural disasters, fuel prices and incentives offered by manufacturers of new cars. These key factors are considered when estimating future residual values and assessing depreciation rates. As a result of this ongoing assessment, we make periodic adjustments to depreciation rates of revenue earning equipment in response to changed market conditions. Upon disposal of revenue earning equipment, depreciation expense is adjusted for the difference between the net proceeds received and the remaining net book value.

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Environmental Liabilities***

The use of automobiles and other vehicles is subject to various governmental controls designed to limit environmental damage, including that caused by emissions and noise. Generally, these controls are met by the manufacturer, except in the case of occasional equipment failure requiring repair by us. To comply with environmental regulations, measures are taken at certain locations to reduce the loss of vapor during the fueling process and to maintain, upgrade and replace underground fuel storage tanks. We also incur and provide for expenses for the cleanup of petroleum discharges and other alleged violations of environmental laws arising from the disposition of waste products. We do not believe that we will be required to make any material capital expenditures for environmental control facilities or to make any other material expenditures to meet the requirements of governmental authorities in this area. Liabilities for these expenditures are recorded at undiscounted amounts when it is probable that obligations have been incurred and the amounts can be reasonably estimated.

***Public Liability and Property Damage***

The obligation for public liability and property damage on self-insured U.S. and international vehicles and equipment represents an estimate for both reported accident claims not yet paid, and claims incurred but not yet reported. The related liabilities are recorded on a non-discounted basis. Reserve requirements are based on actuarial evaluations of historical accident claim experience and trends, as well as future projections of ultimate losses, expenses, premiums and administrative costs. The adequacy of the liability is regularly monitored based on evolving accident claim history and insurance related state legislation changes. If our estimates change or if actual results differ from these assumptions, the amount of the recorded liability is adjusted to reflect these results.

***Pensions***

Our employee pension costs and obligations are dependent on our assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, salary growth, long-term return on plan assets, retirement rates, mortality rates and other factors. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense in such future periods. While we believe that the assumptions used are appropriate, significant differences in actual experience or significant changes in assumptions would affect our pension costs and obligations.

***Foreign Currency Translation and Transactions***

Assets and liabilities of international subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rate of exchange prevailing during the year. The related translation adjustments are reflected in "Accumulated other comprehensive loss" in the equity section of our consolidated balance sheet. As of December 31, 2009 and 2008, the accumulated foreign currency translation gain was \$132.1 million and \$54.5 million, respectively. Foreign currency gains and losses resulting from transactions are included in earnings.

***Derivative Instruments***

We are exposed to a variety of market risks, including the effects of changes in interest rates, fuel prices and foreign currency exchange rates. We manage our exposure to these market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Derivative financial instruments are viewed as risk management tools and have not

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

been used for speculative or trading purposes. In addition, derivative financial instruments are entered into with a diversified group of major financial institutions in order to manage our exposure to counterparty nonperformance on such instruments. We account for all derivatives in accordance with GAAP, which requires that all derivatives be recorded on the balance sheet as either assets or liabilities measured at their fair value. The effective portion of changes in fair value of derivatives designated as cash flow hedging instruments is recorded as a component of other comprehensive income. The ineffective portion is recognized currently in earnings within the same line item as the hedged item, based upon the nature of the hedged item. For derivative instruments that are not part of a qualified hedging relationship, the changes in their fair value are recognized currently in earnings. See Note 12 Financial Instruments.

***Income Taxes***

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Subsequent changes to enacted tax rates and changes to the global mix of earnings will result in changes to the tax rates used to calculate deferred taxes and any related valuation allowances. Provisions are not made for income taxes on undistributed earnings of international subsidiaries that are intended to be indefinitely reinvested outside the United States or are expected to be remitted free of taxes. Future distributions, if any, from these international subsidiaries to the United States or changes in U.S. tax rules may require a change to reflect tax on these amounts.

Prior to the Acquisition, Hertz and its domestic subsidiaries filed a consolidated federal income tax return with Ford. Pursuant to a tax sharing agreement, with Ford, current and deferred taxes were reported and paid to Ford, as if Hertz had filed its own consolidated tax returns with its domestic subsidiaries. The tax sharing agreement provided that Hertz was reimbursed for foreign tax credits in accordance with the utilization of those credits by the Ford consolidated tax group.

On December 21, 2005, in connection with the Acquisition, the tax sharing agreement with Ford was terminated. Upon termination, all tax payables and receivables with Ford were cancelled and neither Hertz nor Ford has any future rights or obligations under the tax sharing agreement. Hertz may be exposed to tax liabilities attributable to periods it was a consolidated subsidiary of Ford. While Ford has agreed to indemnify Hertz for certain tax liabilities pursuant to the arrangements relating to our separation from Ford, we cannot offer assurance that payments in respect of the indemnification agreement will be available.

See Note 7 Taxes on Income.

***Advertising***

Advertising and sales promotion costs are expensed as incurred. We incurred net advertising expense for the years ended December 31, 2009, 2008 and 2007 of \$116.3 million, \$163.2 million and \$173.5 million, respectively.

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Impairment of Long-Lived Assets and Intangibles***

We review goodwill and indefinite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable, and also review goodwill annually, using a two-step process. The first step is to identify any potential impairment by comparing the carrying value of the reporting unit to its fair value. We estimate the fair value of our reporting units using a discounted cash flow methodology. The cash flows represent management's most recent planning assumptions. These assumptions are based on a combination of industry outlooks, views on general economic conditions, our expected pricing plans and expected future savings generated by our ongoing restructuring activities. If a potential impairment is identified, the second step is to compare the implied fair value of goodwill with its carrying amount to measure the impairment loss. The fair values of the assets are based upon our estimates of the discounted cash flows. An impairment charge is recognized for the amount, if any, by which the carrying value of an asset exceeds its implied fair value. Long-lived assets, other than goodwill and indefinite-lived intangible assets, are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts of long-lived assets may not be recoverable. The fair values recoverability of these assets are based upon our estimates of the undiscounted cash flows that are expected to result from the use and eventual disposition of the assets. An impairment charge is recognized for the amount, if any, by which the carrying value of an asset exceeds its fair value. Those intangible assets considered to have indefinite useful lives, including our trade name, are evaluated for impairment on an annual basis, by comparing the fair value of the intangible assets to their carrying value. In addition, whenever events or changes in circumstances indicate that the carrying value of intangible assets might not be recoverable, we will perform an impairment review. We estimate the fair value of our indefinite lived intangible assets using the relief from royalty method. Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment in accordance with GAAP. We conducted the impairment review during the fourth quarter of 2009 and concluded that there was no impairment related to our goodwill and our other intangible assets. See Note 2 Goodwill and Other Intangible Assets.

***Stock-Based Compensation***

We measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is to be recognized over the period during which the employee is required to provide service in exchange for the award. We have estimated the fair value of options issued at the date of grant using a Black-Scholes option-pricing model, which includes assumptions related to volatility, expected life, dividend yield, risk-free interest rate and forfeiture rate. See Note 5 Stock-Based Compensation.

We are using equity accounting for restricted stock unit and performance stock unit awards. For restricted stock units the expense is based on the grant-date fair value of the stock and the number of shares that vest, recognized over the service period. For performance stock units the expense is based on the grant-date fair value of the stock, recognized over a two year service period depending upon a performance condition. For performance stock units, we re-assess the probability of vesting at each reporting period and if the target is not attained, we do not recognize any expense. The performance condition is not considered in determining the grant date fair value.



**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Recent 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 3 Debt.

In January 2009, the FASB issued guidance which contains amendments to ASC 715, "Compensation Retirement Benefits" 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 became effective for us beginning with this annual report and did not have a material impact on our financial position or results of operations. See Note 4 Employee Retirement Benefits.

In June 2009, the FASB issued guidance relating to 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 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. These provisions became effective for us on January 1, 2010, and it did not have a material impact on our financial position or results of operations.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 2 Goodwill and Other Intangible Assets**

The following summarizes the changes in our goodwill, by segment, for the period presented (in thousands of dollars):

	<b>Car Rental</b>	<b>Equipment Rental</b>	<b>Total</b>
<b>Balance as of January 1, 2009</b>			
Goodwill	\$ 307.1	\$ 651.9	\$ 959.0
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	264.1		264.1
<b>Goodwill acquired during the year</b>			
Goodwill acquired during the year	24.0	2.4	26.4
Other changes during the year <sup>(1)</sup>	4.7	0.2	4.9
<b>Balance as of December 31, 2009</b>			
Goodwill	335.8	654.5	990.3
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	\$ 292.8	\$ 2.6	\$ 295.4

	<b>Car Rental</b>	<b>Equipment Rental</b>	<b>Total</b>
<b>Balance as of January 1, 2008</b>			
Goodwill	\$ 318.1	\$ 641.9	\$ 960.0
Accumulated impairment losses			
	318.1	641.9	960.0
<b>Goodwill acquired during the year</b>			
Goodwill acquired during the year	4.8	23.7	28.5
Other changes during the year <sup>(1)</sup>	(15.8)	(13.7)	(29.5)
Impairment charges	(43.0)	(651.9)	(694.9)
<b>Balance as of December 31, 2008</b>			
Goodwill	307.1	651.9	959.0
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	\$ 264.1	\$	\$ 264.1

(1)

In 2009 and 2008 consists of changes resulting from the translation of foreign currencies at different exchange rates from the beginning of the period to the end of the period. In 2008, also includes pre-Acquisition tax adjustments.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	<b>December 31, 2009</b>		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>
<b>Amortizable intangible assets:</b>			
Customer-related	\$ 600.6	\$ (246.5)	\$ 354.1
Other	50.0	(12.0)	38.0
Total	650.6	(258.5)	392.1
<b>Indefinite-lived intangible assets:</b>			
Trade name	2,190.0		2,190.0
Other	15.6		15.6
Total	2,205.6		2,205.6
Total other intangible assets, net	\$ 2,856.2	\$ (258.5)	\$ 2,597.7

	<b>December 31, 2008</b>			
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Impairment Charge</b>	<b>Net Carrying Value</b>
<b>Amortizable intangible assets:</b>				
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
<b>Indefinite-lived intangible assets:</b>				
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

In 2008, we recorded non-cash impairment charges of \$694.9 million related to our goodwill and \$451.0 million related to other intangible assets. The car rental and equipment rental segments recorded non-cash impairment charges related to their goodwill of \$43.0 million and \$651.9 million, respectively, and to their other intangible assets of \$377.0 million and \$74.0 million, respectively. These impairment charges were a result of a decline in the economy and fourth quarter 2008 operating results, and a significant decline in both the fair value of debt and our stock price.

Amortization of other intangible assets for the years ended December 31, 2009, 2008 and 2007, was \$66.1 million, \$66.3 million and \$62.6 million, respectively. Based on our amortizable intangible assets as of December 31, 2009, we expect amortization expense to range from \$59.4 million to \$65.1 million for each of the next five fiscal years.

During the year ended December 31, 2009, we added 32 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 one location related to an external acquisition done within our equipment rental operations. Total cash paid for intangible assets during the year ended December 31, 2009

was \$44.7 million, of this amount, \$39.1 million was allocated to amortizable

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.S., and \$5.6 million was allocated to indefinite-lived intangible assets associated with reacquired franchise rights during the year ended December 31, 2009. Each of these transactions has been accounted for using the acquisition method of accounting in accordance with GAAP and operating results of the acquired entities from the dates of acquisition are included in our consolidated statements of operations.

**Note 3 Debt**

Our debt consists of the following (in millions of dollars):

	December 31, 2009	December 31, 2008
<i>Corporate Debt</i>		
Senior Term Facility, average interest rate: 2009, 2.0%; 2008, 3.3% (effective average interest rate: 2009, 2.0%; 2008, 3.4%); net of unamortized discount: 2009, \$13.9; 2008, \$18.6	\$ 1,344.7	\$ 1,353.6
Senior ABL Facility; net of unamortized discount: 2009, \$9.6; 2008, \$13.3	(9.6)	(13.3)
Senior Notes, average interest rate: 2009, 8.7%; 2008, 8.7%	2,054.7	2,113.6
Senior Subordinated Notes, average interest rate: 2009, 10.5%; 2008, 10.5%	518.5	600.0
Promissory Notes, average interest rate: 2009, 7.3%; 2008, 7.2% (effective average interest rate: 2009, 7.4%; 2008, 7.3%); net of unamortized discount: 2009, \$3.3; 2008, \$4.0	391.4	461.4
Convertible Senior Notes, average interest rate: 2009, 5.25%; (effective average interest rate: 2009, 6.8%); net of unamortized discount: 2009, \$107.3	367.4	
Notes payable, average interest rate: 2009, 8.0%; 2008, 5.5%	9.6	9.7
Foreign subsidiaries' debt denominated in foreign currencies:		
Short-term bank borrowings, average interest rate: 2009,	7.3	54.9

10.8%; 2008, 4.5%		
Other borrowings, average interest rate: 2009, 2.5%; 2008, 5.1%	5.4	5.6
Total Corporate Debt	4,689.4	4,585.5
<i>Fleet Debt</i>		
U.S. Fleet Debt, average interest rate: 2009, 4.7%; 2008, 4.3% (effective average interest rate: 2009, 4.7%; 2008, 4.3%); net of unamortized discount: 2009, \$16.7; 2008, \$7.5	4,058.3	4,254.5
International Fleet Debt, average interest rate: 2009, 2.1%; 2008, 5.0% (effective average interest rate: 2009, 2.2%; 2008, 5.1%); net of unamortized discount: 2009, \$8.7; 2008, \$6.5	705.3	1,027.1
International ABS Fleet Financing Facility, average interest rate: 2009, 3.6%; 2008, 7.2%; (effective average interest rate: 2009, 3.6%; 2008, 7.4%); net of unamortized discount: 2009, \$5.7; 2008, \$10.3	383.2	565.3
Fleet Financing Facility, average interest rate: 2009, 1.5%; 2008, 2.0% (effective average interest rate: 2009, 1.5%; 2008, 2.1%); net of unamortized discount: 2009, \$0.8; 2008, \$1.2	147.2	149.3
Brazilian Fleet Financing Facility, average interest rate: 2009, 13.3%; 2008, 16.3%	69.3	54.1
Canadian Fleet Financing Facility, average interest rate: 2009, 0.5%; 2008, 3.8%	55.6	111.6
Belgian Fleet Financing Facility, average interest rate: 2009, 1.8%; 2008, 4.7%	33.7	31.2
Capitalized Leases, average interest rate: 2009, 4.8%; 2008, 6.2%	222.4	193.7
Total Fleet Debt	5,675.0	6,386.8

Total Debt	\$	10,364.4	\$	10,972.3
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Note: For further information on the definitions and terms of our debt, see descriptions below.

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The aggregate amounts of maturities of debt for each of the twelve-month periods ending December 31 (in millions of dollars) are as follows: 2010, \$4,574.6 (including \$1,598.9 of other short-term borrowings); 2011, \$122.4; 2012, \$1,785.6; 2013, \$250.8; 2014, \$2,900.6; after 2014, \$896.4.

Our short-term borrowings as of December 31, 2009 include, among other items, the amounts outstanding under our International Fleet Debt facility, International ABS Fleet Financing Facility, Fleet Financing Facility, Brazilian Fleet Financing Facility, Canadian Fleet Financing Facility, Belgian Fleet Financing Facility and Capitalized Leases. These amounts are considered short-term in nature since they have maturity dates of three months or less; however these facilities are revolving in nature and do not expire at the time of the short-term debt maturity. In addition, we include certain scheduled payments of principal under our ABS Program as short-term borrowings.

As of December 31, 2009, there were outstanding standby letters of credit totaling \$586.3 million. Of this amount, \$300.0 million has been issued for the benefit of the ABS Program (\$200.0 million of which was issued by Ford Motor Company, or "Ford," and \$100.0 million of which was used under the Senior Credit Facilities) and the remainder is primarily to support self-insurance programs (including insurance policies with respect to which we have indemnified the policy issuers for any losses) in the United States, Canada and Europe and to support airport concession obligations in the United States and Canada. As of December 31, 2009, none of these letters of credit have been drawn upon. In November 2010 the "Ford" letter of credit will expire in conjunction with the maturity of the 2005 Series Notes.

***Senior Credit Facilities***

***Senior Term Facility:*** In connection with the Acquisition, Hertz entered into a credit agreement, dated December 21, 2005, with respect to its Senior Term Facility with Deutsche Bank AG, New York Branch as administrative agent and collateral agent, Lehman Commercial Paper Inc. as syndication agent, Merrill Lynch & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated as documentation agent, and the other financial institutions party thereto from time to time. The facility consisted of a \$1,400.0 million secured term loan facility providing for loans denominated in U.S. dollars. In addition, there is a pre-funded synthetic letter of credit facility in an aggregate principal amount of \$250.0 million. The term loan facility and the synthetic letter of credit facility will mature in December 2012. The term loan amortizes in nominal quarterly installments (not exceeding one percent of the aggregate principal amount thereof per annum) until the maturity date. At the borrower's election, the interest rates per annum applicable to the loans under the Senior Term Facility are based on a fluctuating rate of interest measured by reference to either (1) an adjusted London inter-bank offered rate, or "LIBOR," plus a borrowing margin or (2) an alternate base rate plus a borrowing margin. In addition, the borrower pays letter of credit participation fees on the full amount of the synthetic letter of credit facility plus fronting fees for the letter of credit issuing banks and other customary fees in respect of the Senior Term Facility. As of December 31, 2009, we had \$1,344.7 million in borrowings outstanding under this facility, which is net of a discount of \$13.9 million and had issued \$249.4 million in letters of credit.

***Senior ABL Facility:*** Hertz, Hertz Equipment Rental Corporation and certain other subsidiaries of Hertz entered into a credit agreement, dated December 21, 2005, with respect to the Senior ABL Facility with Deutsche Bank AG, New York Branch as administrative agent, Lehman Commercial Paper Inc. as syndication agent, Merrill Lynch & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated as documentation agent and the financial institutions party thereto from time to time. This facility provided (subject to availability under a borrowing base) for aggregate maximum borrowings of \$1,800.0 million under a revolving loan facility providing for loans denominated in U.S. dollars, Canadian dollars, Euros and Pound Sterling. Up to \$200.0 million of the revolving loan facility is available for the issuance of



**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

letters of credit. Hertz and Hertz Equipment Rental Corporation are the U.S. borrowers under the Senior ABL Facility and Matthews Equipment Limited, or "Matthews," and its subsidiaries Western Shut-Down (1995) Ltd. and Hertz Canada Equipment Rental Partnership are the Canadian borrowers under the Senior ABL Facility. The Senior ABL Facility will mature in February 2012. At the borrower's election, the interest rates per annum applicable to the loans under the Senior ABL Facility will be based on a fluctuating rate of interest measured by reference to either (1) adjusted LIBOR plus a borrowing margin or (2) an alternate base rate plus a borrowing margin. The borrower will pay customary commitment and other fees in respect of the Senior ABL Facility. At December 31, 2009, net of a discount of \$9.6 million, Hertz and Matthews Equipment Limited collectively had no borrowings outstanding under this facility and issued \$85.6 million in letters of credit.

Hertz's obligations under the Senior Term Facility and the Senior ABL Facility are guaranteed by Hertz Investors, Inc., its immediate parent and most of its direct and indirect domestic subsidiaries (subject to certain exceptions, including for subsidiaries involved in the U.S. Fleet Debt facility and similar special purpose financings), though HERC does not guarantee Hertz's obligations under the Senior ABL Facility because it is a borrower under that facility. In addition, the obligations of the Canadian borrowers under the Senior ABL Facility are guaranteed by their respective subsidiaries, if any, subject to limited exceptions. The lenders under each of the Senior Term Facility and the Senior ABL Facility have received a security interest in substantially all of the tangible and intangible assets of the borrowers and guarantors under those facilities, including pledges of the stock of certain of their respective subsidiaries, subject in each case to certain exceptions (including in respect of the U.S. Fleet Debt, the International Fleet Debt and, certain other secured fleet financing). Consequently, these assets will not be available to satisfy the claims of our general creditors.

We refer to the Senior Term Facility and the Senior ABL Facility together as the "Senior Credit Facilities." The Senior Credit Facilities contain a number of covenants that, among other things, limit or restrict the ability of the borrowers and the guarantors to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, change the nature of their business, make capital expenditures, or engage in certain transactions with affiliates. Under the Senior Term Facility, the borrowers are subject to financial covenants, including a requirement to maintain a specified leverage ratio and a specified interest coverage ratio for specified periods. Also, under the Senior ABL Facility, if the borrowers fail to maintain a specified minimum level of borrowing capacity, they will then be subject to financial covenants under such facility, including a specified leverage ratio and a specified fixed charge coverage ratio of one to one. Failure to comply with the financial covenants under the Senior Credit Facilities would result in a default under the credit agreements governing the Senior Credit Facilities and, absent a waiver or an amendment from the lenders, permit the acceleration of all outstanding borrowings under the Senior Credit Facilities. As of December 31, 2009, Hertz was in compliance with such financial covenants. The Senior Credit Facilities are subject to certain mandatory prepayment requirements and provide for customary events of default.

Restrictive covenants in the Senior Term Facility (as amended) permit cash dividends to be paid to Hertz Holdings (i) in an aggregate amount not to exceed the greater of a specified minimum amount and 1.0% of consolidated tangible assets less certain investments, (which payments are deducted in determining the amount available as described in the next clause (ii)) (ii) in additional amounts up to a specified available amount determined by reference to, among other things, 50% of consolidated net income from October 1, 2005 to the end of the most recent fiscal quarter for which consolidated financial statements of Hertz are available (less certain investments) and (iii) in additional amounts, up to a specified amount of certain equity contributions made by Hertz Holdings to Hertz (less certain investments).

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Restrictive covenants in the Senior ABL Facility (as amended) permit cash dividends to be paid to Hertz Holdings in an aggregate amount, taken together with certain other investments, acquisitions and optional prepayments, not to exceed \$100 million. Hertz may also pay additional cash dividends under the Senior ABL Facility, and in any amount, so long as (a) there is at least \$250 million of availability under the facility after giving effect to the proposed dividend, (b) if certain other payments when taken together with the proposed dividend would exceed \$50 million in a 30-day period, Hertz can demonstrate projected average availability in the following six-month period of \$250 million or more, (c) (i) Hertz is in pro forma compliance with the consolidated leverage ratio and consolidated fixed charge coverage ratio set forth in the Senior ABL Facility or (ii) the amount of the proposed dividend does not exceed the sum of (x) 1.0% of consolidated tangible assets plus (y) a specified available amount determined by reference to, among other things, 50% of consolidated net income from October 1, 2005 to the end of the most recent fiscal quarter for which consolidated financial statements of Hertz are available (which amount is net of amounts paid under the foregoing clause (x)) plus (z) a specified amount of certain equity contributions made by Hertz Holdings to the borrowers under such facility and (d) no default exists or would result from such dividends.

On June 30, 2006, Hertz entered into amendments to each of its Senior Term Facility and Senior ABL Facility. The amendments provide, among other things, for additional capacity under the covenants in these credit facilities to enter into certain sale and leaseback transactions, to pay cash dividends and make loans to Hertz Holdings that would, among other things, provide Hertz Holdings with cash for the payment of interest on Hertz Holdings' indebtedness (including, but not limited to, the Hertz Holdings Loan Facility) and, in the case of the amendment to the Senior Term Facility, to make investments. The ability of Hertz to pay cash dividends and make loans to Hertz Holdings remains subject to Hertz's meeting specified financial tests, as described above, as well as requirements imposed by applicable Delaware law. The amendment to the Senior Term Facility also permitted Hertz to use proceeds of the \$293 million Delayed Draw Term Loan to repay borrowings outstanding under the Senior ABL Facility, in addition to repaying certain other outstanding indebtedness of Hertz.

On February 9, 2007, Hertz entered into an amendment to its Senior Term Facility. The amendment was entered into for the purpose of (i) lowering the interest rates payable on the Senior Term Facility by up to 50 basis points from the interest rates previously payable thereunder, and revising financial ratio requirements for specific interest rate levels; (ii) eliminating certain mandatory prepayment requirements; (iii) increasing the amounts of certain other types of indebtedness that Hertz and its subsidiaries may incur outside of the Senior Term Facility; (iv) permitting certain additional asset dispositions and sale and leaseback transactions; and (v) effecting certain technical and administrative changes to the Senior Term Facility. During the year ended December 31, 2007, Hertz recorded an expense of \$14.0 million, in its consolidated statement of operations, in "Interest, net of interest income," associated with the write-off of debt costs in connection with the amendment of the Senior Term Facility. Additionally, in February 2007, Hertz permanently repaid a portion of the Senior Term Facility, bringing the maximum borrowings thereunder down from \$2,000 million to \$1,400 million.

On February 15, 2007, Hertz, Hertz Equipment Rental Corporation and certain other subsidiaries entered into an amendment to its Senior ABL Facility. The amendment was entered into for the purpose of (i) lowering the interest rates payable on the Senior ABL Facility by up to 25 basis points from the interest rates previously payable thereunder, and revising financial ratio requirements for specific interest rate levels; (ii) increasing the availability under the Senior ABL Facility from \$1,600 million to \$1,800 million; (iii) extending the term of the commitments under the Senior ABL Facility to February 15, 2012; (iv) increasing the amounts of certain other types of indebtedness that the borrowers and their subsidiaries may incur outside of the Senior ABL Facility; (iv) permitting certain additional asset

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

dispositions and sale and leaseback transactions; and (v) effecting certain technical and administrative changes to the Senior ABL Facility. During the year ended December 31, 2007, we recorded an expense of \$2.2 million in our consolidated statement of operations, in "Interest, net of interest income," associated with the write-off of debt costs in connection with the amendment of the Senior ABL Facility.

On May 23, 2007, the Senior ABL Facility and the Senior Term Facility were each amended to permit Hertz and its subsidiaries to guarantee obligations in respect to the deferred purchase price of vehicles and all other obligations arising under vehicle supply agreements entered into by Fleetco (España), S.L., an entity created to own the Spanish rental car fleet in connection with the pending securitization of the rental car fleets in a number of European countries and Australia. Due to Spanish law considerations, Fleetco (España), S.L. is an "orphan" entity which is an indirect subsidiary of a charitable trust. The Senior Credit Facilities generally permit Hertz and its subsidiaries to guarantee obligations of one another but not of unaffiliated entities, subject to certain exceptions.

On September 30, 2007, the Senior ABL Facility was amended to add Hertz Canada Equipment Rental Partnership, an Ontario General Partnership, as an additional Canadian Borrower. Hertz Canada Equipment Rental Partnership, whose partners are our wholly-owned subsidiary, Matthews and its wholly-owned subsidiary, was formed in connection with a reorganization of Matthews and, as part of that reorganization, received title to most of the assets of Matthews.

On March 31, 2009, Hertz entered into an amendment, or the "Term Loan Amendment," to the Senior Term Facility. The Term Loan Amendment provides, in material part, that Hertz may make voluntary prepayments of the term loans under the credit agreement that governs the Senior Term Facility, or the "Credit Agreement," at a discount to their principal amount on up to four occasions for a period of one year after the date of the Term Loan Amendment. The aggregate par principal amount of all such term loans so prepaid may not exceed \$500.0 million. The discount applicable to any such prepayments will be determined through modified "Dutch auction" procedures and subject to the other terms and conditions described in the Term Loan Amendment. Hertz may make any such prepayment only if it's unrestricted cash and cash equivalents plus available commitments under Hertz's senior asset-based loan facility equal or exceed \$1.0 billion after giving effect to such prepayment. The Term Loan Amendment does not obligate Hertz to make any such prepayments. The Term Loan Amendment also makes certain technical and conforming changes to the terms of the Credit Agreement, including changes to clarify the manner in which Consolidated Vehicle Interest Expense (as defined in the Credit Agreement) is reflected in the calculation of Excess Cash Flow, which is at times used to determine Hertz's capacity to engage in certain transactions.

***Senior Notes and Senior Subordinated Notes***

In connection with the Acquisition, CCMG Acquisition Corporation issued the Senior Notes and the Senior Subordinated Notes under separate indentures between CCMG Acquisition Corporation and Wells Fargo Bank, National Association, as trustee. Hertz and the guarantors entered into supplemental indentures, dated as of the Closing Date, pursuant to which Hertz assumed the obligations of CCMG Acquisition Corporation under the Senior Notes, the Senior Subordinated Notes and the respective indentures, and the guarantors issued the related guarantees. CCMG Acquisition Corporation subsequently merged with and into Hertz, with Hertz as the surviving entity.

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Our "Senior Dollar Notes" are the \$1,800.0 million aggregate principal amount of 8.875% Senior Notes issued by Hertz in connection with the Acquisition. Our "Senior Euro Notes" are the €225 million aggregate principal amount of 7.875% Senior Notes issued by Hertz in connection with the Acquisition. We refer to the Senior Dollar Notes and the Senior Euro Notes together as the "Senior Notes." Our "Senior Subordinated Notes" refer to the \$600.0 million aggregate principal amount of 10.5% Senior Subordinated Notes due January 2016 issued by Hertz in connection with the Acquisition.

As of December 31, 2009, \$2,054.7 million and \$518.5 million in borrowings were outstanding under the Senior Notes and Senior Subordinated Notes, respectively. On October 1, 2006, we designated our Senior Euro Notes as an effective net investment hedge of our Euro-denominated net investment in our international operations. As a result of this net investment hedge designation, as of December 31, 2009, \$19.2 million of losses, which is net of tax of \$17.8 million, attributable to the translation of our Senior Euro Notes into the U.S. dollar, are recorded in our consolidated balance sheet in "Accumulated other comprehensive loss." The Senior Notes will mature in January 2014, and the Senior Subordinated Notes will mature in January 2016. Hertz's obligations under the indentures are guaranteed by each of its direct and indirect domestic subsidiaries that is a guarantor under the Senior Term Facility.

Both the indenture for the Senior Notes and the indenture for the Senior Subordinated Notes contain covenants that, among other things, limit the ability of Hertz and its restricted subsidiaries, described in the respective indentures, to incur more debt, pay dividends, redeem stock or make other distributions, make investments, create liens, transfer or sell assets, merge or consolidate and enter into certain transactions with Hertz's affiliates. The indenture for the Senior Subordinated Notes also contains subordination provisions and limitations on the types of senior subordinated debt that may be incurred. The indentures also contain certain mandatory and optional prepayment or redemption provisions and provide for customary events of default.

The restrictive covenants in the indentures governing the Senior Notes and the Senior Subordinated Notes permit Hertz to make loans, advances, dividends or distributions to Hertz Holdings in an amount determined by reference to, among other things, consolidated net income for the period from October 1, 2005 to the end of the most recently ended fiscal quarter for which consolidated financial statements of Hertz are available, so long as Hertz's consolidated coverage ratio remains greater than 2.00:1.00 after giving pro forma effect to such restricted payments. Hertz is also permitted to make restricted payments to Hertz Holdings in an amount not exceeding the greater of a specified minimum amount and 1% of consolidated tangible assets (which payments are deducted in determining the amount available as described in the preceding sentence), and in an amount equal to certain equity contributions to Hertz, in each case, less certain investments and other restricted payments.

On January 12, 2007, Hertz completed exchange offers for its outstanding Senior Notes and Senior Subordinated Notes whereby over 99% of the outstanding notes were exchanged for a like principal amount of new notes with identical terms that were registered under the Securities Act of 1933 pursuant to a registration statement on Form S-4.

In April 2009, we made aggregate open market repurchases, at a discount, of approximately \$68.0 million and \$81.5 million in face value of our Senior Notes and Senior Subordinated Notes, respectively. As a result of these repurchases, we recorded a gain of \$48.5 million, net of transaction costs, in "Interest and other income, net" for the year ended December 31, 2009.

***Promissory Notes***

As of December 31, 2009, we had approximately \$391.4 million (net of a \$3.3 million discount), outstanding in pre-Acquisition promissory notes issued under three separate indentures existing prior to

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the Acquisition at an average interest rate of 7.3%. These pre-Acquisition promissory notes currently have maturities ranging from June 2010 to January 2028.

***Convertible Senior Notes***

In May and June 2009, we issued \$474.8 million in aggregate principal amount of 5.25% convertible senior notes due January 2014. Our Convertible Senior Notes may be convertible by holders into shares of our common stock, cash or a combination of cash and shares of our common stock, as elected by us, initially at a conversion rate of 120.6637 shares per \$1,000 principal amount of notes, subject to adjustment. However, we have a policy of settling the conversion of our Convertible Senior Notes using a combination settlement, which calls for settling the fixed dollar amount per \$1,000 in principal amount in cash and settling in shares, the excess conversion value, if any. Proceeds from the Convertible Debt Offering were allocated between "Debt" and "Additional paid-in capital." The value assigned to the debt component was 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 Senior Notes and the amount reflected as a debt liability was recorded as "Additional paid-in capital." As a result, the debt was recorded at a discount of \$117.9 million 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 in the consolidated statements of operations.

On December 1, 2009, Hertz Holdings made the first semi-annual interest payment of \$12.8 million on the convertible notes. Hertz Holdings made this payment with a combination of cash on hand and proceeds from the repayment of an inter-company loan from Hertz.

In the future, if our cash on hand and proceeds from the repayment of inter-company loans from Hertz is not sufficient to pay the semi-annual interest payment, we would need to receive a dividend, loan or advance from our subsidiaries. However, none of our subsidiaries are obligated to make funds available to us and certain of Hertz's credit facilities have requirements that must be met prior to it making dividends, loans or advances to us. In addition, Delaware law imposes requirements that may restrict Hertz's ability to make funds available to Hertz Holdings.

***U.S. Fleet Debt***

Our "U.S. Fleet Debt" is comprised of the following facilities:

*Series 2005 Notes.* Hertz Vehicle Financing LLC, or "HVF," a bankruptcy-remote special purpose entity wholly-owned by Hertz, entered into an amended and restated base indenture, dated as of December 21, 2005, with BNY Midwest Trust Company as trustee, or the "ABS Indenture," and a number of related supplements to the ABS Indenture, each dated as of December 21, 2005, with BNY Midwest Trust Company as trustee and securities intermediary, or, collectively, the "ABS Supplement." On the Closing Date, HVF, as issuer, issued approximately \$4,300 million of new medium term asset-backed notes consisting of 11 classes of notes in two series under the ABS Supplement, the net proceeds of which were used to finance the purchase of vehicles from related entities and the repayment or cancellation of existing debt. HVF also issued approximately \$1,500 million of variable funding notes in two series, none of which were funded at closing. In September 2009, the series supplements and note purchase agreements for the variable funding notes under the Series 2005 notes were terminated. As of December 31, 2009, \$2,871.6 million in borrowings were outstanding under the Series 2005 notes, net of a \$3.4 million discount, with an average interest rate of 4.6%.

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

MBIA and Ambac provide credit enhancements in the form of financial guarantees for our 2005 Notes, with each providing guarantees for approximately half of the \$2,871.6 million in principal amount of the notes that were outstanding as of December 31, 2009 under our ABS Program. Under these arrangements, either MBIA Insurance Corporation or Ambac Assurance Corporation will guarantee the timely payment of interest on and ultimate payment of principal of such notes.

In connection with the Acquisition and the issuance of \$3,550.0 million of floating rate U.S. Fleet Debt, HVF entered into certain interest rate swap agreements, or the "HVF Swaps," effective December 21, 2005, which qualify as cash flow hedging instruments. These agreements mature at various terms, in connection with the scheduled maturity of the associated debt obligations, through November 2010. Under these agreements, until February 2009, HVF was paying monthly interest at a fixed rate of 4.5% per annum in exchange for monthly amounts at one-month LIBOR, effectively transforming the floating rate U.S. Fleet Debt to fixed rate obligations. In March 2009, HVF made a cash payment to have the fixed rate on these swaps reset to the then current market rates of 0.872% and 1.25% for the swaps maturing in February 2010 and November 2010, respectively. Additionally, a new hedging relationship was designated between the HVF Swaps and the remaining \$2,825.0 million of floating rate U.S. Fleet Debt. See Note 12 Financial Instruments.

In connection with the entrance into the HVF Swaps, Hertz entered into seven differential interest rate swap agreements, or the "differential swaps." These differential swaps were required to be put in place to protect the counterparties to the HVF Swaps in the event of an "amortization event" under the asset-backed notes agreements. In the event of an amortization event, the amount by which the principal balance on the floating rate portion of the U.S. Fleet Debt is reduced, exclusive of the originally scheduled amortization, becomes the notional amount of the differential swaps, and is transferred to Hertz. See Note 12 Financial Instruments.

On October 24, 2007, supplements to the ABS Indenture were amended to increase the maximum non-eligible vehicle amount from 65% to 85% of the adjusted aggregate asset amount, thus effectively increasing the amount of vehicles which are not subject to manufacturer repurchase programs that can be included in the borrowing base under the ABS Program.

In addition, on September 18, 2009, HVF entered into amendments to the series supplements relating to its 2005 Notes. Among other things, the amendments with respect to each such series supplement add new concentration limits and change existing concentration limits for vehicles manufactured by certain manufacturers.

HVF is subject to numerous restrictive covenants under the ABS Indenture and the other agreements governing the U.S. Fleet Debt, including restrictive covenants with respect to liens, indebtedness, benefit plans, mergers, disposition of assets, acquisition of assets, dividends, officers' compensation, investments, agreements, the types of business it may conduct and other customary covenants for a bankruptcy-remote special purpose entity. The U.S. Fleet Debt is subject to events of default and amortization events that are customary in nature for U.S. rental car asset-backed securitizations of this type. The occurrence of an amortization event or event of default could result in the acceleration of principal of the notes and a liquidation of the U.S. car rental fleet.

In September 2009, HVF entered into amendments and restatements, of many of the agreements relating to its U.S. asset-backed fleet debt, or collectively, the "U.S. Fleet Debt Program Documents," including:

the ABS Indenture;

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

a Third Amended and Restated Master Motor Vehicle Operating Lease and Servicing Agreement between Hertz, as Lessee and Servicer, and HVF, as Lessor;

a Third Amended and Restated Collateral Agency Agreement among HVF, as a Grantor, Hertz General Interest LLC, as a Grantor, Hertz, as Servicer, The Bank of New York Mellon Trust Company, N.A., as Collateral Agent, The Bank of New York Mellon Trust Company, N.A., as Trustee and a Secured Party, and Hertz, as a Secured Party;

a Second Amended and Restated Participation, Purchase and Sale Agreement by and between Hertz General Interest LLC, HVF and Hertz, as Lessee and Servicer;

a Second Amended and Restated Administration Agreement by and between Hertz, HVF and the Trustee;

a Second Amended and Restated Master Exchange Agreement among Hertz, HVF, Hertz General Interest LLC, Hertz Car Exchange Inc., and DB Services Tennessee, Inc.; and

a Second Amended and Restated Escrow Agreement among Hertz, HVF, Hertz General Interest LLC, Hertz Car Exchange Inc., and J.P. Morgan Chase Bank, N.A.

Among other things, these amendments (i) give HVF the ability, subject to certain conditions, to issue series of notes secured by segregated pools of collateral pledged to support only such series; (ii) modify the conditions precedent to HVF issuing a new series of notes under the ABS Indenture; (iii) modify certain conditions precedent to the amendment of the ABS Indenture, series supplements and certain of the other U.S. Fleet Debt Program Documents; (iv) provide that if certain events of default with respect to manufacturers of vehicles subject to repurchase programs (each, a "Manufacturer Event of Default") are cured, the effects of such events of default on the U.S. Fleet Debt Program Documents generally cease; (v) provide that if a Manufacturer Event of Default occurs, the related manufacturer does not cease to be an eligible manufacturer, thereby allowing HVF to finance a greater proportion of vehicles manufactured by such manufacturer during a Manufacturer Event of Default and (vi) give HVF the ability, subject to certain conditions, to issue one or more series of notes that would be subordinated in rights to payment of interest and principal to each other series of notes outstanding.

We expect to repay these notes as they mature in 2010 with a combination of revolver borrowings under our new Series 2009-1 Notes, corporate liquidity or by issuing a new series of notes.

*Series 2008-1 Notes.* On September 12, 2008, HVF completed the closing of a variable funding note facility referred to as the Series 2008-1 Notes. In September 2009, the series supplement and note purchase agreement for the Series 2008-1 Notes were terminated.

*Series 2009-1 Notes.* In September 2009, HVF issued the Series 2009-1 Notes. The aggregate principal amount of such facility is \$2.1 billion and this facility is available to HVF on a revolving basis through the expected final maturity date of January 2012 with a January 2013 legal final maturity. The Series 2009-1 Notes are expected to bear interest at variable rates based upon the weighted average of the commercial paper rates paid by the bank conduits advancing funds to HVF plus a borrowing spread which varies based on the rating of the Series 2009-1 Notes. The borrowing spread on the Series 2009-1 Notes is subject to increase if Moody's Investors Service, or "Moody's," downgrades their rating of the Series 2009-1 Notes below "Aa3." The borrowing spread on the Series 2009-1 Notes is also subject to increase during the continuance of an amortization event with respect to the Series 2009-1 Notes. The Series 2009-1 Notes are currently rated "Aa1" by Moody's. The Series 2009-1 Notes are subject to events of default and amortization events that are customary in nature for U.S. rental car asset-backed securitizations of this type, including non-payment of principal or interest, violation of covenants,

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

material inaccuracy of representations or warranties, failure to maintain certain enhancement levels and insolvency or certain bankruptcy events. The occurrence of an amortization event or event of default could result in the rapid amortization of the Series 2009-1 Notes and in certain instances the liquidation of vehicles in the U.S. car rental fleet. In connection with the issuance of the Series 2009-1 Notes, HVF purchased a 5% interest rate cap. See Note 12 Financial Instruments.

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. As of December 31, 2009, no amounts were outstanding under the Series 2009-1 Notes.

*Series 2009-2 Notes.* In October 2009 HVF issued \$1.2 billion in aggregate principal amount of 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 final maturities in 2013 and 2015, respectively. The advance rate on the notes is approximately 66%. The Series 2009-2 Notes are currently rated "Aaa" by Moody's.

The Series 2009-2 Notes are subject to events of default and amortization events that are customary in nature for U.S. rental car asset-backed securitizations of this type, including non-payment of principal or interest, violation of covenants, material inaccuracy of representations or warranties, failure to maintain certain enhancement levels and insolvency or certain bankruptcy events. The occurrence of an amortization event or event of default could result in the rapid amortization of the Series 2009-2 Notes and in certain instances the liquidation of vehicles in the U.S. car rental fleet. As of December 31, 2009, \$1,186.7 million in borrowings were outstanding under the Series 2009-2 Notes, net of a \$13.3 million discount, with an average interest rate of 4.9%.

***International Fleet Debt***

In connection with the Acquisition, Hertz International, Ltd., or "HIL," a Delaware corporation organized as a foreign subsidiary holding company and a direct subsidiary of Hertz, and certain of its subsidiaries (all of which are organized outside North America), together with certain bankruptcy-remote special purpose entities (whether organized as HIL's subsidiaries or as non-affiliated "orphan" companies), or "SPEs," entered into revolving bridge loan facilities providing commitments to lend, in various currencies an aggregate amount equivalent to approximately \$1,565.7 million (calculated as of December 31, 2009), subject to borrowing bases comprised of rental vehicles and related assets of certain of HIL's subsidiaries (all of which are organized outside North America) or one or more SPEs, as the case may be, and rental equipment and related assets of certain of HIL's subsidiaries organized outside North America or one or more SPEs, as the case may be. As of the closing date of the Acquisition, the foreign currency equivalent of \$1,781 million of indebtedness under the International Fleet Debt facilities was issued and outstanding under these facilities. As of December 31, 2009, the foreign currency equivalent of \$705.3 million in borrowings was outstanding under these facilities, net of an \$8.7 million discount. These facilities are referred to collectively as the "International Fleet Debt" facilities.

The International Fleet Debt facilities consist of four revolving loan tranches (Tranches A1, A2, B and C), each subject to borrowing bases comprising the revenue earning equipment and related assets of each



**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

applicable borrower or the corresponding fleet owned entity. A portion of the Tranche C loan is available for the issuance of letters of credit.

The obligations of the borrowers under the International Fleet Debt facilities are guaranteed by HIL, and by the other borrowers and certain related entities under the applicable tranche, in each case subject to certain legal, tax, cost and other structuring considerations. The obligations and the guarantees of the obligations of the Tranche A borrowers under the Tranche A2 loans are subordinated to the obligations and the guarantees of the obligations of such borrowers under the Tranche A1 loans. Subject to legal, tax, cost and other structuring considerations and to certain exceptions, the International Fleet Debt facilities are secured by a material part of the assets of each borrower, certain related entities and each guarantor, including pledges of the capital stock of each borrower and certain related entities. The obligations of the Tranche A borrowers under the Tranche A2 loans and the guarantees thereof are secured on a junior second priority basis by any assets securing the obligations of the Tranche A borrowers under the Tranche A1 loans and the guarantees thereof. The assets that collateralize the International Fleet Debt facilities will not be available to satisfy the claims of Hertz's general creditors.

The International Fleet Debt matures in December 2010. Subject to certain exceptions, the loans are subject to mandatory prepayment and reduction in commitment amounts equal to the net proceeds of specified types of take-out financing transactions and asset sales.

The interest rates per annum applicable to loans under the International Fleet Debt facilities are based on fluctuating rates of interest measured by reference to one-month LIBOR, Euro inter-bank offered rate, or "EURIBOR," or their equivalents for local currencies as appropriate (in the case of the Tranche A1 and A2 loans); relevant local currency base rates (in the case of Tranche B loans); or one-month EURIBOR (in the case of the Tranche C loans), in each case plus a borrowing margin. In addition, the borrowers under each of Tranche A1, Tranche A2, Tranche B and Tranche C of the International Fleet Debt facilities will pay fees on the unused commitments of the lenders under the applicable tranche, and other customary fees and expenses in respect of such facilities, and the Tranche A1 and A2 borrowing margins are subject to increase if HIL does not repay borrowings thereunder within specified periods of time and upon the occurrence of other specified events.

The International Fleet Debt facilities contain a number of covenants (including, without limitation, covenants customary for transactions similar to the International Fleet Debt facilities) that, among other things, limit or restrict the ability of our subsidiary, HIL, the borrowers and the other subsidiaries of HIL to dispose of assets, incur additional indebtedness, incur guarantee obligations, create liens, make investments, make acquisitions, engage in mergers, make negative pledges, change the nature of their business or engage in certain transactions with affiliates. In addition, HIL is restricted from making dividends and other restricted payments (which may include payments of intercompany indebtedness) in an amount greater than €100 million plus a specified excess cash flow amount calculated by reference to excess cash flow in earlier periods. Subject to certain exceptions, until such time as 50% of the commitments under the International Fleet Debt facilities as of the closing date of the Acquisition have been replaced by permanent take-out international asset-based facilities, the specified excess cash flow amount will be zero. Thereafter, this specified excess cash flow amount will be between 50% and 100% of cumulative excess cash flow based on the percentage of the International Fleet Debt facilities that have been replaced by permanent take-out international asset-based facilities. As a result of the contractual restrictions on HIL's ability to pay dividends to Hertz as of December 31, 2009, the restricted net assets of our consolidated subsidiaries exceeded 25% of our total consolidated net assets.

In May 2006, in connection with the forecasted issuance of the permanent take-out international asset-based facilities, HIL purchased two swaptions for €3.3 million, to protect itself from interest rate

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

increases. These swaptions gave HIL the right, but not the obligation, to enter into three year interest rate swaps, based on a total notional amount of €600 million at an interest rate of 4.155%. The swaptions were renewed twice in 2007, prior to their scheduled expiration dates of March 15, 2007 and September 5, 2007, at a total cost of €2.7 million and were due to expire on June 5, 2008. On June 4, 2008, these swaptions were sold for a realized gain of €9.4 million (or \$14.8 million). Additionally, on June 4, 2008, HIL purchased two new swaptions for €8.6 million, to protect itself from interest rate increases associated with the International ABS Fleet Financing Facility, which closed on July 24, 2008. These swaptions were based on an underlying transaction with a notional amount of €600 million at an interest rate of 4.25%. On October 10, 2008, the outstanding swaptions were terminated and Hertz received a €1.9 million payment from counterparties. See Note 12 Financial Instruments.

On July 24, 2008, HIL, certain of its subsidiaries (all of which are organized outside the United States), Hertz Europe Limited, as Coordinator, BNP Paribas and The Royal Bank of Scotland plc, as Mandated Lead Arrangers, Calyon, as Co-Arranger, BNP Paribas, The Royal Bank of Scotland plc, and Calyon, as Joint Bookrunners, BNP Paribas, as Facility Agent, BNP Paribas, as Security Agent, BNP Paribas, as Global Coordinator, and the financial institutions named therein, entered into an amendment agreement, or the "Amendment Agreement," amending the revolving bridge loan facilities agreement, dated December 21, 2005 and amended as of March 21, 2007 and December 21, 2007 (as further amended by the Amendment Agreement, or the "SBFA"). The Amendment Agreement, which became effective on July 24, 2008, was entered into primarily for the purpose of (i) amending certain terms affecting the margins on the revolving bridge loan facilities established by the SBFA, and (ii) effecting certain technical and administrative changes to the terms of the facilities in connection with the launch of the International ABS Fleet Financing Facility described below.

For the year ended December 31, 2008, we recorded \$30.0 million related to the write-off of deferred financing costs associated with those countries outside the United States as to which take-out asset-based facilities have not been entered into.

We are currently in discussions regarding our refinancing options, and based on these discussions and our ability to access the capital markets we expect to refinance these facilities on or prior to maturity. However, the availability of financing is subject to a variety of factors not in our control including economic and market conditions and investor demand, so there is no guarantee that such facilities can be refinanced or that the terms of such financings will be acceptable. In the event financing is not available or is not available on terms we deem acceptable, we would expect to utilize our corporate liquidity to repay these obligations which could reduce our ability to fund operations and replace our fleet.

***International ABS Fleet Financing Facility***

On July 24, 2008, HIL and certain of its subsidiaries entered into an agreement to amend the International Fleet Debt facility. This agreement, effective on July 24, 2008, reduced the borrowing margins on the Tranche A1 and Tranche A2 bridge loans of certain borrowers under the facility participating in the International ABS Fleet Financing Facility and provided an August 12, 2008 final maturity date for loans to HIL's Swiss subsidiary borrower. In August, we paid off the loan to HIL's Swiss subsidiary borrower and closed out the loan.

Also on July 24, 2008, HA Fleet Pty Ltd, RAC Finance SAS and Stuurgroep Fleet (Netherlands) B.V., special-purpose indirect subsidiaries of HIL, each a "FleetCo," closed on the International ABS Fleet Financing Facility, initially covering Australia, France and the Netherlands, respectively, or the "Relevant Jurisdictions."

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The funds under the new fleet financing were used to (i) initially repay in whole the FleetCos' portion of indebtedness under the International Fleet Debt facility and the FleetCos' existing inter-company borrowings related to the acquisition of vehicles and (ii) finance the acquisition of vehicles from time to time in the Relevant Jurisdictions.

The expected maturity date is in December 2010 (when the FleetCos' obligations to the Issuer are scheduled to come due). The maximum commitment under (i) the Euro-denominated portion is €562.0 million (the equivalent of \$809.1 million as of December 31, 2009) and (ii) the Australian dollar-denominated portion is A\$325 million (the equivalent of \$291.9 million as of December 31, 2009). As of December 31, 2009, the foreign currency equivalent of \$383.2 million in borrowings were outstanding under this facility.

We are currently in discussions regarding our refinancing options, and based on these discussions and our ability to access the capital markets we expect to refinance these facilities on or prior to maturity. However, the availability of financing is subject to a variety of factors not in our control including economic and market conditions and investor demand, so there is no guarantee that such facilities can be refinanced or that the terms of such financings will be acceptable. In the event financing is not available or is not available on terms we deem acceptable, we would expect to utilize our corporate liquidity to repay these obligations which could reduce our ability to fund operations and replace our fleet.

***Fleet Financing Facility***

On September 29, 2006, Hertz and Puerto Ricancars, Inc., a Puerto Rican corporation and wholly-owned indirect subsidiary of Hertz, or "PR Cars," entered into a credit agreement to finance the acquisition of Hertz's and/or PR Cars' fleet in Hawaii, Kansas, Puerto Rico and St. Thomas, the U.S. Virgin Islands, dated as of September 29, 2006, or the "Fleet Financing Facility," with the several banks and other financial institutions from time to time party thereto as lenders, Gelco Corporation d.b.a. GE Fleet Services, or the "Fleet Financing Agent," as administrative agent, as collateral agent for collateral owned by Hertz and as collateral agent for collateral owned by PR Cars. Affiliates of Merrill Lynch & Co. are lenders under the Fleet Financing Facility.

The Fleet Financing Facility provides (subject to availability under a borrowing base) a revolving credit facility of up to \$275.0 million to Hertz and PR Cars. In September 2009, Hertz reduced the commitments under the Fleet Financing Facility to \$165.0 million. As of December 31, 2009, Hertz and PR Cars had \$129.2 million (net of a \$0.8 million discount) and \$18.0 million, respectively, of borrowings outstanding under this facility. The borrowing base formula is subject to downward adjustment upon the occurrence of certain events and (in certain other instances) at the permitted discretion of the Fleet Financing Agent.

The Fleet Financing Facility will mature in December 2011 but Hertz and PR Cars may terminate or reduce the commitments of the lenders thereunder at any time. The Fleet Financing Facility is subject to mandatory prepayment in the amount by which outstanding extensions of credit to Hertz or PR Cars exceed the lesser of the Hertz or PR Cars borrowing base, as applicable, and the commitments then in effect.

The obligations of each of the borrowers under the Fleet Financing Facility are guaranteed by each of Hertz's direct and indirect domestic subsidiaries (other than subsidiaries whose only material assets consist of securities and debt of foreign subsidiaries and related assets, subsidiaries involved in the ABS Program or other similar special purpose financings, subsidiaries with minority ownership positions, certain subsidiaries of foreign subsidiaries and certain immaterial subsidiaries). In addition, the obligations of PR Cars are guaranteed by Hertz. The obligations of Hertz under the Fleet Financing

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Facility and the other loan documents, including, without limitation, its guarantee of PR Cars' obligations under the Fleet Financing Facility, are secured by security interests in Hertz's rental car fleet in Hawaii and by certain assets related to Hertz's rental car fleet in Hawaii and Kansas, including, without limitation, manufacturer repurchase program agreements. PR Cars' obligations under the Fleet Financing Facility and the other loan documents are secured by security interests in PR Cars' rental car fleet in Puerto Rico and St. Thomas, the U.S. Virgin Islands and by certain assets related thereto.

At the applicable borrower's election, the interest rates per annum applicable to the loans under the Fleet Financing Facility will be based on a fluctuating rate of interest measured by reference to either (1) LIBOR plus a borrowing margin of 125 basis points or (2) an alternate base rate of the prime rate plus a borrowing margin of 25 basis points.

The Fleet Financing Facility contains a number of covenants that, among other things, limit or restrict the ability of the borrowers and their subsidiaries to create liens, dispose of assets, engage in mergers, enter into agreements which restrict liens on the Fleet Financing Facility collateral or Hertz's rental car fleet in Kansas or change the nature of their business.

***Brazilian Fleet Financing Facility***

On April 4, 2007, our Brazilian subsidiary, Car Rental Systems Do Brasil Locacao De Veiculos Ltda., or "Hertz Brazil," entered into an agreement amending and restating its credit facility to, among other things, increase the facility to R\$130 million (the equivalent of \$74.7 million as of December 31, 2009), consisting of an R\$70 million (or \$40.2 million) term loan facility and an R\$60 million (or \$34.5 million) revolving credit facility. The borrowing margin was reduced from 300 basis points over CDI (Brazil's interbank deposit rate) to 225 basis points over CDI. The amendment also increased the borrowing base advance rate from 80% to 85% of the value of the fleet. The credit facility is secured by Hertz Brazil's fleet of vehicles and backed by a \$63.5 million Hertz guarantee. That guarantee is secured equally and ratably with borrowings under the Senior Term Facility. This facility will mature in December 2010. As of December 31, 2009, the foreign currency equivalent of \$69.3 million in borrowings were outstanding under this facility.

***Canadian Fleet Financing Facility***

On May 30, 2007, our indirect subsidiary, Hertz Canada Limited, and certain of its subsidiaries, entered into a Note Purchase Agreement with CARE Trust, a third-party special purpose commercial paper conduit administered by Bank of Montreal, or "CARE Trust," which acts as conduit for the asset-backed borrowing facility, and certain related agreements and transactions, in order to establish an asset-backed borrowing facility to provide financing for our Canadian rental car fleet (the "Canadian Fleet Financing Facility"). The new facility refinanced the Canadian portion of the International Fleet Debt facilities. The maximum amount which may be borrowed under the new facility was CAD\$400 million (or \$381.3 million). This facility had an original maturity of May 2012.

In June 2009, subsidiaries of Hertz entered into a second omnibus amendment to our Canadian Fleet Financing Facility, reducing the facility limit from CAD\$400 million (or \$381.3 million, calculated using exchange rates in effect on December 31, 2009) to CAD\$225 million (or \$214.5 million), changing the maturity date from May 2012 to May 2011 and adding an increase in the commitment fee. Also, among other things, certain covenants pertaining to fleet composition were eliminated and certain limitations on the number of vehicles supplied by a single manufacturer which may be included in the borrowing base calculation were added. As of December 31, 2009, the foreign currency equivalent of \$55.6 million in borrowings were outstanding under this facility.

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Belgian Fleet Financing Facility***

On June 21, 2007, our Belgian subsidiary, Hertz Belgium BVBA, entered into a secured revolving credit facility with varying facility limits of up to €27.4 million (or \$39.4 million) maturing in December 2010. The new facility refinanced the Belgian portion of the International Fleet Debt facilities. This facility is guaranteed by HIL and the fleet assets used in the Belgian operations are pledged as collateral for this debt. Interest is charged at a spread over the EURIBOR. This facility contains a number of covenants typical for this type of facility, including restrictions on additional indebtedness, creation of liens, engaging in mergers and change of business. As of December 31, 2009, the foreign currency equivalent of \$33.7 million in borrowings were outstanding under this facility.

***Capitalized Leases***

Capitalized Leases includes capitalized lease financings outstanding in the United Kingdom (the "U.K. Leveraged Financing"), Australia and Netherlands. The U.K. Leveraged Financing which is the largest portion of the Capitalized Leases consists of an agreement for a sale and leaseback facility entered into with a financial institution in the United Kingdom, or the "U.K.," by our subsidiary in the U.K., Hertz (U.K.) Limited on December 21, 2007, under which we may sell and lease back fleet up to the value of £165.0 million (or \$267.5 million). The amount available under this facility increases over the term of the facility. The facility is scheduled to mature in February 2013. This facility refinanced the U.K. portion of the International Fleet Debt facilities. This facility contains covenants typical for this type of facility including restriction on engaging in mergers and change of business, and includes requirements to meet, on a quarterly basis, certain ratios measuring utilization, interest coverage and net worth. The Australian and Netherlands subsidiaries conducting the car rental business may, at their option, continue to engage in capital lease financings relating to revenue earning equipment outside the International Fleet Debt facilities. As of December 31, 2009, Capitalized Leases have maturities ranging from January 2010 to March 2012. As of December 31, 2009, the foreign currency equivalent of \$222.4 million in capital leases were outstanding.

***Covenants***

Certain of our debt instruments and credit facilities contain a number of covenants that, among other things, limit or restrict the ability of the borrowers and the guarantors to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, change the nature of their business, make capital expenditures, or engage in certain transactions with affiliates. Some of these agreements also require the maintenance of certain financial covenants. As of December 31, 2009, we were in compliance with all of these financial covenants.

As of December 31, 2009, we had an aggregate principal amount outstanding of \$1,358.6 million pursuant to our Senior Term Facility and no amounts outstanding in our Senior ABL Facility. Under our Senior Credit Facilities, we are required to maintain a specified minimum level of borrowing capacity under our Senior ABL Facility, if we fail to meet these requirements, we will then be subject to financial covenants under that facility, including covenants that will obligate us to maintain a specified debt to Corporate EBITDA (defined below) leverage ratio and a specified Corporate EBITDA to fixed charges coverage ratio. The financial covenants in our Senior Term Facility include obligations to maintain a specified debt to Corporate EBITDA leverage ratio and a specified Corporate EBITDA to interest expense coverage ratio for specified periods. As of December 31, 2009, Hertz was required under the Senior Term Facility to have a consolidated leverage ratio of not more than 5.00:1 and a consolidated interest expense coverage ratio of not less than 2.25:1. In addition, under our Senior ABL Facility, if there was

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

less than \$200.0 million of available borrowing capacity under that facility as of December 31, 2009, Hertz was required to have a consolidated leverage ratio of not more than 5.00:1 and a consolidated fixed charge coverage ratio of not less than 1:1 for the quarter then ended. Under the Senior Term Facility, as of December 31, 2009, we had a consolidated leverage ratio of 3.85:1 and a consolidated interest expense coverage ratio of 3.16:1. Since we had maintained sufficient borrowing capacity under our Senior ABL Facility as of December 31, 2009, and expect to maintain such capacity in the future, the consolidated fixed charge coverage ratio was not deemed relevant for presentation. "EBITDA" means consolidated net income before net interest expense, consolidated income taxes and consolidated depreciation and amortization and "Corporate EBITDA" means "EBITDA" as that term is defined under Hertz's senior credit facilities, which is generally consolidated net income before net interest expense (other than interest expense relating to certain car rental fleet financing), consolidated income taxes, consolidated depreciation (other than depreciation related to the car rental fleet) and amortization and before certain other items, in each case as more fully described in the agreements governing Hertz's senior credit facilities.

**Credit Facilities**

As of December 31, 2009, the following credit facilities were available for the use of Hertz and its subsidiaries:

	<b>Remaining Capacity</b>	<b>Availability Under Borrowing Base Limitation</b>
<i>Corporate Debt</i>		
Senior Term Facility	\$	\$
Senior ABL Facility	1,654.4	925.0
 Total Corporate Debt	 1,654.4	 925.0
<i>Fleet Debt</i>		
U.S. Fleet Debt	2,138.1	88.7
International Fleet Debt	851.8	110.0
International ABS Fleet Financing Facility	658.7	110.4
Fleet Financing Facility	17.0	17.0
Brazilian Fleet Financing Facility	6.5	
Canadian Fleet Financing Facility	158.8	45.1
Belgian Fleet Financing Facility		
Capitalized Leases	101.5	
 Total Fleet Debt	 3,932.4	 371.2
 Total	 \$ 5,586.8	 \$ 1,296.2

As of December 31, 2009, the Senior Term Facility had approximately \$0.6 million available under the letter of credit facility and the Senior ABL Facility had \$114.6 million available under the letter of credit facility sublimit.

Our liquidity as of December 31, 2009 was \$5.8 billion, which consisted of \$1.0 billion of cash, \$0.9 billion of unused commitments under our Senior ABL Facility and \$3.9 billion of unused commitments under our Fleet Financing Facilities. Taking into consideration the borrowing base limitations in our Senior ABL

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Facility and in our Fleet Debt, the amount that we had available for immediate use as of December 31, 2009 under our Senior ABL Facility was \$0.9 billion and we had \$0.4 billion of over-enhancement that was available under our Fleet Debt. Accordingly, as of December 31, 2009 we had \$2.3 billion (\$1.0 billion in cash, \$0.9 billion available under our Senior ABL Facility and \$0.4 billion available under our various Fleet Debt facilities) in liquidity that was available for our immediate use. Future availability of borrowings under these facilities will depend on borrowing base requirements and other factors, many of which are outside our control.

Also, substantially all of our revenue earning equipment and certain related assets are owned by special purpose entities, or are subject to liens in favor of our lenders under our various credit facilities. Substantially all our other assets in the United States are also subject to liens in favor of our lenders under our various credit facilities. None of such assets will be available to satisfy the claims of our general creditors.

As of December 31, 2009 and 2008, accrued interest was \$120.9 million and \$131.4 million, respectively, which is reflected in our consolidated balance sheet in "Other accrued liabilities."

**Note 4 Employee Retirement Benefits**

Qualified U.S. employees, after completion of specified periods of service, are eligible to participate in The Hertz Corporation Account Balance Defined Benefit Pension Plan, or the "Hertz Retirement Plan," a cash balance plan. Under this qualified Hertz Retirement Plan, we pay the entire cost and employees are not required to contribute.

Most of our international subsidiaries have defined benefit retirement plans or participate in various insured or multiemployer plans. In certain countries, when the subsidiaries make the required funding payments, they have no further obligations under such plans. We participate in various multiemployer pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. Contributions to U.S. multiemployer plans were \$6.3 million, \$7.3 million and \$7.5 million for years ended December 31, 2009, 2008 and 2007, respectively.

Company plans are generally funded, except for certain nonqualified U.S. defined benefit plans and in Germany, where unfunded liabilities are recorded.

We sponsor defined contribution plans for certain eligible U.S. and non-U.S. employees. We match contributions of participating employees on the basis specified in the plans.

We also sponsor postretirement health care and life insurance benefits for a limited number of employees with hire dates prior to January 1, 1990. The postretirement health care plan is contributory with participants' contributions adjusted annually. An unfunded liability is recorded. We also have a key officer postretirement car benefit plan that provides the use of a vehicle for retired Senior Vice Presidents and above who have a minimum of 20 years of service and who retired at age 58 or above.

We use a December 31 measurement date for all our plans.

The following tables set forth the funded status and the net periodic pension cost of the Hertz Retirement Plan, other postretirement benefit plans (including health care and life insurance plans covering domestic ("U.S.") employees and the retirement plans for international operations ("Non-U.S.")),

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

together with amounts included in our consolidated balance sheet and statement of operations (in millions of dollars):

	Pension Benefits				Postretirement Benefits (U.S.)	
	U.S.		Non-U.S.		2009	2008
	2009	2008	2009	2008		
<b>Change in Benefit Obligation</b>						
Benefit obligation at January 1	\$ 438.8	\$ 451.2	\$ 163.5	\$ 199.7	\$ 12.9	\$ 13.2
Service cost	22.0	23.1	5.6	8.1	0.1	0.1
Interest cost	27.9	27.4	9.5	10.2	0.8	0.8
Employee contributions			1.1	1.8	0.5	0.3
Plan amendments						
Plan curtailments		(9.3)	(0.3)	(0.6)		0.7
Plan settlements	(11.0)	(24.4)	(1.6)	(0.7)		
Special termination benefits		2.1				
Benefits paid	(36.4)	(21.8)	(4.7)	(3.4)	(1.3)	(1.1)
Foreign exchange translation			15.5	(49.0)		
Actuarial loss (gain)	63.4	(9.5)	2.7	(2.4)	0.7	(1.1)
Other			(0.3)	(0.2)		
Benefit obligation at December 31	\$ 504.7	\$ 438.8	\$ 191.0	\$ 163.5	\$ 13.7	\$ 12.9
<b>Change in Plan Assets</b>						
Fair value of plan assets at January 1	\$ 237.0	\$ 329.7	\$ 103.3	\$ 162.6	\$	\$
Actual return on plan assets	39.3	(73.7)	23.1	(27.5)		
Company contributions	55.3	27.2	6.7	8.6	0.7	0.8
Employee contributions			1.1	1.8	0.5	0.3
Plan settlements	(11.0)	(24.4)	(1.6)	(0.7)		
Benefits paid	(36.4)	(21.8)	(4.7)	(3.4)	(1.2)	(1.1)
Foreign exchange translation			11.6	(37.9)		
Other			(0.3)	(0.2)		
Fair value of plan assets at December 31	\$ 284.2	\$ 237.0	\$ 139.2	\$ 103.3	\$	\$
<b>Funded Status of the Plan</b>						
Plan assets less than benefit obligation	\$ (220.5)	\$ (201.8)	\$ (51.8)	\$ (60.2)	\$ (13.7)	\$ (12.9)



## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Pension Benefits				Postretirement Benefits (U.S.)	
	U.S.		Non-U.S.		2009	2008
	2009	2008	2009	2008	2009	2008
<b>Amounts recognized in balance sheet:</b>						
Liabilities	\$ (220.5)	\$ (201.8)	\$ (51.8)	\$ (60.2)	\$ (13.7)	\$ (12.9)
Net obligation recognized in the balance sheet	\$ (220.5)	\$ (201.8)	\$ (51.8)	\$ (60.2)	\$ (13.7)	\$ (12.9)
Prior service cost	\$ (0.1)	\$ (0.1)	\$	\$	\$	\$
Net gain (loss)	(120.7)	(75.7)	4.6	(6.5)	3.6	4.6
Accumulated other comprehensive income (loss)	(120.8)	(75.8)	4.6	(6.5)	3.6	4.6
Unfunded accrued pension or postretirement benefit	(99.7)	(126.0)	(56.4)	(53.7)	(17.3)	(17.5)
Net obligation recognized in the balance sheet	\$ (220.5)	\$ (201.8)	\$ (51.8)	\$ (60.2)	\$ (13.7)	\$ (12.9)
<b>Total recognized in other comprehensive income (loss)</b>	\$ (45.0)	\$ (74.4)	\$ 11.9	\$ (36.0)	\$ 1.0	\$ 2.6
<b>Total recognized in net periodic benefit cost and other comprehensive loss (income)</b>	\$ 74.0	\$ 107.6	\$ (5.0)	\$ 41.7	\$ 1.5	\$ 0.5
<b>Estimated amounts that will be amortized from accumulated other comprehensive (income) loss over the next fiscal year:</b>						
Net gain (loss)	\$ (5.6)	\$ (0.4)	\$ 0.4	\$ 0.3	\$ 0.3	\$ 0.4
<b>Accumulated Benefit Obligation at December 31</b>	\$ 449.4	\$ 382.8	\$ 183.7	\$ 151.6	N/A	N/A
<b>Weighted-average assumptions as of December 31</b>						
Discount rate	5.42%	6.39%	5.78%	5.59%	5.40%	6.20%
Expected return on assets	8.50%	8.25%	7.45%	6.79%	N/A	N/A
Average rate of increase in compensation	4.4%	4.3%	3.7%	3.9%	N/A	N/A
Initial health care cost trend rate					8.65%	9.0%
Ultimate health care cost trend rate					4.5%	5.0%
Number of years to ultimate trend rate					20	10

The discount rate used to determine the December 31, 2009 benefit obligations for U.S. pension plans is based on the rate from the Citigroup Pension Discount Curve that is appropriate for the duration of our plan liabilities. For our plans outside the U.S., the discount rate reflects the market rates for high-quality corporate bonds currently available. The discount rate in a country was determined based on a yield curve constructed from high quality corporate bonds in that country. The rate selected from the yield curve has a duration that matches our plan.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The expected return on plan assets for each funded plan is based on expected future investment returns considering the target investment mix of plan assets.

	Pension Benefits					
	U.S. Years			Non-U.S. Years		
	ended December 31,			ended December 31,		
	2009	2008	2007	2009	2008	2007
<b>Components of Net Periodic Benefit Cost:</b>						
Service cost	\$ 22.0	\$ 23.1	\$ 27.6	\$ 5.6	\$ 8.1	\$ 10.9
Interest cost	27.9	27.4	26.4	9.5	10.2	10.3
Expected return on plan assets	(22.7)	(23.5)	(25.7)	(7.6)	(11.4)	(10.9)
Amortization:						
Losses and other	0.4	0.4	1.0	(0.4)	(0.7)	
Curtailement loss			(5.1)	(0.3)	(0.7)	(0.1)
Settlement loss (gain)	1.4	3.7	3.5	0.1	0.1	(0.3)
Special termination cost		2.1	4.5			
Net pension expense	\$ 29.0	\$ 33.2	\$ 32.2	\$ 6.9	\$ 5.6	\$ 9.9
Weighted-average discount rate for expense (January 1)						
	6.39%	6.30%	5.70%	5.59%	5.51%	4.81%
Weighted-average assumed long-term rate of return on assets (January 1)						
	8.25%	8.50%	8.75%	6.79%	7.22%	7.22%

The pension mark-to-market adjustment balance included in "Accumulated other comprehensive loss" at December 31, 2009 and 2008 was \$66.5 million and \$49.4 million, respectively.

**Postretirement Benefits  
(U.S.)**

**Years ended  
December 31,**

	2009	2008	2007
<b>Components of Net Periodic Benefit Cost:</b>			
Service cost	\$ 0.1	\$ 0.1	\$ 0.3
Interest cost	0.7	0.7	0.8
Amortization:			
Losses and other	(0.3)	(2.9)	(0.6)
Special termination benefit cost			0.2
Net postretirement expense	\$ 0.5	\$ (2.1)	\$ 0.7
Weighted-average discount rate for expense			
	6.2%	6.3%	5.7%

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Initial health care cost trend rate	9.0%	9.5%	9.5%
Ultimate health care cost trend rate	5.0%	5.0%	5.0%
Number of years to ultimate trend rate	9	8	7

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## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Changing the assumed health care cost trend rates by one percentage point is estimated to have the following effects (in millions of dollars):

	<b>One Percentage Point</b>	
	<b>Increase</b>	<b>Decrease</b>
Effect on total of service and interest cost components	\$ 0.0	\$ 0.0
Effect on postretirement benefit obligation	\$ 0.4	\$ (0.4)

The provisions charged to income for the years ended December 31, 2009, 2008 and 2007 for all other pension plans were approximately (in millions of dollars) \$7.3, \$8.0 and \$7.8, respectively.

The provisions charged to income for the years ended December 31, 2009, 2008 and 2007 for the defined contribution plans were approximately (in millions of dollars) \$6.9, \$16.3 and \$15.6, respectively.

**Plan Assets**

We have a long-term investment outlook for the assets held in our Company sponsored plans, which is consistent with the long-term nature of each plan's respective liabilities. We have two major plans which reside in the U.S. and the U.K.

The U.S. Plan, or the "Plan," currently has a target asset allocation of 70% equity and 30% fixed income. The equity portion of the Plan is invested in one passively managed S&P 500 index fund, one passively managed U.S. small/midcap fund and one actively managed international portfolio. The fixed income portion of the Plan is actively managed by a professional investment manager and is benchmarked to the Barclays Long Govt/Credit Index. The Plan assumes an 8.5% rate of return on assets, which represents the expected long-term annual weighted-average return for the Plan in total.

The U.K. Plan currently invests in a professionally managed Balanced Consensus Index Fund, which has the investment objective of achieving a total return relatively equal to its benchmark. The benchmark is based upon the average asset weightings of a broad universe of U.K. pension funds invested in pooled investment vehicles and each of their relevant indices. The asset allocation as of December 31, 2009, was 83% equity, 8% fixed income and 9% cash. The U.K. Plan currently assumes a rate of return on assets of 7.5%, which represents the expected long-term annual weighted-average return.

The FASB establishes a three-level valuation hierarchy based upon observable and non-observable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobserved inputs (level 3 measurements). Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Plan's market assumptions. The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inputs that are derived principally from a corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurements of our U.S. pension plan assets are based upon significant observable (Level 2) inputs as follows (in millions of dollars):

<b>Asset Category</b>	<b>Year ended December 31, 2009</b>	
Cash and cash equivalents	\$	4.6
Equity Securities:		
U.S. Large Cap		80.2
U.S. Mid Cap		23.8
U.S. Small Cap		18.4
International Large Cap		63.4
Fixed Income Securities:		
U.S. Treasuries		44.6
Corporate Bonds		45.4
Mortgage-backed Bonds		
Municipal Bonds		1.1
Real Estate (REITs)		2.7
<b>Total fair value of pension plan assets</b>	<b>\$</b>	<b>284.2</b>

The fair value measurements of our U.K. pension plan assets are based upon significant observable (Level 2) inputs as follows (in millions of dollars):

<b>Asset Category</b>	<b>Year ended December 31, 2009</b>	
Cash and cash equivalents	\$	8.4
U.K. Equities		48.7
Overseas Equities		60.6
U.K. Conventional Gilts		5.4
Overseas Bonds		4.9
Corporate Bonds		3.5
Index-Linked Gilts-Stocks		0.8
<b>Total fair value of pension plan assets</b>	<b>\$</b>	<b>132.3</b>

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Contributions**

Our policy for funded plans is to contribute annually, at a minimum, amounts required by applicable laws, regulations and union agreements. From time to time we make contributions beyond those legally required. In 2009, we made discretionary cash contributions to our U.S. qualified pension plan of \$42.6 million. In 2008, we made a discretionary cash contribution to our U.S. qualified pension plan of \$1.5 million. Based upon the significant decline in asset values in 2008, which were in line with the overall market declines, it is likely we will have to make cash contributions in 2010 and future years. We expect to contribute between \$25 million and \$95 million to our U.S. plan during 2010. The level of 2010 and future contributions will vary, and is dependent on a number of factors including investment returns, interest rate fluctuations, plan demographics, funding regulations and the results of the final actuarial valuation.

**Estimated Future Benefit Payments**

The following table presents estimated future benefit payments (in millions of dollars):

	<b>Pension Benefits</b>	<b>Postretirement Benefits (U.S.)</b>
2010	\$ 30.7	\$ 0.9
2011	29.6	0.9
2012	34.3	0.9
2013	37.4	1.0
2014	36.4	1.0
2015-2018	230.7	5.4

**Note 5 Stock-Based Compensation****Plans**

On February 28, 2008, our Board of Directors adopted the Hertz Global Holdings, Inc. 2008 Omnibus Incentive Plan, or the "Omnibus Plan", which was approved by our stockholders at the annual meeting of stockholders held on May 15, 2008. A maximum of 17.7 million shares are reserved for issuance under the Omnibus Plan. The Omnibus Plan provides for grants of both equity and cash awards, including non-qualified stock options, incentive stock options, stock appreciation rights, performance awards (shares and units), restricted stock, restricted stock units and deferred stock units to key executives, employees and non-management directors. We also granted awards under the Hertz Global Holdings, Inc. Stock Incentive Plan, or the "Stock Incentive Plan," and the Hertz Global Holdings, Inc. Director Stock Incentive Plan, or the "Director Plan", or the "Prior Plans."

The Omnibus Plan provides that no further awards will be granted pursuant to the Prior Plans. However, awards that had been previously granted pursuant to the Prior Plans will continue to be subject to and governed by the terms of the Prior Plans. As of December 31, 2009, there were 13.0 million shares of our common stock underlying awards outstanding under the Prior Plans. In addition, as of December 31, 2009, there were 8.1 million shares of our common stock underlying awards outstanding under the Omnibus Plan.

In addition to the 21.1 million shares underlying outstanding awards as of December 31, 2009, we had 8.9 million shares of our common stock available for issuance under the Omnibus Plan. The shares of common stock to be delivered under the Omnibus Plan may consist, in whole or in part, of common

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

stock held in treasury or authorized but unissued shares of common stock, not reserved for any other purpose.

Shares subject to any award granted under the Omnibus Plan that for any reason are canceled, terminated, forfeited, settled in cash or otherwise settled without the issuance of common stock after the effective date of the Omnibus Plan will generally be available for future grants under the Omnibus Plan.

***Stock Options and Stock Appreciation Rights***

All stock options and stock appreciation rights granted under the Omnibus Plan will have a per-share exercise price of not less than the fair market value of one share of Hertz Holdings common stock on the grant date. Stock options and stock appreciation rights will vest based on a minimum period of service or the occurrence of events (such as a change in control, as defined in the Omnibus Plan) specified by the compensation committee of our Board of Directors. No stock options or stock appreciation rights will be exercisable after ten years from the grant date. The compensation committee may at its discretion accelerate the vesting of an option or stock appreciation right at any time. In addition, vesting of options and stock appreciation rights will be accelerated if Hertz Holdings experiences a change in control (as defined in the Omnibus Plan) unless options or stock appreciation rights with substantially equivalent terms and economic value are substituted for existing options and stock appreciation rights in place of accelerated vesting. Vesting of options and stock appreciation rights will also be accelerated in the event of an employee's death or disability (as defined in the Omnibus Plan). Upon a termination for cause (as defined in the Omnibus Plan), all options and stock appreciation rights held by the employee are immediately cancelled. Following a termination without cause, vested options and stock appreciation rights will generally remain exercisable through the earliest of the expiration of their term or 30 days following termination of employment (or one year in the case of death or disability).

In February 2009, we granted options to acquire 52,500 shares of our common stock at an exercise price of \$3.24 per share under the Omnibus Plan.

We have accounted for our employee stock-based compensation awards in accordance with ASC 718, "Compensation-Stock Compensation." The options are being accounted for as equity-classified awards. We will recognize compensation cost on a straight-line basis over the vesting period. The value of each option award is estimated on the grant date using a Black-Scholes option valuation model that incorporates the assumptions noted in the following table. Because the stock of Hertz Holdings became publicly traded in November 2006 and has a short trading history, it is not practicable for us to estimate the expected volatility of our share price, or a peer company share price, because there is not sufficient historical information about past volatility. Therefore, we have used the calculated value method, substituting the historical volatility of an appropriate industry sector index for the expected volatility of Hertz Holdings' common stock price as an assumption in the valuation model. We selected the Dow Jones Specialized Consumer Services sub-sector within the consumer services industry, and we used the U.S. large capitalization component, which includes the top 70% of the index universe (by market value).

The calculation of the historical volatility of the index was made using the daily historical closing values of the index for the preceding 6.25 years, because that is the expected term of the options using the simplified approach.

The risk-free interest rate is the implied zero-coupon yield for U.S. Treasury securities having a maturity approximately equal to the expected term, as of the grant dates. The assumed dividend yield is zero. We

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assume that each year 1% of the options that are outstanding but not vested will be forfeited because of employee attrition.

<b>Assumption</b>	<b>2009 Grants</b>	<b>2008 Grants</b>
Expected volatility	34.9%	30.8%
Weighted-average volatility	34.9%	30.8%
Expected dividend yield	0.0%	0.0%
Expected term (years)	6.25	5.0 - 6.25
Risk-free interest rate	2.90%	2.56 - 3.75%
Forfeiture rate (per year)	1.0%	1.0%
Weighted-average grant date fair value	\$1.29	\$4.42

A summary of option activity under the Stock Incentive Plan and the Omnibus Plan as of December 31, 2009 is presented below.

<b>Options</b>	<b>Shares</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Remaining Contractual Term (years)</b>	<b>Aggregate Intrinsic Value (In thousands of dollars)</b>
Outstanding at January 1, 2009	16,087,407	\$ 8.97	7.9	\$ 3,987
Granted	52,500	\$ 3.24		
Exercised	(1,034,204)	\$ 4.65		
Forfeited or Expired	(995,399)	\$ 7.56		
Outstanding at December 31, 2009	14,110,304	\$ 9.38	7.0	\$ 56,221
Exercisable at December 31, 2009	7,430,924	\$ 9.17	6.8	\$ 32,166

The aggregate intrinsic value of options exercised during the years ended December 31, 2009 and 2008 was \$4.2 million and \$6.8 million, respectively. A total of 1,034,204 options were exercised in the year ended December 31, 2009 and we received \$5.3 million from the issuance of shares related to these exercises.

A summary of non-vested options as of December 31, 2009, and changes during the year, is presented below.

	<b>Non-vested Shares</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Grant- Date Fair Value</b>
Non-vested as of January 1, 2009	11,035,751	\$ 9.33	\$ 6.24
Granted	52,500	\$ 3.24	\$ 1.29
Vested	(3,573,517)	\$ 9.36	\$ 6.47
Forfeited or Expired	(835,354)	\$ 7.56	\$ 5.86
Non-vested as of December 31, 2009	6,679,380	\$ 9.62	\$ 6.16



## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*Performance Stock, Performance Stock Units, Restricted Stock and Restricted Stock Units*

Performance stock, performance stock units, or "PSUs," and performance units granted under the Omnibus Plan will vest based on the achievement of pre-determined performance goals over performance periods determined by the compensation committee. In the event of an employee's death or disability, a pro rata portion of the employee's performance stock, performance stock units and performance units will vest to the extent performance goals are achieved at the end of the performance period. Upon a termination of employment or for any other reason, all outstanding performance stock, performance stock units and performance units held by the employee are immediately canceled.

Restricted stock and restricted stock units, or "RSUs," granted under the Omnibus Plan will vest based on a minimum period of service or the occurrence of events (such as a change in control, as defined in the Omnibus Plan) specified by the compensation committee. Upon a termination of employment for any reason, any unvested restricted stock or restricted stock units of the employee will be canceled.

Each deferred stock unit granted under the Omnibus Plan represents the right to receive one share of Hertz Holdings' common stock on a specified future date. Generally, upon a participant's termination of employment other than for cause, Hertz Holdings will issue one share of common stock to the participant for each deferred stock unit the participant then holds.

A summary of RSU and PSU activity under the Omnibus Plan as of December 31, 2009 is presented below.

<b>Options</b>	<b>Shares</b>	<b>Weighted-Average Fair Value</b>	<b>Aggregate Fair Value</b>
		<b>(In thousands of dollars)</b>	
Outstanding at January 1, 2009	1,285,000	\$ 4.98	\$ 6,515
Granted	6,465,239	\$ 3.42	
Vested/Exercised	(635,000)	\$ 4.98	
Forfeited or Expired	(138,000)	\$ 4.83	
Outstanding at December 31, 2009	6,977,239	\$ 3.53	\$ 83,169

The total fair value of RSUs and PSUs that vested during the year is \$6.2 million.

In 2009, we granted RSUs to key executives and employees, and PSUs as presented in the table below. RSUs granted in 2009 generally have the terms set forth in the Omnibus Plan, however in the event of an employee's death or disability (as defined in the Omnibus Plan), a pro rata portion of the RSUs that would have vested on the next anniversary of the grant date will vest and the remainder of the RSUs will be canceled.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Grant Date	Fair Value	Number of Units
	2/26/09	\$ 3.24	2,439,363
	2/26/09	\$ 3.24	2,095,376
	3/13/09	\$ 2.75	1,400,000
	5/1/09	\$ 6.45	495,500
	5/11/09	\$ 8.38	10,000
	7/31/09	\$ 9.44	10,000
	8/14/09	\$ 11.02	15,000

6,465,239

Compensation expense for RSUs and PSUs is based on the grant date fair value, and is recognized ratably over the vesting period. For grants in 2008, the vesting period is two years (50% in the first year and 50% in the second year). For grants in 2009, the vesting period is three years (25% in the first year, 25% in the second year and 50% in the third year). The PSUs have an additional vesting condition. The restriction period applicable to the PSUs will lapse on the first anniversary of the grant date if the consolidated leverage ratio covenants within our Senior Credit Facilities have not been violated during that twelve month period. Assuming the restriction period has lapsed, the grants will vest pursuant to the vesting schedule. If the consolidated leverage ratio covenant is violated during the first twelve months, all PSUs will be forfeited.

**Impact on Results**

A summary of the total compensation expense and associated income tax benefits recognized under our Prior Plans and the Omnibus Plan, including the cost of stock options, RSUs, and PSUs, is as follows:

	Years ended December 31,		
	2009	2008	2007
Compensation Expense	\$ 34.5	\$ 27.8	\$ 32.9
Income Tax Benefit	(13.4)	(10.7)	(12.7)
<b>Total</b>	<b>\$ 21.1</b>	<b>\$ 17.1</b>	<b>\$ 20.2</b>

As of December 31, 2009, there was approximately \$51.7 million of total unrecognized compensation cost related to non-vested stock options, RSUs and PSUs granted by Hertz Holdings under the Prior Plans and the Omnibus Plan, including costs related to modifying the exercise prices of certain option grants in order to preserve the intrinsic value of the options, consistent with applicable tax law, to reflect special cash dividends of \$4.32 per share paid on June 30, 2006 and \$1.12 per share paid on November 21, 2006. These remaining costs are expected to be recognized over the remaining 1.3 years, on a weighted average basis, of the requisite service period that began on the grant dates.

**Employee Stock Purchase Plan**

On February 28, 2008, upon recommendation of the compensation committee of our Board of Directors, or "Committee," our Board of Directors adopted the Hertz Global Holdings, Inc. Employee Stock Purchase Plan, or the "ESPP," and the plan was approved by our stockholders on May 15, 2008. The

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ESPP is intended to be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code.

The maximum number of shares that may be purchased under the ESPP is 3,000,000 shares of our common stock, subject to adjustment in the case of any change in our shares, including by reason of a stock dividend, stock split, share combination, recapitalization, reorganization, merger, consolidation or change in corporate structure. An eligible employee may elect to participate in the ESPP each quarter (or other period established by the Committee) through a payroll deduction. The maximum and minimum contributions that an eligible employee may make under all of our qualified employee stock purchase plans will be determined by the Committee, provided that no employee may be permitted to purchase stock with an aggregate fair market value greater than \$25,000 per year. At the end of the offering period, the total amount of each employee's payroll deduction will be used to purchase shares of our common stock. The purchase price per share will be not less than 85% of the market price of our common stock on the date of purchase; the exact percentage for each offering period will be set in advance by the Committee.

For the year ended December 31, 2009, we recognized compensation cost of approximately \$0.5 million (\$0.3 million, net of tax) for the amount of the discount on the stock purchased by our employees. Approximately 1,800 employees participated in the ESPP as of December 31, 2009.

**Note 6 Depreciation of Revenue Earning Equipment**

Depreciation of revenue earning equipment includes the following (in millions of dollars):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Depreciation of revenue earning equipment	\$ 1,786.9	\$ 2,020.3	\$ 1,905.9
Adjustment of depreciation upon disposal of the equipment	76.5	83.1	21.2
Rents paid for vehicles leased	68.0	90.8	76.3
<b>Total</b>	<b>\$ 1,931.4</b>	<b>\$ 2,194.2</b>	<b>\$ 2,003.4</b>

The adjustment of depreciation upon disposal of revenue earning equipment for the years ended December 31, 2009, 2008 and 2007 included (in millions of dollars) net losses of \$41.3 and \$32.1 and a net gain of \$0.6, respectively, on the disposal of industrial and construction equipment used in our equipment rental operations, and net losses of \$35.2, \$51.0 and \$21.8, respectively, on the disposal of vehicles used in our car rental operations.

Depreciation rates are reviewed on an ongoing basis based on management's routine review of present and estimated future market conditions and their effect on residual values at the time of disposal. During 2009, 2008 and 2007, depreciation rates being used to compute the provision for depreciation of revenue earning equipment were adjusted on certain vehicles in our car rental operations to reflect changes in the estimated residual values to be realized when revenue earning equipment is sold. These depreciation rate changes resulted in net increases of \$13.2 million, \$36.6 million and \$13.7 million in depreciation expense for the years ended December 31, 2009, 2008 and 2007, respectively. During 2009, 2008 and 2007, depreciation rate changes in certain of our equipment rental operations resulted in an increase of \$6.1 million and net decreases of \$3.9 million and \$13.1 million in depreciation expense for the years ended December 31, 2009, 2008 and 2007, respectively.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2009, 2008 and 2007, our worldwide car rental operations sold approximately 153,300, 189,300 and 163,700 non-program cars, respectively, a 19.0% decrease in 2009 versus 2008 primarily due to a lower average fleet size.

**Note 7 Taxes on Income**

The components of income (loss) before income taxes and noncontrolling interest for the periods were as follows (in millions of dollars):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Domestic	\$ (149.3)	\$ (1,166.7)	\$ 190.0
Foreign	(21.7)	(216.1)	196.8
<b>Total</b>	<b>\$ (171.0)</b>	<b>\$ (1,382.8)</b>	<b>\$ 386.8</b>

The total provision (benefit) for taxes on income consists of the following (in millions of dollars):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Current:</b>			
Federal	\$ 0.4	\$ (1.5)	\$ 10.5
Foreign	15.8	36.5	18.3
State and local	(1.2)	3.0	14.0
<b>Total current</b>	<b>15.0</b>	<b>38.0</b>	<b>42.8</b>
<b>Deferred:</b>			
Federal	(34.1)	(192.9)	66.9
Foreign	(23.0)	(12.7)	8.4
State and local	(17.6)	(29.3)	(15.5)
<b>Total deferred</b>	<b>(74.7)</b>	<b>(234.9)</b>	<b>59.8</b>
<b>Total provision (benefit)</b>	<b>\$ (59.7)</b>	<b>\$ (196.9)</b>	<b>\$ 102.6</b>

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The principal items of the U.S. and foreign net deferred tax assets and liabilities at December 31, 2009 and 2008 are as follows (in millions of dollars):

	2009	2008
<b>Deferred Tax Assets:</b>		
Employee benefit plans	\$ 88.0	\$ 101.8
Net operating loss carryforwards	1,135.2	464.7
Foreign tax credit carryforwards	20.8	20.8
Federal, state and foreign tax credit carryforwards	8.2	8.8
Accrued and prepaid expenses	206.1	264.9
<b>Total Deferred Tax Assets</b>	<b>1,458.3</b>	<b>861.0</b>
Less: Valuation Allowance	(167.8)	(123.2)
<b>Total Net Deferred Tax Assets</b>	<b>1,290.5</b>	<b>737.8</b>
<b>Deferred Tax Liabilities:</b>		
Depreciation on tangible assets	(1,694.4)	(1,165.9)
Intangible assets	(1,067.0)	(1,053.8)
<b>Total Deferred Tax Liabilities</b>	<b>(2,761.4)</b>	<b>(2,219.7)</b>
<b>Net Deferred Tax Liability</b>	<b>\$ (1,470.9)</b>	<b>\$ (1,481.9)</b>

As of December 31, 2009, deferred tax assets of \$821.6 million were recorded for unutilized U.S. Federal Net Operating Losses, or "NOL," carryforwards of \$2,352.8 million. The total Federal NOL carry forwards are \$2,363.7 million of which \$10.9 million relate to excess tax deductions associated with stock option plans which have yet to reduce taxes payable. Upon the utilization of these carry forwards, the associated tax benefits of approximately \$3.8 million will be recorded to Additional Paid-in Capital. The Federal NOLs begin to expire in 2025. State NOLs associated with the Federal NOL, exclusive of the effects of the excess tax deductions; have generated a deferred tax asset of \$135.0 million. The state NOLs begin to expire in 2010.

On January 1, 2009, Bank of America acquired a majority equity interest in Merrill Lynch & Co. For U.S. income tax purposes the transaction, when combined with other unrelated transactions during the previous 36 months, resulted in a change in control as that term is defined in Section 382 of the Internal Revenue Code. Consequently, utilization of all pre-2009 U.S. net operating losses is subject to an annual limitation. We have calculated the expected annual base limitation as well as additional limitation resulting from a net unrealized built in gain as of the acquisition date and other adjustments. Based on the calculations, the limitation is not expected to result in a loss of net operating losses or have a material adverse impact on taxes.

As of December 31, 2009, deferred tax assets of \$178.0 million were recorded for foreign NOL carryforwards of \$754.8 million. A valuation allowance of \$123.2 million at December 31, 2009 was recorded against these deferred tax assets because those assets relate to jurisdictions that have historical losses and the likelihood exists that a portion of the NOL carryforwards may not be utilized in the future. An additional valuation allowance of \$31.1 million at December 31, 2009 was recorded against foreign deferred tax assets related to other cumulative temporary differences.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The foreign NOL carryforwards of \$754.8 million include \$637.2 million which have an indefinite carryforward period and associated deferred tax assets \$143.3 million. The remaining foreign NOLs of \$117.6 million are subject to expiration beginning in 2015 and have associated deferred tax assets of \$34.7 million.

As of December 31, 2009, deferred tax assets for U.S. Foreign Tax Credit carryforwards were \$20.8 million which relate to credits generated as of December 31, 2007. The carryforwards will begin to expire in 2015. A valuation allowance of \$13.5 million at December 31, 2009 was recorded against a portion of the U.S. foreign tax credit deferred tax assets in the likelihood that they may not be utilized in the future. A deferred tax asset was also recorded for various state tax credit carryforwards of \$3.9 million, which will begin to expire in 2027.

In determining the valuation allowance, an assessment of positive and negative evidence was performed regarding realization of the net deferred tax assets in accordance with ASC 740-10, "Accounting for Income Taxes," or "ASC 740-10." This assessment included the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. Based on the assessment, as of December 31, 2009, total valuation allowances of \$167.8 million were recorded against deferred tax assets. Although realization is not assured, we have concluded that it is more likely than not the remaining deferred tax assets of \$1,290.5 million will be realized and as such no valuation allowance has been provided on these assets.

The significant items in the reconciliation of the statutory and effective income tax rates consisted of the following:

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Statutory Federal Tax Rate	35.0%	35.0%	35.0%
Foreign tax differential	21.1	(0.5)	(9.8)
State and local income taxes, net of federal income tax benefit	6.0	0.7	2.1
Change in state statutory rates, net of federal income tax benefit	3.5	0.1	(3.7)
Effect of impairment charges		(16.6)	
Federal permanent differences	2.0	0.1	(1.0)
Withholding taxes	(4.8)	(0.5)	1.4
Uncertain tax positions	(2.8)	(0.4)	2.1
Increase (decrease) in valuation allowance	(26.2)	(3.8)	
All other items, net	1.1	0.1	0.4
<b>Effective Tax Rate</b>	<b>34.9%</b>	<b>14.2%</b>	<b>26.5%</b>

The increase in the 2009 effective tax rate is primarily due to nonrecurring 2008 impairment losses.

As of December 31, 2009, our foreign subsidiaries have net undistributed earnings of \$228.1 million. Deferred taxes have not been recorded for such earnings because it is management's current intention to permanently reinvest undistributed earnings and there is no foreseeable need to distribute offshore reserves or earnings as it is not practical to determine such deferred tax liabilities. If, in the future, undistributed earnings are repatriated to the United States, or it is determined such earnings will be repatriated in the foreseeable future, deferred taxes will be recorded.

The provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" an Interpretation of FASB Statement No. 109," which was incorporated in ASC 740-10, were adopted on January 1, 2007. Upon adoption, an \$18.9 million increase to liabilities for unrecognized tax benefits was

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

recorded. The increase in liabilities was recorded as of January 1, 2007 as an increase of \$3.6 million to "Accumulated Deficit" which is reflected in our consolidated balance sheet and an increase of \$15.3 million to "Goodwill" which is reflected in our consolidated balance sheet.

On the adoption date, total unrecognized tax benefits were \$20.3 million. As of December 31, 2009, total unrecognized tax benefits were \$25.6 million, all of which, if recognized, would favorably impact the effective tax rate in future periods.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions of dollars):

	2009	2008	2007
Balance at January 1	\$ 21.7	\$ 35.5	\$ 20.3
Increase (decrease) attributable to tax positions taken during prior periods	1.1	(5.7)	6.4
Increase attributable to tax positions taken during the current year	3.1	5.2	9.5
Decrease attributable to settlements with taxing authorities	(0.3)	(13.3)	(0.7)
Balance at December 31	\$ 25.6	\$ 21.7	\$ 35.5

We conduct business globally and, as a result, file one or more income tax returns in the U.S. federal jurisdiction and various state and non-U.S. jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world. The open tax years for these jurisdictions span from 1998 to 2009. A tax indemnification agreement entered into with Ford on the Closing Date indemnifies Hertz from U.S. federal and unitary state, and certain combined non-U.S. income tax liabilities for all periods prior to December 21, 2005. We are not currently under audit by the Internal Revenue Service. Several U.S. state and non-U.S. jurisdictions are under audit.

In many cases the uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. It is reasonable that approximately \$5.3 million of unrecognized tax benefits may reverse within the next twelve months due to settlement with the relevant taxing authorities and/or the filing of amended income tax returns.

Net, after-tax interest and penalties related to the liabilities for unrecognized tax benefits are classified as a component of "(Provision) benefit for taxes on income" in the consolidated statement of operations. During 2009, approximately \$(0.2) million in net, after-tax interest and penalties were recognized. Approximately \$5.8 million of net, after-tax interest and penalties are accrued in the consolidated balance sheet at December 31, 2009. During 2008, approximately \$0.6 million was recognized in net, after-tax interest and penalties. Approximately \$6.0 million of net, after-tax interest and penalties was accrued in our consolidated balance sheet at December 31, 2008. During 2007, approximately \$2.2 million was recognized in net, after-tax interest and penalties. Approximately \$12.0 million of net, after-tax interest and penalties was accrued in our consolidated balance sheet at December 31, 2007.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 8 Lease and Concession Agreements**

We have various concession agreements, which provide for payment of rents and a percentage of revenue with a guaranteed minimum, and real estate leases under which the following amounts were expensed (in millions of dollars):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Rents	\$ 133.2	\$ 144.2	\$ 130.9
Concession fees:			
Minimum fixed obligations	260.1	251.0	301.5
Additional amounts, based on revenues	231.5	268.8	209.6
<b>Total</b>	<b>\$ 624.8</b>	<b>\$ 664.0</b>	<b>\$ 642.0</b>

As of December 31, 2009, minimum obligations under existing agreements referred to above are approximately as follows (in thousands of dollars):

	<b>Rents</b>	<b>Concessions</b>
2010	\$ 126.9	\$ 251.9
2011	106.7	208.5
2012	82.1	181.3
2013	62.2	138.7
2014	49.4	77.7
Years after 2014	179.1	242.3

Many of our concession agreements and real estate leases require us to pay or reimburse operating expenses, such as common area charges and real estate taxes, to pay concession fees above guaranteed minimums or additional rent based on a percentage of revenues or sales (as defined in those agreements) arising at the relevant premises, or both. Such obligations are not reflected in the table of minimum future obligations appearing immediately above.

In addition to the above, we have various leases on revenue earning equipment and office and computer equipment under which the following amounts were expensed (in millions of dollars):

	<b>Years ended</b>		
	<b>December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Revenue earning equipment	\$ 68.0	\$ 90.8	\$ 76.3
Office and computer equipment	8.9	10.2	11.3
<b>Total</b>	<b>\$ 76.9</b>	<b>\$ 101.0</b>	<b>\$ 87.6</b>

As of December 31, 2009, minimum obligations under existing agreements referred to above that have a maturity of more than one year are as follows (in millions of dollars): 2010, \$25.4; 2011, \$6.0; 2012, \$2.4; 2013, \$0.3; 2014, \$0.0; years after 2014, \$0.0.

**Note 9 Segment Information**

Our operating segments are aggregated into reportable business segments based primarily upon similar economic characteristics, products, services, customers, and delivery methods. We have identified two reportable segments: rental of cars and light trucks, or "car rental," and rental



of industrial,

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

construction and material handling equipment, or "equipment rental." Other reconciling items includes general corporate assets and expenses, certain interest expense (including net interest on corporate debt), as well as other business activities, such as our third party claim management services.

Adjusted pre-tax income (loss) is the measure utilized by management in making decisions about allocating resources to segments and measuring their performance. We believe this measure best reflects the financial results from ongoing operations. Adjusted pre-tax income (loss) is calculated as income (loss) before income taxes and noncontrolling interest plus other reconciling items, non-cash purchase accounting charges, non-cash debt charges relating to the amortization of deferred debt financing costs and debt discounts and certain one-time charges and non-operational items. The contribution of our reportable segments for the years ended December 31, 2009, 2008 and 2007 are summarized below (in millions of dollars).

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>			
Car rental	\$ 5,979.0	\$ 6,858.2	\$ 6,920.6
Equipment rental	1,110.9	1,658.1	1,755.9
Other reconciling items	11.6	8.8	9.1
<b>Total</b>	<b>\$ 7,101.5</b>	<b>\$ 8,525.1</b>	<b>\$ 8,685.6</b>
<b>Adjusted pre-tax income(a)</b>			
Car rental	\$ 465.3	\$ 289.1	\$ 605.0
Equipment rental	\$ 76.4	\$ 272.0	\$ 373.8
<b>Depreciation of revenue earning equipment</b>			
Car rental	\$ 1,614.2	\$ 1,843.8	\$ 1,695.4
Equipment rental	317.2	350.4	308.0
<b>Total</b>	<b>\$ 1,931.4</b>	<b>\$ 2,194.2</b>	<b>\$ 2,003.4</b>
<b>Depreciation of property and equipment</b>			
Car rental	\$ 115.9	\$ 126.0	\$ 130.8
Equipment rental	37.6	40.8	40.4
Other reconciling items	6.1	6.0	5.9
<b>Total</b>	<b>\$ 159.6</b>	<b>\$ 172.8</b>	<b>\$ 177.1</b>
<b>Amortization of other intangible assets</b>			
Car rental	\$ 32.5	\$ 33.9	\$ 30.4
Equipment rental	32.8	32.4	32.2
Other reconciling items	0.7		
<b>Total</b>	<b>\$ 66.0</b>	<b>\$ 66.3</b>	<b>\$ 62.6</b>

<b>Interest expense</b>			
Car rental	\$ 316.1	\$ 452.4	\$ 442.5
Equipment rental	53.3	110.8	147.4
Other reconciling items	310.9	306.8	326.8
<b>Total</b>	<b>\$ 680.3</b>	<b>\$ 870.0</b>	<b>\$ 916.7</b>

Revenue earning equipment and property and equipment

<b>Car rental</b>			
Expenditures	\$ 7,533.1	\$ 9,978.5	\$ 10,601.1
Proceeds from disposals	(5,858.3)	(8,286.6)	(9,177.6)
<b>Net expenditures</b>	<b>\$ 1,674.8</b>	<b>\$ 1,691.9</b>	<b>\$ 1,423.5</b>
<b>Equipment rental</b>			
Expenditures	\$ 94.4	\$ 356.7	\$ 743.9
Proceeds from disposals	(190.3)	(293.1)	(230.0)
<b>Net expenditures (proceeds)</b>	<b>\$ (95.9)</b>	<b>\$ 63.6</b>	<b>\$ 513.9</b>
<b>Other reconciling items</b>			
Expenditures	\$ 0.5	\$ 9.6	\$ 2.7
Proceeds from disposals			
<b>Net expenditures</b>	<b>\$ 0.5</b>	<b>\$ 9.6</b>	<b>\$ 2.7</b>

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Total assets at end of year		
Car rental	\$12,356.5	\$12,161.1
Equipment rental	2,939.0	3,499.4
Other reconciling items	706.9	790.9
<b>Total</b>	<b>\$16,002.4</b>	<b>\$16,451.4</b>

Revenue earning equipment, net, at end of year		
Car rental	\$ 7,019.3	\$ 6,501.4
Equipment rental	1,832.3	2,190.1
<b>Total</b>	<b>\$ 8,851.6</b>	<b>\$ 8,691.5</b>

Property and equipment, net, at end of year		
Car rental	\$ 877.9	\$ 902.3
Equipment rental	243.6	280.7
Other reconciling items	66.6	71.6
<b>Total</b>	<b>\$ 1,188.1</b>	<b>\$ 1,254.6</b>

We operate in the United States and in international countries. International operations are substantially in Europe. The operations within major geographic areas are summarized below (in millions of dollars):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>			
United States	\$ 4,675.9	\$ 5,506.1	\$ 5,849.9
International	2,425.6	3,019.0	2,835.7
<b>Total</b>	<b>\$ 7,101.5</b>	<b>\$ 8,525.1</b>	<b>\$ 8,685.6</b>
<b>Depreciation of revenue earning equipment</b>			
United States	\$ 1,334.0	\$ 1,509.3	\$ 1,460.8
International	597.4	684.9	542.6

Total	\$ 1,931.4	\$ 2,194.2	\$ 2,003.4
Depreciation of property and equipment			
United States	\$ 122.0	\$ 125.8	\$ 130.8
International	37.6	47.0	46.3
Total	\$ 159.6	\$ 172.8	\$ 177.1
Amortization of other intangible assets			
United States	\$ 45.8	\$ 43.3	\$ 43.1
International	20.2	23.0	19.5
Total	\$ 66.0	\$ 66.3	\$ 62.6
Interest expense			
United States	\$ 568.5	\$ 647.9	\$ 739.4
International	111.8	222.1	177.3
Total	\$ 680.3	\$ 870.0	\$ 916.7
Revenue earning equipment and property and equipment			
United States			
Expenditures	\$ 5,217.8	\$ 5,904.8	\$ 7,322.2
Proceeds from disposals	(3,885.0)	(4,815.1)	(6,086.7)
Net expenditures	\$ 1,332.8	\$ 1,089.7	\$ 1,235.5
International			
Expenditures	\$ 2,410.2	\$ 4,440.0	\$ 4,025.5
Proceeds from disposals	(2,163.6)	(3,764.6)	(3,320.9)
Net expenditures	\$ 246.6	\$ 675.4	\$ 704.6

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Total assets at end of year</b>		
United States	\$10,669.7	\$10,921.6
International	5,332.7	5,529.8
<b>Total</b>	<b>\$16,002.4</b>	<b>\$16,451.4</b>
<b>Revenue earning equipment, net, at end of year</b>		
United States	\$ 6,432.3	\$ 6,132.8
International	2,419.3	2,558.7
<b>Total</b>	<b>\$ 8,851.6</b>	<b>\$ 8,691.5</b>
<b>Property and equipment, net, at end of year</b>		
United States	\$ 953.7	\$ 1,010.5
International	234.4	244.1
<b>Total</b>	<b>\$ 1,188.1</b>	<b>\$ 1,254.6</b>

- (a) The following table reconciles adjusted pre-tax income to income (loss) before income taxes and noncontrolling interest for the years ended December 31, 2009, 2008 and 2007 (in millions of dollars):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Adjusted pre-tax income</b>			
Car rental	\$ 465.3	\$ 289.1	\$ 605.0
Equipment rental	76.4	272.0	373.8
<b>Total reportable segments</b>	<b>541.7</b>	<b>561.1</b>	<b>978.8</b>
<b>Adjustments:</b>			
Other reconciling items(1)	(342.8)	(323.9)	(318.1)
Purchase accounting(2)	(90.3)	(101.0)	(95.2)
Non-cash debt charges(3)	(171.9)	(100.2)	(105.9)
Restructuring charges	(106.8)	(216.2)	(96.4)
Restructuring related charges(4)	(46.5)	(26.3)	

Impairment charges(5)	(1,168.9)		
Management transition costs	(1.0)	(5.2)	(15.0)
Derivative gains (losses)(6)	2.4	(2.2)	4.1
Gain on debt buyback(7)	48.5		
Third-party bankruptcy accrual(8)	(4.3)		
Secondary offering costs			(2.0)
Vacation accrual adjustment(9)			36.5

Income (loss) before income taxes  
and noncontrolling interest            \$(171.0)   \$ (1,382.8)   \$ 386.8

- 
- (1) Represents general corporate expenses, certain interest expense (including net interest on corporate debt), as well as other business activities such as our third-party claim management services.
- (2) Represents the purchase accounting effects of the Acquisition on our results of operations relating to increased depreciation and amortization of tangible and intangible assets and accretion of revalued workers' compensation and public liability and property damage liabilities. Also represents the purchase accounting effects of subsequent acquisitions on our results of operations relating to increased amortization of intangible assets.
- (3) Represents non-cash debt charges relating to the amortization of deferred debt financing costs and debt discounts. For the year ended December 31, 2009, also includes \$74.6 million associated with the amortization of amounts pertaining to the de-designation of the Hertz Vehicle Financing LLC, or "HVF," interest rate swaps as effective hedging instruments. During the years ended December 31, 2008 and 2007, also includes \$11.8 million and \$20.4 million, respectively, associated with the ineffectiveness of our HVF interest rate swaps. During the year ended December 31, 2008, also includes \$30.0 million related to the write-off of deferred financing costs associated with those countries outside the United States as to which take-out asset-based facilities have not been entered into. During the year ended December 31, 2007, also includes the write-off of \$16.2 million of unamortized debt costs associated with a debt modification.
- (4) Represents incremental, one-time costs incurred directly supporting our business transformation initiatives. Such costs include transition costs incurred in connection with our business process outsourcing arrangements and incremental costs incurred to facilitate business process re-engineering initiatives that involve significant organization redesign and extensive operational process changes.
- (5) Represents non-cash impairment charges related to our goodwill, other intangible assets and property and equipment.
- (6) In 2009, represents the mark-to-market adjustments on our interest rate cap and gasoline swap. In 2008 and 2007, represents unrealized losses and a realized gain on our HIL interest rate swaptions which were terminated in October 2008.

- (7) Represents a gain (net of transaction costs) recorded in connection with the buyback of portions of our Senior Notes and Senior Subordinated Notes.
- (8) Represents an allowance for uncollectible program car receivables related to a bankrupt European dealer affiliated with a U.S. car manufacturer.
- (9) Represents a decrease in the employee vacation accrual relating to a change in our U.S. vacation policy in 2007 which provides for vacation entitlement to be earned ratably throughout the year versus the previous policy which provided for full vesting on January 1 of each year.



**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 10 Litigation and Guarantees**

***Legal Proceedings***

From time to time we are a party to various legal proceedings. Other than with respect to the aggregate claims for public liability and property damage pending against us, management does not believe that any of the matters resolved, or pending against us, during 2009 are material to us and our subsidiaries taken as a whole. While we have accrued a liability with respect to claims for public liability and property damage of \$277.8 million at December 31, 2009, management does not believe any of the other pending matters described below are material. We have summarized below, for purposes of providing background, various legal proceedings to which we were and/or are a party during 2009 or the period after December 31, 2009 but before the filing of this Annual Report on Form 10-K. In addition to the following, various other legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries.

1.

Hertz Equipment Rental Corporation, or "HERC," Loss Damage Waiver

On August 15, 2006, Davis Landscape, Ltd., individually and on behalf of all others similarly situated, filed a complaint against Hertz Equipment Rental Corporation, or "HERC", in the United States District Court for the District of New Jersey. In November 2006, the complaint was amended to add another plaintiff, Miguel V. Pro, and more claims. The Davis Landscape matter purports to be a nationwide class action on behalf of all persons and business entities who rented equipment from HERC and who paid a Loss Damage Waiver, or "LDW,", or an Environmental Recovery Fee, or "ERF". The plaintiffs seek a declaratory judgment and injunction prohibiting HERC from engaging in acts with respect to the LDW and ERF charges that violate the New Jersey Consumer Fraud Act and claim that the charges violate the Uniform Commercial Code. The plaintiffs also seek an unspecified amount of compensatory damages with the return of all LDW and ERF charges paid, attorneys' fees and costs as well as other damages. The court has granted class certification, denied our motion for summary judgment and the case is in the discovery stage.

2.

Concession Fee Recoveries

On October 13, 2006, Janet Sobel, Daniel Dugan, PhD. and Lydia Lee, individually and on behalf of all others similarly situated v. The Hertz Corporation and Enterprise Rent-A-Car Company, or "Enterprise", was filed in the United States District Court for the District of Nevada. The plaintiffs have agreed to not pursue claims against Enterprise for the time being and the case has thus far only proceeded against Hertz. The Sobel case purports to be a nationwide class action on behalf of all persons who rented cars from Hertz at airports in Nevada and were separately charged airport concession recovery fees by Hertz as part of their rental charges. The plaintiffs seek an unspecified amount of compensatory damages, restitution of any charges found to be improper and an injunction prohibiting Hertz from quoting or charging those airport fees that are alleged not to be allowed by Nevada law. The complaint also seeks attorneys' fees and costs. Relevant documents were produced and depositions were taken. The parties have each filed motions for summary judgment, and the motions are now before the court awaiting a decision.

3.

Telephone Consumer Protection Act

On May 3, 2007, Fun Services of Kansas City, Inc., individually and as the representative of a class of similarly-situated persons, v. Hertz Equipment Rental Corporation was commenced in

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the District Court of Wyandotte County, Kansas. The case was subsequently transferred to the District Court of Johnson County, Kansas. The Fun Services matter purports to be a class action on behalf of all persons in Kansas and throughout the United States who on or after four years prior to the filing of the action were sent facsimile messages of advertising materials relating to the availability of property, goods or services by HERC and who did not provide express permission for sending such faxes. The plaintiffs seek an unspecified amount of compensatory damages, attorney's fees and costs. In August 2009, the court issued an order that stayed all activity in this litigation pending a decision by the Kansas Supreme Court in *Critchfield Physical Therapy, Inc. v. Taranto Group, Inc.*, another Telephone Consumer Protection Act case. The Kansas Supreme Court heard oral argument in the *Critchfield* case in January of 2010 and we believe that the stay in the Fun Services litigation will remain in effect until approximately mid-2010.

4.

California Tourism Assessments

We are currently a defendant in a proceeding that purports to be a class action brought by Michael Shames and Gary Gramkow against The Hertz Corporation, Dollar Thrifty Automotive Group, Inc., Avis Budget Group, Inc., Vanguard Car Rental USA, Inc., Enterprise Rent-A-Car Company, Fox Rent A Car, Inc., Coast Leasing Corp., The California Travel and Tourism Commission, and Caroline Beteta. Originally filed in November of 2007, the action is pending in the United States District Court for the Southern District of California, and plaintiffs claim to represent a class of individuals or entities that purchased rental car services from a defendant at airports located in California after January 1, 2007. The complaint alleges that the defendants agreed to charge consumers a 2.5% tourism assessment and not to compete with respect to this assessment, while misrepresenting that this assessment is owed by consumers, rather than the rental car defendants, to the California Travel and Tourism Commission, or the "CTTC". The complaint also alleges that defendants agreed to pass through to consumers a fee known as the Airport Concession Fee, which fee had previously been required to be included in the rental car defendants' individual base rates, without reducing their base rates. Based on these allegations, the complaint seeks treble damages, disgorgement, injunctive relief, interest, attorneys' fees and costs. The court has dismissed all claims against the CTTC, and plaintiffs dropped their claims against Caroline Beteta. The court also dismissed all claims against the rental car defendants except for the federal antitrust claim. The plaintiffs' have appealed the dismissal of their claims against the CTTC to the United States Court of Appeals for the Ninth Circuit. The remaining claim against us, the federal antitrust claim, is in the discovery stage.

We are currently a defendant in a consolidated action captioned "In re Tourism Assessment Fee Litigation" pending in the United States District Court for the Southern District of California. Originally filed as two separate actions in December of 2007, the consolidated action purports to be a class action brought on behalf of all persons and entities that have paid an assessment since the inception of the Passenger Car Rental Industry Tourism Assessment Program in California on January 1, 2007. The other defendants include various of our competitors, including Avis Budget Group, Inc., Vanguard Car Rental USA, Inc., Dollar Thrifty Automotive Group, Inc., Advantage Rent-A-Car, Inc., Avalon Global Group, Enterprise Rent-A-Car Company, Fox Rent A Car, Inc., Beverly Hills Rent-A-Car, Inc., Rent4Less, Inc., Autorent Car Rental, Inc., Pacific Rent-A-Car, Inc., ABC Rent-A-Car, Inc., as well as The California Travel and Tourism Commission, and Dale E. Bonner. The complaint sought injunctive and declaratory relief, that all assessments collected and to be collected be held in trust, unspecified monetary

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

damages, interest, attorneys' fees and costs. The district court has dismissed all of plaintiffs' claims against all defendants. Plaintiffs have appealed to the United States Court of Appeals for the Ninth Circuit.

5.

**Patent Infringement**

On February 19, 2007, we filed an action entitled The Hertz Corporation and TSD Rental LLC v. Enterprise Rent-A-Car Company and The Crawford Group, Inc. The suit was filed in the United States District Court for the District of Massachusetts alleging that Enterprise unlawfully engaged in anticompetitive and unfair and deceptive business practices. On September 25, 2007, we filed a second lawsuit, also captioned The Hertz Corporation and TSD Rental LLC v. Enterprise Rent-A-Car Company and The Crawford Group, Inc. in the United States District Court for the District of Massachusetts seeking a declaratory judgment that a newly issued patent to Crawford is not infringed by Hertz and is invalid and unenforceable. These two cases were later consolidated and the parties agreed to a non-monetary settlement and joint dismissal in June 2009.

6.

**Public Liability and Property Damage**

We are currently a defendant in numerous actions and have received numerous claims on which actions have not yet been commenced for public liability and property damage arising from the operation of motor vehicles and equipment rented from us and our licensees. The obligation for public liability and property damage on self-insured U.S. and international vehicles and equipment, as stated on our balance sheet, represents an estimate for both reported accident claims not yet paid and claims incurred but not yet reported. The related liabilities are recorded on a non-discounted basis. Reserve requirements are based on actuarial evaluations of historical accident claim experience and trends, as well as future projections of ultimate losses, expenses, premiums and administrative costs. At December 31, 2009 and December 31, 2008 our liability recorded for public liability and property damage matters was \$277.8 million and \$311.4 million, respectively. The reserve balance decreased as a result of an 8.0% reduction in transaction day volume and a 4.8% reduction in expected cost per transaction day for the current accident year or \$27.4 million for all probable pending and future claims. In addition, there was a reduction in the reserve for existing claims of \$6.2 million as a result of lower expenses than previously estimated. We believe that our analysis was based on the most relevant information available, combined with reasonable assumptions, and that we may prudently rely on this information to determine the estimated liability. We note the liability is subject to significant uncertainties. The adequacy of the liability reserve is regularly monitored based on evolving accident claim history and insurance related state legislation changes. If our estimates change or if actual results differ from these assumptions, the amount of the recorded liability is adjusted to reflect these results.

We intend to assert that we have meritorious defenses in the foregoing matters and we intend to defend ourselves vigorously.

We have established reserves for matters where we believe that the losses are probable and reasonably estimated, including for various of the matters set forth above. Other than with respect to the reserve established for claims for public liability and property damage, none of those reserves are material. For matters, including those described above, where we have not established a reserve, the ultimate outcome or resolution cannot be predicted at this time, or the amount of ultimate loss, if any, cannot be reasonably estimated. Litigation is subject to many uncertainties and the outcome of the individual litigated matters is not predictable with assurance. It is possible that certain of the actions, claims,

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

inquiries or proceedings, including those discussed above, could be decided unfavorably to us or any of our subsidiaries involved. Accordingly, it is possible that an adverse outcome from such a proceeding could exceed the amount accrued in an amount that could be material to our consolidated financial condition, results of operations or cash flows in any particular reporting period.

***Guarantees***

At December 31, 2009 and 2008, the following guarantees (including indemnification commitments) were issued and outstanding.

***Indemnifications***

In the ordinary course of business, we execute contracts involving indemnifications standard in the relevant industry and indemnifications specific to a transaction such as the sale of a business. These indemnifications might include claims relating to the following: environmental matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier and other commercial contractual relationships; and financial matters. Performance under these indemnities would generally be triggered by a breach of terms of the contract or by a third party claim. We regularly evaluate the probability of having to incur costs associated with these indemnifications and have accrued for expected losses that are probable and estimable. The types of indemnifications for which payments are possible include the following:

***Sponsors; Directors***

Hertz has entered into customary indemnification agreements with Hertz Holdings, the Sponsors and our stockholders affiliated with the Sponsors, pursuant to which Hertz Holdings and Hertz will indemnify the Sponsors, our stockholders affiliated with the Sponsors and their respective affiliates, directors, officers, partners, members, employees, agents, representatives and controlling persons, against certain liabilities arising out of performance of a consulting agreement with Hertz Holdings and each of the Sponsors and certain other claims and liabilities, including liabilities arising out of financing arrangements or securities offerings. We also entered into indemnification agreements with each of our directors. We do not believe that these indemnifications are reasonably likely to have a material impact on us.

***Environmental***

We have indemnified various parties for the costs associated with remediating numerous hazardous substance storage, recycling or disposal sites in many states and, in some instances, for natural resource damages. The amount of any such expenses or related natural resource damages for which we may be held responsible could be substantial. The probable expenses that we expect to incur for such matters have been accrued, and those expenses are reflected in our consolidated financial statements. As of December 31, 2009 and 2008, the aggregate amounts accrued for environmental liabilities including liability for environmental indemnities, reflected in our consolidated balance sheet in "Other accrued liabilities" were \$2.0 million and \$2.2 million, respectively. The accrual generally represents the estimated cost to study potential environmental issues at sites deemed to require investigation or clean-up activities, and the estimated cost to implement remediation actions, including on-going maintenance, as required. Cost estimates are developed by site. Initial cost estimates are based on historical experience at similar sites and are refined over time on the basis of in-depth studies of the sites. For many sites, the remediation costs and other damages for which we ultimately may be responsible cannot be reasonably estimated because of uncertainties with respect to factors such as our connection

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

to the site, the materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies, and remediation to be undertaken (including the technologies to be required and the extent, duration, and success of remediation).

**Note 11 Restructuring**

As part of our ongoing effort to implement our strategy of reducing operating costs, we have evaluated our workforce and operations and made adjustments, including headcount reductions and business process reengineering resulting in optimized work flow at rental locations and maintenance facilities as well as streamlined our back-office operations and evaluated potential outsourcing opportunities. When we made adjustments to our workforce and operations, we incurred incremental expenses that delay the benefit of a more efficient workforce and operating structure, but we believe that increased operating efficiency and reduced costs associated with the operation of our business are important to our long-term competitiveness.

During 2007, we announced several initiatives to improve our competitiveness and industry leadership through targeted job reductions affecting approximately 2,030 employees worldwide, primarily at our corporate headquarters in Park Ridge, New Jersey, our U.S. service center in Oklahoma City, Oklahoma, and our U.S. car rental operations, with much smaller reductions occurring in our U.S. equipment rental operations, as well as in Canada, Puerto Rico, Brazil, Australia and New Zealand. Additionally, during the fourth quarter of 2007, we finalized or substantially completed contract terms with industry leading service providers to outsource select functions globally, relating to real estate facilities management and construction, procurement and information technology. The contracts related to these outsourced functions were completed during the first quarter of 2008.

During 2008, we announced several additional initiatives to continue improving our competitiveness and industry position by initiating job reductions affecting approximately 2,750 employees in our U.S. and European car rental operations with much smaller reductions occurring in our U.S. equipment rental operations, the corporate headquarters in Park Ridge, New Jersey, and the U.S. service center in Oklahoma City, Oklahoma. Our North American and European car rental businesses, in order to further streamline operations and reduce costs, initiated the closure of approximately 248 off-airport locations, and our U.S. equipment rental business initiated the closure of 22 branch locations. Related to these location closures, we incurred charges for asset impairments, losses on disposal of surplus vehicles and equipment and recognition of future facility lease obligations for those locations vacated by year-end. The locations closed were strategically selected to enable us to continue to provide our rental services from other locations in the same area to our loyal customer base.

In January 2009, we announced that, as part of a comprehensive plan to further decrease costs and as a result of reduced rental demand, we were reducing our global workforce by more than 4,000 employees beginning in the fourth quarter 2008 and continuing through the first quarter of 2009, more than half of whom are not eligible for severance benefits. We incurred job reductions in the car and equipment rental businesses, corporate and support areas, and in all geographies, with an emphasis on eliminating non-customer facing jobs. Related to these location closures and continued cost reduction initiatives, we incurred restructuring charges for employee termination liabilities covering approximately 1,500 employee separations in the fourth quarter of 2008.

During the first and second quarters of 2009, our equipment rental business incurred charges mainly for losses on disposal of surplus equipment and recognition of facility lease obligations related to previously announced U.S. branch closures that were completed during the quarters. Our North American and

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

European car rental businesses incurred charges mainly for facility lease obligations related to previously announced off-airport location closures that were completed during the quarters. In the first quarter of 2009, our European car rental business also eliminated certain specialty rental equipment as a future cost reduction initiative and incurred related lease termination costs. The first and second quarter 2009 restructuring charges included employee termination liabilities covering approximately 500 and 600 employees, respectively.

During the third and fourth quarters of 2009, our equipment rental business incurred charges mainly for costs related to facility lease obligations for previously closed branches and additional losses on the disposal of remaining surplus equipment related to these locations. Our European car rental business incurred employee termination benefits costs associated with the migration of work to the European shared service center and the creation of two regions within Europe to manage our European country operations. Additionally, in the third quarter of 2009, our European car rental business recognized a loss on sale of a building due to reduced office space needs resulting from headcount reductions. The third and fourth quarter 2009 restructuring charges included employee termination liabilities covering approximately 300 and 250 employees, respectively.

For the year ended December 31, 2009, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$106.8 million, which is composed of \$44.1 million of termination benefits, \$15.6 million in asset impairment charges, \$29.8 million in facility closure and lease obligation costs, \$7.6 million in consulting costs, \$4.1 million in relocation costs, \$1.7 million in contract termination costs, \$0.7 million in pension settlement losses and \$3.2 million of other restructuring charges. The after-tax effect of the restructuring charges reduced diluted earnings per share by \$0.23 for the year ended December 31, 2009.

For the year ended December 31, 2008, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$216.1 million, which is composed of \$83.8 million of termination benefits, \$89.1 million in asset impairment charges, \$14.1 million in facility closure and lease obligation costs, \$4.0 million in facility fixed asset and inventory impairment costs, \$10.0 million in consulting costs, \$5.6 million in pension settlement losses and \$9.5 million of other restructuring charges. The after-tax effect of the restructuring charges reduced diluted earnings per share by \$0.48 for the year ended December 31, 2008.

For the year ended December 31, 2007, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$96.4 million, which is composed of \$65.2 million of involuntary termination benefits, \$21.7 million in consulting costs, a net gain of \$0.4 million related to pension and post employment benefits and other charges of \$9.9 million. The after-tax effect of the restructuring charges reduced diluted earnings per share by \$0.22 for the year ended December 31, 2007.

Additional efficiency and cost saving initiatives are being developed in 2010. However, we presently do not have firm plans or estimates of any related expenses.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restructuring charges in our consolidated statement of operations can be summarized as follows (in millions of dollars):

By Caption:	Years ended December 31,		
	2009	2008	2007
Direct operating	\$ 65.4	\$ 171.5	\$ 41.2
Selling, general and administrative	41.4	44.6	55.2
Total	\$ 106.8	\$ 216.1	\$ 96.4

By Segment:	Years ended December 31,		
	2009	2008	2007
Car rental	\$ 58.7	\$ 98.4	\$ 64.5
Equipment rental	38.2	103.2	4.9
Other reconciling items	9.9	14.5	27.0
Total	\$ 106.8	\$ 216.1	\$ 96.4

Our consolidated balance sheet as of December 31, 2009 and 2008, included accruals relating to the restructuring program of \$29.7 million and \$60.3 million, respectively. We expect to pay substantially all of the remaining restructuring obligations by the end of the second quarter 2010. The following table sets forth the activity affecting the accrual during the years ended December 31, 2009 and 2008 (in millions of dollars):

	Pension Involuntary and Post Termination Retirement		Consultant	Other	Total
	Benefits	Expense	Costs		
Balance as of					
January 1, 2008	\$ 15.2	\$ 0.1	\$ 2.1	\$ 0.8	\$ 18.2
Charges incurred	83.8	5.6	10.0	116.7	216.1
Cash payments	(51.7)		(12.4)	(12.3)	(76.4)
Other <sup>(1)</sup>	(3.9)	(5.2)	0.3	(88.8)	(97.6)
Balance as of					
December 31, 2008	43.4	0.5		16.4	60.3
Charges incurred	44.1	0.7	7.6	54.4	106.8
Cash payments	(67.3)		(6.9)	(25.1)	(99.3)
Other <sup>(2)</sup>	(0.6)	(1.2)	(0.3)	(36.0)	(38.1)
Balance as of					
December 31, 2009	\$ 19.6	\$	\$ 0.4	\$ 9.7	\$ 29.7

(1)

Primarily consists of an increase of \$83.7 million for the impairment of revenue earning equipment, \$5.4 million for the impairment of lease obligations, \$5.1 million in pension and post retirement liabilities, \$4.0 million for the impairment of fixed assets and inventory, and \$1.5 million in other benefits, partly offset by \$2.2 million loss in foreign currency translation, which have been included within "Accumulated other

comprehensive income" on our consolidated balance sheet.

(2)

Primarily consists of a decrease of \$20.5 million for facility closures, \$15.6 million for the impairment of revenue earning equipment and other assets, \$1.6 million for executive pension liability settlements and \$0.8 million for contract termination costs, partly offset by a \$0.2 million gain in foreign currency translation.



**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 12 Financial Instruments**

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash equivalents, short-term investments and trade receivables. We place our cash equivalents and short-term investments with a number of financial institutions and investment funds to limit the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising our customer base, and their dispersion across different businesses and geographic areas. As of December 31, 2009, we had no significant concentration of credit risk.

GAAP establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

***Cash and Cash Equivalents and Restricted Cash and Cash Equivalents***

Fair value approximates the amount indicated on the balance sheet at December 31, 2009 because of the short-term maturity of these instruments. Money market accounts, whose fair values at December 31, 2009, are measured using Level 1 inputs, totaling \$106.8 million and \$294.4 million are included in "Cash and cash equivalents" and "Restricted cash and cash equivalents," respectively.

***Debt***

For borrowings with an initial maturity of 93 days or less, fair value approximates carrying value because of the short-term nature of these instruments. For all other debt, fair value is estimated based on quoted market rates as well as borrowing rates currently available to us for loans with similar terms and average maturities. The aggregate fair value of all debt at December 31, 2009 approximated \$10,795.7 million, compared to its aggregate carrying value of \$10,530.4 million. The aggregate fair value of all debt at December 31, 2008 approximated \$7,968.3 million, compared to its aggregate carrying value of \$11,033.9 million.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*Derivative Instruments and Hedging Activities*

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and 2008 (in millions of dollars):

	Fair Value of Derivative Instruments(1)			
	Asset Derivatives(2)		Liability Derivatives(2)	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Derivatives designated as hedging instruments under ASC 815:				
HVF interest rate swaps	\$	\$	\$ 12.8	\$ 134.5
Derivatives not designated as hedging instruments under ASC 815:				
Gasoline swaps		2.2		
Interest rate caps	8.2	0.3	5.6	0.3
Foreign exchange options		0.6		
Total derivatives not designated as hedging instruments under ASC 815	10.4	0.9	5.6	0.3
Total derivatives	\$ 10.4	\$ 0.9	\$ 18.4	\$ 134.8

(1) All fair value measurements were primarily based upon significant observable (Level 2) inputs.

(2) All asset derivatives are recorded in "Prepaid expenses and other assets" and all liability derivatives are recorded in "Accrued liabilities" on our consolidated balance sheets.

	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)		Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	2009	2008	2009	2008	2009	2008
Derivatives in ASC 815 Cash Flow Hedging Relationship:						

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HVF interest rate swaps	\$	(12.8)	\$	(72.4)	\$	(74.6) <sup>(1)</sup>	\$		\$	(11.8)
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Note:

The location of both the effective portion reclassified from "Accumulated other comprehensive loss" into income and the ineffective portion recognized in income is in "Interest expense" on our consolidated statement of operations.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (1) Represents the amortization of amounts in "Accumulated other comprehensive loss" associated with the de-designation of the previous cash flow hedging relationship as described below.

	Location of Gain or (Loss) Recognized on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Years ended December 31,	
		2009	2008
Derivatives Not Designated as Hedging Instruments under ASC 815:			
Gasoline swaps	Direct operating	\$ 7.4	\$
Interest rate caps	Selling, general and administrative	(2.6)	
Foreign exchange options	Selling, general and administrative	0.2	
HIL swaptions	Selling, general and administrative		(2.2)
Total		\$ 5.0	\$ (2.2)

In connection with the Acquisition and the issuance of \$3,550.0 million of floating rate U.S. Fleet Debt, our subsidiary HVF entered into certain interest rate swap agreements, or the "HVF Swaps," effective December 21, 2005, which qualify as cash flow hedging instruments in accordance with GAAP. These agreements mature at various terms, in connection with the scheduled maturity of the associated debt obligations, through November 2010. Under these agreements, until February 2009, HVF was paying monthly interest at a fixed rate of 4.5% per annum in exchange for monthly interest at one-month LIBOR, effectively transforming the floating rate U.S. Fleet Debt to fixed rate obligations. In March 2009, HVF made a cash payment to have the fixed rate on these swaps reset to the then current market rates of 0.872% and 1.25% for the swaps maturing in February 2010 and November 2010, respectively. \$80.4 million of this payment was made to an affiliate of MLGPE which is a counterparty to the HVF Swaps. Concurrently with this payment, the hedging relationship was de-designated and the amount remaining in "Accumulated other comprehensive loss" associated with this cash flow hedging relationship was frozen and will be amortized into "Interest expense" over the respective terms of the associated debt in accordance with GAAP. We expect to amortize approximately \$68.8 million from "Accumulated other comprehensive loss" into "Interest expense" over the next twelve months. Additionally, a new hedging relationship was designated between the HVF Swaps and the remaining \$2,825.0 million of floating rate U.S. Fleet Debt, which also qualifies for cash flow hedge accounting in accordance with GAAP. Both at the inception of the hedge and on an ongoing basis, we measure ineffectiveness by comparing the fair value of the HVF Swaps and the fair value of hypothetical swaps, with similar terms, using the Hypothetical Method in accordance with GAAP. The hypothetical swaps represent a perfect hedge of the variability in interest payments associated with the U.S. Fleet Debt. Subsequent to the resetting of the swaps at current market rates, we anticipate that there will be no ineffectiveness in the hedging relationship because the critical terms of the HVF Swaps match the terms of the hypothetical swaps.

For the year ended December 31, 2009, we recorded an expense of \$74.6 million in our consolidated statement of operations, in "Interest expense," associated with the amortization of the amount remaining in "Accumulated other comprehensive loss" associated with the de-designation of the cash flow hedging relationship described above. For the year ended December 31, 2008, we recorded an expense of \$11.8 million in our consolidated statement of operations, in "Interest expense," associated with the ineffectiveness of the HVF Swaps. The ineffectiveness in 2008 resulted from a decline in the value of the HVF Swaps due to a decrease in forward interest rates along with a decrease in the time value component as we approached the maturity dates of the HVF Swaps. The effective portion of the



**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

change in fair value of the HVF Swaps is recorded in "Accumulated other comprehensive loss." As of December 31, 2009 and 2008, the balance reflected in "Accumulated other comprehensive loss," net of tax, was a loss of \$49.7 million (net of tax of \$31.8 million) and a loss of \$89.6 million (net of tax of \$57.4 million), respectively. The fair values of the HVF Swaps were calculated using the income approach and applying observable market data (i.e. the 1-month LIBOR yield curve and credit default swap spreads).

In connection with the entrance into the HVF Swaps, Hertz entered into seven differential interest rate swap agreements, or the "differential swaps." These differential swaps were required to be put in place to protect the counterparties to the HVF Swaps in the event of an "amortization event" under the asset-backed notes agreements. In the event of an "amortization event," the amount by which the principal balance on the floating rate portion of the U.S. Fleet Debt is reduced, exclusive of the originally scheduled amortization, becomes the notional amount of the differential swaps and is transferred to Hertz. There was no payment associated with these differential swaps and their notional amounts are and will continue to be zero unless (1) there is an amortization event, which causes the amortization of the loan balance, or (2) the debt is prepaid.

An "event of bankruptcy" (as defined in the ABS Base Indenture) with respect to MBIA or Ambac would constitute an "amortization event" under the portion of the U.S. Fleet Debt facilities guaranteed by the affected insurer.

On September 12, 2008, a supplement was signed to the Indenture, dated as of August 1, 2006, between HVF and the Bank of New York Mellon Trust Company, N.A. This supplement created the Series 2008-1 Notes for issuance by HVF. In order to satisfy rating agency requirements related to its bankruptcy-remote status, HVF acquired an interest rate cap in an amount equal to the Series 2008-1 Notes maximum principal amount of \$825.0 million with a strike rate of 7% and a term until August 15, 2011. HVF bought the cap on the date the supplement was signed for \$0.4 million and in an associated transaction, Hertz sold an equal and opposite cap for \$0.3 million. In connection with the issuance of the Series 2009-1 Notes, HVF caused the termination of the Series 2008-1 Notes, as well as both of the associated interest rate caps.

On September 18, 2009, HVF completed the closing of the Series 2009-1 Notes. In order to satisfy rating agency requirements related to its bankruptcy-remote status, HVF purchased an interest rate cap, for \$11.7 million, with a maximum notional amount equal to the Series 2009-1 Notes maximum principal amount of \$2.1 billion with a strike rate of 5% and a term until January 25, 2013. Additionally, Hertz sold a 5% interest rate cap, for \$6.5 million, with a notional amount equal to 33.3% of the notional amount of the HVF cap through January 2012, and then subsequently with a matching notional amount to the HVF cap through its maturity date of January 25, 2013. The fair value of these interest rate caps was calculated using a discounted cash flow method and applying observable market data. Gains and losses resulting from changes in the fair value of these interest rate caps are included in our results of operations in the periods incurred.

In May 2006, in connection with the forecasted issuance of the permanent take-out international asset-based facilities, our subsidiary HIL purchased two swaptions for €3.3 million, to protect itself from interest rate increases. These swaptions gave HIL the right, but not the obligation, to enter into three year interest rate swaps, based on a total notional amount of €600 million at an interest rate of 4.155%. The swaptions were renewed twice in 2007, prior to their scheduled expiration dates of March 15, 2007 and September 5, 2007, at a total cost of €2.7 million, and expired on June 5, 2008. The fair values of the HIL swaptions were calculated using the income approach and applying observable market data. On June 4, 2008, these swaptions were sold for a realized gain of €9.4 million (or \$14.8 million). Additionally,

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On June 4, 2008, HIL purchased two new swaptions for €8.6 million, to protect itself from interest rate increases associated with the International ABS Fleet Financing Facility, which closed on July 24, 2008. These swaptions were based on an underlying transaction with a notional amount of €600 million at an interest rate of 4.25%. During the year ended December 31, 2008, the fair value adjustments related to these swaptions were an unrealized loss of \$12.0 million and a realized gain of \$9.8 million, respectively, which were recorded in our consolidated statement of operations in "Selling, general and administrative" expenses. On October 10, 2008, the outstanding swaptions were terminated and Hertz received a €1.9 million payment from counterparties.

We purchase unleaded gasoline and diesel fuel at prevailing market rates. In January 2009, we began a program to manage our exposure to changes in prices through the use of derivative commodity instruments. We currently have in place swaps to cover a portion of our exposure through December 2010. We presently hedge a portion of our overall unleaded gasoline and diesel fuel purchases with commodity swaps and have contracts in place that settle on a monthly basis. As of December 31, 2009, our outstanding commodity instruments for unleaded gasoline and diesel fuel totaled approximately 10.5 million gallons and 2.9 million gallons, respectively. The fair value of these commodity instruments was calculated using a discounted cash flow method and applying observable market data. Gains and losses resulting from changes in the fair value of these commodity instruments are included in our results of operations in the periods incurred.

We manage our foreign currency risk primarily by incurring, to the extent practicable, operating and financing expenses in the local currency in the countries in which we operate, including making fleet and equipment purchases and borrowing for working capital needs. Also, we have purchased foreign exchange options to manage exposure to fluctuations in foreign exchange rates for selected marketing programs. The effect of exchange rate changes on these financial instruments would not materially affect our consolidated financial position, results of operations or cash flows. Our risks with respect to foreign exchange options are limited to the premium paid for the right to exercise the option and the future performance of the option's counterparty. Premiums paid for options outstanding as of December 31, 2009, were approximately \$0.1 million and we limit counterparties to financial institutions that have strong credit ratings. As of December 31, 2009 and 2008, the total notional amount of these foreign exchange options was \$0.3 million and \$15.1 million, respectively, maturing through February 2010, and the fair value of all outstanding foreign exchange options, was approximately \$0.0 million and \$0.5 million, respectively, which was recorded in our consolidated balance sheet in "Prepaid expenses and other assets." The fair value of the foreign exchange options was calculated using a discounted cash flow method and applying observable market data. Gains and losses resulting from changes in the fair value of these options are included in our results of operations in the periods incurred.

We also manage exposure to fluctuations in currency risk on intercompany loans we make to certain of our subsidiaries by entering into foreign currency forward contracts at the time of the loans which are intended to offset the impact of foreign currency movements on the underlying intercompany loan obligations. As a result, the forward contracts have no material impact on our results of operations. As of December 31, 2009, the total notional amount of these forward contracts was \$1,040.7 million, maturing within two months.

On October 1, 2006, we designated our Senior Euro Notes as an effective net investment hedge of our Euro-denominated net investment in our international operations. As a result of this net investment hedge designation, as of December 31, 2009 and 2008, losses of \$19.2 million (net of tax of \$17.8 million) and \$15.7 million (net of tax of \$12.6 million), respectively, attributable to the translation of our Senior Euro Notes into the U.S. dollar are recorded in our consolidated balance sheet in "Accumulated other comprehensive loss."

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 13 Related Party Transactions**

**Relationship with Hertz Investors, Inc. and the Sponsors**

***Stockholders Agreement***

In connection with the Acquisition, we entered into a stockholders agreement, or, as amended, the "Stockholders Agreement," with investment funds associated with or designated by the Sponsors. The Stockholders Agreement contains agreements that entitle investment funds associated with or designated by the Sponsors to nominate all of our directors. The director nominees are to include three nominees of an investment fund associated with CD&R (one of whom shall serve as the chairman or, if the chief executive officer is the chairman, the lead director), two nominees of investment funds associated with Carlyle, two nominees of an investment fund associated with MLGPE (collectively, the "Sponsor Designees") and up to six independent directors (subject to unanimous consent of the Sponsor Designees, for so long as Hertz Holdings remains a "controlled company" within the meaning of the New York Stock Exchange rules), subject to adjustment in the case that the applicable investment fund sells more than a specified amount of its shareholdings in us. In addition, upon Hertz Holdings ceasing to be a "controlled company" within the meaning of the New York Stock Exchange rules, if necessary to comply with the New York Stock Exchange rules, the director nominees of the Sponsors shall be reduced to two nominees of an investment fund associated with CD&R (one of whom shall serve as the chairman or, if the chief executive officer is the chairman, the lead director), one nominee of investment funds associated with Carlyle, and one nominee of an investment fund associated with MLGPE, and additional independent directors will be elected by our Board of Directors to fill the resulting director vacancies. The Stockholders Agreement also provides that our chief executive officer shall be designated as a director, unless otherwise approved by a majority of the Sponsor Designees. In addition, the Stockholders Agreement provides that one of the nominees of an investment fund associated with CD&R shall serve as the chairman of the executive and governance committee and, unless otherwise agreed by this fund, as Chairman of our Board of Directors. On October 12, 2006, our Board elected four independent directors, effective from the date of the completion of the initial public offering of our common stock. In order to comply with New York Stock Exchange rules, we will be required to have a majority of independent directors on our Board of Directors within one year of our ceasing to be a "controlled company" within the meaning of the New York Stock Exchange rules.

The Stockholders Agreement also grants to the investment funds associated with CD&R or to the majority of the Sponsor Designees the right to remove our chief executive officer. Any replacement chief executive officer requires the consent of investment funds associated with CD&R as well as investment funds associated with at least one other Sponsor. It also contains restrictions on the transfer of our shares, and provides for tag-along and drag-along rights, in certain circumstances. The rights described above apply only for so long as the investment funds associated with the applicable Sponsor maintain certain specified minimum levels of shareholdings in us.

In addition, the Stockholders Agreement limits the rights of the investment funds associated with or designated by the Sponsors that have invested in our common stock and our affiliates, subject to several exceptions, to own, manage, operate or control any of our "competitors" (as defined in the Stockholders Agreement). The Stockholders Agreement may be amended from time to time in the future to eliminate or modify these restrictions without our consent.

***Registration Rights Agreement***

On the Closing Date, we entered into a registration rights agreement, or, as amended, the "Registration Rights Agreement," with investment funds associated with or designated by the Sponsors. The



**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Registration Rights Agreement grants to certain of these investment funds the right, to cause us, at our own expense, to use our best efforts to register such securities held by the investment funds for public resale, subject to certain limitations. The exercise of this right is limited to three requests by the group of investment funds associated with each Sponsor, except for registrations effected pursuant to Form S-3, which are unlimited, subject to certain limitations, if we are eligible to use Form S-3. The secondary offering of our common stock in June 2007 was effected pursuant to this Registration Rights Agreement. In the event we register any of our common stock, these investment funds also have the right to require us to use our best efforts to include shares of our common stock held by them, subject to certain limitations, including as determined by the underwriters. The Registration Rights Agreement also provides for us to indemnify the investment funds party to that agreement and their affiliates in connection with the registration of our securities.

***Indemnification Agreements***

Hertz has entered into customary indemnification agreements with Hertz Holdings, the Sponsors and our stockholders affiliated with the Sponsors, pursuant to which Hertz Holdings and Hertz will indemnify the Sponsors, our stockholders affiliated with the Sponsors and their respective affiliates, directors, officers, partners, members, employees, agents, representatives and controlling persons, against certain liabilities arising out of the performance of a consulting agreement with Hertz Holdings and each of the Sponsors and certain other claims and liabilities, including liabilities arising out of financing arrangements or securities offerings.

We have entered into indemnification agreements with each of our directors. The indemnification agreements provide the directors with contractual rights to the indemnification and expense advancement rights provided under our by-laws, as well as contractual rights to additional indemnification as provided in the indemnification agreements.

We have not recorded any liability relating to these indemnification agreements because these liabilities are not considered to be material.

**Director Compensation Policy**

On October 12, 2006, our Board of Directors approved our Director Compensation Policy. Pursuant to the policy our directors who are not also our employees each receive a \$150,000 annual retainer fee, of which 40% (i.e., \$60,000) is payable in cash and 60% (i.e., \$90,000) is payable in the form of stock options having a Black-Scholes value equal to such dollar amount.

The chairperson of our Audit Committee is paid an additional annual cash fee of \$25,000 and each other member of our Audit Committee is paid an additional annual cash fee of \$10,000. The chairperson of our Compensation Committee is paid an additional annual cash fee of \$15,000 and each other member of our Compensation Committee receives an additional annual cash fee of \$10,000.

We also reimburse our directors for reasonable and necessary expenses they incur in performing their duties as directors, and our directors are entitled to free worldwide Hertz car rentals upon completion of evaluation forms. In the case of a member of our Board who is also one of our employees, no additional compensation is paid for serving as a director. Each of our directors who is employed by or affiliated with one of our Sponsors may assign all or any portion of the compensation the director receives for his services as a director to that Sponsor or its affiliates.

Stock options are granted annually in arrears, and cash fees are payable quarterly in arrears, although a director may generally elect to receive all or a portion of fees that would otherwise be payable in cash in

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the form of shares of our common stock having a fair market value at such time equal to the amount of such fees. Any such shares are paid to the director when cash fees would otherwise be payable, although, if a director so chooses, these shares may be payable on a tax-deferred basis in phantom shares if the requirements regarding such deferral are met in accordance with applicable tax law, in which case the actual shares of our common stock are paid to the director promptly following the date on which he or she ceases to serve as a director (or, if earlier, upon a change in control as defined in the Director Plan or the Omnibus Plan).

Options granted under the Director Compensation Policy must be granted at an exercise price no less than fair market value of such shares on the date of grant. Options granted as part of a director's annual retainer fee will be fully vested at the time of grant and will generally have a 10-year term.

In May 2009, the Board of Directors approved an amendment to the Director Compensation Policy, whereby the equity portion of the annual retainer fee will now be paid in the form of shares of Hertz Holdings common stock instead of options. In addition, the Board of Directors also passed a resolution reducing the annual retainer fee by 20% for the period from May 2009 to May 2010 or such earlier date as Hertz Holdings fully restores the salary reductions of its officers. In the fall of 2009, Hertz Holdings fully restored the salary reductions of its officers and accordingly, the annual retainer fee for the Board of Directors was also restored.

A director recognizes ordinary income upon exercising options granted in an amount equal to the fair market value of the shares acquired on the date of exercise, less the exercise price, and we have a corresponding tax deduction at that time. In the case of shares issued in lieu of cash fees, a director who is an individual generally recognizes ordinary income equal to the fair market value of such shares on the date such shares are paid to the director and we have a corresponding tax deduction at that time. For the years ended December 31, 2009, 2008 and 2007, we recognized \$1.6 million, \$1.8 million and \$1.7 million, respectively, of expense relating to the Director Compensation Policy in our consolidated statement of operations in "Selling, general and administrative" expenses.

All equity awards granted to our directors prior to May 15, 2008 pursuant to the Director Compensation Policy were granted pursuant the Director Plan, which was approved by our stockholders on October 20, 2006. On February 28, 2008, our Board of Directors adopted the Omnibus Plan, which was approved by our stockholders at the annual meeting of stockholders held on May 15, 2008. The Omnibus Plan provides that no further equity awards will be granted pursuant to the Director Plan. However, awards that had been previously granted pursuant to the Director Plan prior to May 15, 2008 will continue to be subject to and governed by the terms of the Director Plan. Accordingly, all equity awards granted to our directors on May 15, 2008 as part of our Director Compensation Policy were (and those that are granted in the future pursuant to the Director Compensation Policy will be) granted pursuant to the Omnibus Plan.

**Financing Arrangements with Related Parties**

Affiliates of ML Global Private Equity, L.P. and its related funds (which are stockholders of Hertz Holdings) and of Merrill Lynch & Co., Inc., or "ML," one of the underwriters in the initial public offering of our common stock and the June 2007 secondary offering by the Sponsors, were lenders under the Hertz Holdings Loan Facility (which was repaid with the proceeds of our initial public offering); are lenders under the original and amended Senior Term Facility, the original and amended Senior ABL Facility and the Fleet Financing Facility; acted as initial purchasers with respect to the offerings of the Senior Notes, the Senior Subordinated Notes and the Series 2008-1 Notes; acted as structuring advisors and agents

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

under our ABS Program; and acted as dealer managers and solicitation agents for Hertz's tender offers for its existing debt securities in connection with the Acquisition.

Banc of America Securities LLC, an affiliate of MLGPE, acted as one of the joint lead bookrunners in the issuance of the Series 2009-2 Notes, for which they received customary fees and expenses.

As of December 31, 2009, approximately \$246 million of our outstanding debt was with related parties.

See Note 3 Debt.

**Guarantees**

Hertz's obligations under the Senior Term Facility and Senior ABL Facility are guaranteed by Hertz's immediate parent, Hertz Investors, Inc. (previously known as CCMG Corporation). Hertz Holdings is not a guarantor of these facilities. See Note 3 Debt.

**Other Sponsor Relationships**

In May and June 2009, ML, an affiliate of one of our Sponsors, MLGPE, acted as an underwriter in the Common Stock Public Offering and in the Convertible Debt Public Offering, for which they received customary fees and expenses.

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. The Private Offering closed on July 7, 2009 and the 32,101,182 shares of our common stock were issued to 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 the second quarter of 2007, we were advised by ML, that between November 17, 2006, and April 19, 2007, ML engaged in principal trading activity in our common stock. Some of those purchases and sales of our common stock should have been reported to the SEC on Form 4, but were not reported. ML and certain of its affiliates have engaged in additional principal trading activity since that time. ML and certain of its affiliates have since filed amended or additional reports on Form 4 disclosing the current number of shares of our common stock held by ML and its affiliates. To date, ML has paid to us approximately \$4.9 million for its "short-swing" profit liability resulting from its principal trading activity that is subject to recovery by us under Section 16 of the Securities Exchange Act of 1934, as amended. In the event that ML or its affiliates (including private investment funds managed by certain private equity-arm affiliates of ML) sell additional shares of our common stock in the future, this amount may change. In 2008 and 2007, we recorded \$0.1 million, net of tax and \$2.9 million (net of tax of \$1.9 million), respectively, in our consolidated balance sheet in "Additional paid-in capital." In addition, because ML may be deemed to be an affiliate of Hertz Holdings and there was no registration statement in effect with respect to its sale of shares during this period, certain of these sales may have been made in violation of Section 5 of the Securities Act of 1933, as amended.

**Note 14 Earnings (Loss) Per Share**

Basic earnings (loss) per share have been computed based upon the weighted average number of common shares outstanding. Diluted earnings (loss) per share have been computed based upon the weighted average number of common shares outstanding plus the effect of all potentially dilutive common stock equivalents, except when the effect would be anti-dilutive.

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the computation of basic and diluted earnings (loss) per share (in millions of dollars, except per share amounts):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Basic and diluted earnings (loss) per share:</b>			
<b>Numerator:</b>			
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ (126.0)	\$ (1,206.7)	\$ 264.5
<b>Denominator:</b>			
Weighted average shares used in basic computation	371.5	322.7	321.2
Add: Stock options, RSUs and PSUs			4.3
Weighted average shares used in diluted computation	371.5	322.7	325.5
Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, basic	\$ (0.34)	\$ (3.74)	\$ 0.82
Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, diluted	\$ (0.34)	\$ (3.74)	\$ 0.81

Diluted earnings (loss) per share computations for the years ended December 31, 2009, 2008 and 2007 excluded the weighted-average impact of the assumed exercise of approximately 21.7 million, 17.6 million and 1.6 million stock options, RSUs and PSUs, respectively, because such impact would be antidilutive. Additionally, for the year ended December 31, 2009, there was no impact to the earnings (loss) per share computations associated with the Convertible Senior Notes, because such impact would be anti-dilutive.

**Note 15 Quarterly Financial Information (Unaudited)**

A summary of the quarterly operating results during 2009 and 2008 were as follows (in millions of dollars, except per share data):

	<b>First Quarter 2009</b>	<b>Second Quarter 2009</b>	<b>Third Quarter 2009</b>	<b>Fourth Quarter 2009</b>
Revenues	\$ 1,564.9	\$ 1,754.5	\$ 2,041.4	\$ 1,740.7
Income (loss) before income taxes	(210.0)(1)(2)(3)	30.7(1)(2)(3)(5)	75.8(1)(2)(3)	(67.4)(1)(2)(3)(6)
Net income (loss) attributable to Hertz Holdings, Inc. and Subsidiaries' common stockholders	(163.5)(4)	3.9(4)	64.5(4)	(30.9)(4)
Earnings (loss) per share, basic	\$ (0.51)	\$ 0.01	\$ 0.16	\$ (0.08)
Earnings (loss) per share, diluted	\$ (0.51)	\$ 0.01	\$ 0.15	\$ (0.08)

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	<b>First Quarter 2008</b>	<b>Second Quarter 2008</b>	<b>Third Quarter 2008</b>	<b>Fourth Quarter 2008</b>
Revenues	\$ 2,039.2	\$ 2,275.3	\$ 2,421.9	\$ 1,788.7
Income (loss) before income taxes	(55.8)(7)(8)(9)(11)	93.0(7)(8)(9)(11)(12)	26.2(8)(9)(11)	(1,446.2)(7)(8)(9)(12)(13)
Net income (loss) attributable to Hertz Holdings, Inc. and Subsidiaries' common stockholders	(57.7)(10)(14)	51.2(10)	17.7(10)(14)	(1,218.0)(10)(13)
Earnings (loss) per share, basic	\$ (0.18)	\$ 0.16	\$ 0.05	\$ (3.77)
Earnings (loss) per share, diluted	\$ (0.18)	\$ 0.16	\$ 0.05	\$ (3.77)

- (1) The first quarter of 2009, second quarter of 2009, third quarter of 2009 and fourth quarter of 2009 include increases of \$6.6 million, \$7.0 million, \$4.7 million and \$1.0 million, respectively, in depreciation expense related to the net effects of changing depreciation rates to reflect changes in the estimated residual value of revenue earning equipment.
- (2) The first quarter of 2009, second quarter of 2009, third quarter of 2009 and fourth quarter of 2009 include \$29.5 million, \$22.0 million, \$35.7 million and \$19.6 million, respectively, of restructuring charges. See Note 11 Restructuring.
- (3) The first quarter of 2009, second quarter of 2009, third quarter of 2009 and fourth quarter of 2009 include \$7.5 million, \$22.3 million, \$22.4 million and \$22.4 million, respectively, associated with the amortization of amounts pertaining to the de-designation of our interest rate swaps as effective hedging instruments.
- (4) The first quarter of 2009, second quarter of 2009, third quarter of 2009 and fourth quarter of 2009 include \$8.1 million, \$2.7 million, \$7.5 million and \$1.7 million, respectively, of tax benefit related to the restructuring charge.
- (5) The second quarter of 2009, includes a gain (net of transaction costs) of \$48.5 million recorded in connection with the buyback of portions of our Senior Notes and Senior Subordinated Notes.

- (6) The fourth quarter of 2009, includes a VAT reclaim of \$18.5 million received in the United Kingdom.
- (7) The first quarter of 2008, second quarter of 2008, third quarter of 2008 and fourth quarter of 2008 include increases of \$4.2 million, \$2.2 million, \$12.1 million and \$14.2 million, respectively, in depreciation expense related to the net effects of changing depreciation rates to reflect changes in the estimated residual value of revenue earning equipment.
- (8) The first quarter of 2008, second quarter of 2008, third quarter of 2008 and fourth quarter of 2008 include \$19.6 million, \$32.7 million, \$74.9 million and \$88.9 million, respectively, of restructuring charges. See Note 11 Restructuring.
- (9) The first quarter of 2008, second quarter of 2008, third quarter of 2008 and fourth quarter of 2008 include \$2.3 million, \$2.7 million, \$2.8 million and \$4.0 million, respectively, of ineffectiveness on our interest rate swaps.
- (10) The first quarter of 2008, second quarter of 2008, third quarter of 2008 and fourth quarter of 2008 include \$5.8 million, \$11.4 million, \$23.0 million and \$19.6 million, respectively, of tax benefit related to the restructuring charge.
- (11) The first quarter of 2008, second quarter of 2008 and third quarter of 2008 include an increase of \$3.2 million, and decreases of \$0.7 million and \$2.5 million, respectively, in our employee vacation accrual relating to a change in our U.S. vacation policy in 2007 which provides for vacation entitlement to be earned ratably throughout the year versus the previous policy which provided for full vesting on January 1 of each year.
- (12) The second quarter of 2008 and fourth quarter 2008 includes the write-off of \$7.7 million and \$22.3 million, respectively, of unamortized debt costs of those countries who are not participating in the take-out asset-based facilities.
- (13) The fourth quarter of 2008 includes impairment charges on goodwill, other intangible assets and property and equipment of \$1,168.9 million (\$989.0 million, net of tax). Also includes \$3.8 million of pre-tax (\$2.4 million post-tax) adjustments related to prior quarters within the year, which had no impact on the quarters loss per share.
- (14) The first quarter of 2008 and third quarter of 2008 includes unfavorable tax adjustments of \$4.3 million and \$1.3 million, respectively, related to prior year periods, which had a negative impact in the first quarter of 2008 of \$0.01 per share and third quarter of 2008 less than \$0.01 per share, respectively.

## SCHEDULE I

## CONDENSED FINANCIAL INFORMATION OF REGISTRANT

## HERTZ GLOBAL HOLDINGS, INC.

## PARENT COMPANY BALANCE SHEETS

(In Thousands of Dollars)

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 175	\$ 269
Accounts receivable from Hertz affiliate	7,569	14,755
Taxes receivable	17,450	
Prepaid expenses and other assets	2	2
Deferred taxes on income		14,172
Investments in subsidiaries	2,456,782	1,441,678
Deferred charges and other assets	10,133	
<b>Total assets</b>	<b>\$ 2,492,111</b>	<b>\$ 1,470,876</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 4,315	\$ 220
Accrued liabilities	2,067	31
Debt	367,352	
Accrued taxes		7
Deferred taxes on income	38,229	
<b>Total liabilities</b>	<b>411,963</b>	<b>258</b>
<b>Stockholders' equity:</b>		
Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 410,245,225 and 322,987,299 shares issued and outstanding	4,102	3,230
Additional paid-in capital	3,141,695	2,503,819
Accumulated deficit	(1,062,318)	(936,296)
Accumulated other comprehensive loss	(3,331)	(100,135)
<b>Total stockholders' equity</b>	<b>2,080,148</b>	<b>1,470,618</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,492,111</b>	<b>\$ 1,470,876</b>

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

## SCHEDULE I (Continued)

## HERTZ GLOBAL HOLDINGS, INC.

## PARENT COMPANY STATEMENTS OF OPERATIONS

(In Thousands of Dollars)

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Revenues	\$	\$	\$
Expenses:			
Selling, general and administrative	144	(8)	408
Interest expense			
Interest and other (income) loss, net	26,610	(580)	1,628
Total expenses (income)	26,754	(588)	2,036
Income (loss) before income taxes	(26,754)	588	(2,036)
Provision for taxes on income	11,267	(809)	(230)
Equity in earnings (losses) of subsidiaries, net of tax	(110,535)	(1,206,525)	266,825
Net income (loss)	\$ (126,022)	\$ (1,206,746)	\$ 264,559

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



## SCHEDULE I (Continued)

## HERTZ GLOBAL HOLDINGS, INC.

## PARENT COMPANY STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands of Dollars, except share data)

	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings Accumulated (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at:						
December 31, 2006	320,618,692	\$ 3,206	\$ 2,427,293	\$ 9,535	\$ 94,528	\$ 2,534,562
Net income				264,559		264,559
Total Comprehensive Income of subsidiaries					75,979	75,979
<b>Total Comprehensive Income</b>						<b>340,538</b>
Stock-based employee compensation charges			32,939			32,939
Exercise of stock options	1,227,950	13	5,586			5,599
Cumulative effect of the adoption of FIN 48 (incorporated in ASC 740-10)				(3,644)		(3,644)
Common shares issued to Directors	15,441		328			328
Phantom shares issued to Directors			192			192
Proceeds from disgorgement of stockholder short-swing profits, net of tax of \$1,880			2,875			2,875
December 31, 2007	321,862,083	3,219	2,469,213	270,450	170,507	2,913,389
Net loss				(1,206,746)		(1,206,746)
Total Comprehensive Loss of subsidiaries					(270,642)	(270,642)
<b>Total Comprehensive Loss</b>						<b>(1,477,388)</b>
Stock-based employee compensation charges, including tax benefit of \$641			27,380			27,380
Exercise of stock options	1,086,360	11	6,743			6,754
Common shares issued to Directors	38,856		243			243
Phantom shares issued to Directors			150			150
Proceeds from disgorgement of stockholder short-swing profits, net of tax of \$48			90			90
December 31, 2008	322,987,299	3,230	2,503,819	(936,296)	(100,135)	1,470,618

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Net loss				(126,022)		(126,022)
Total Comprehensive Income of subsidiaries					96,804	96,804
Total Comprehensive Loss						(29,218)
Proceeds from sale of common stock	85,001,182	850	527,908			528,758
Proceeds from debt offering, net of tax of \$46,204			68,140			68,140
Stock-based employee compensation charges, net of tax of \$0			35,464			35,464
Exercise of stock options	1,158,892	12	5,330			5,342
Employee stock purchase plan	513,638	5	2,818			2,823
Proceeds from disgorgement of stockholder short-swing profits, net of tax of \$7			12			12
Net settlement on vesting of restricted stock			(2,219)			(2,219)
Common shares issued to Directors	181,621	1	245			246
Phantom shares issued to Directors			182			182
Restricted stock grants	402,593	4	(4)			
December 31, 2009	410,245,225	\$ 4,102	\$3,141,695	\$ (1,062,318)	\$ (3,331)	\$ 2,080,148

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

## SCHEDULE I (Continued)

## HERTZ GLOBAL HOLDINGS, INC.

## PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

	Years ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income (loss)	\$ (126,022)	\$ (1,206,746)	\$ 264,559
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Amortization and write-off of deferred financing costs	1,363		
Amortization of debt discount	10,715		
Deferred taxes on income	6,189	(328)	(40)
Changes in assets and liabilities:			
Receivables		5	26
Taxes receivable	(17,450)		
Prepaid expenses and other assets		22	(24)
Accounts payable	4,095	171	(1,027)
Accrued liabilities	2,036	(239)	(1,026)
Accrued taxes	(7)	(270)	277
Equity in (earnings) losses of subsidiaries, net of tax	110,535	1,206,525	(266,825)
Net cash flows used in operating activities	(8,546)	(860)	(4,080)
Cash flows from investing activities:			
Investment in and advances to consolidated subsidiaries	(990,117)		
Dividends from subsidiary			
Net cash used in investing activities	(990,117)		
Cash flows from financing activities:			
Proceeds from convertible debt offering	459,483		
Repayment of long-term debt			
Payment of financing costs			
Proceeds from exercise of stock options	5,342	6,754	5,599
Accounts receivable from Hertz affiliate	7,186	(6,273)	(8,482)
Proceeds from disgorgement of stockholders short swing profits	19	138	4,755
Net settlement on vesting of restricted stock	(2,219)		
Proceeds from the sale of common stock	528,758		
Dividends paid			
Net cash provided by financing activities	998,569	619	1,872
Net decrease in cash and cash equivalents during the period	(94)	(241)	(2,208)
Cash and cash equivalents at beginning of period	269	510	2,718
Cash and cash equivalents at end of period	\$ 175	\$ 269	\$ 510
Supplemental disclosures of cash flow information:			
Cash paid (received) during the period for:			
Interest (net of amounts capitalized)	\$ 12,538	\$ (576)	\$ (367)
Income taxes		1,383	

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



**SCHEDULE I (Continued)**

**HERTZ GLOBAL HOLDINGS, INC.**

**NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

**Note 1 Background and Basis of Presentation**

Hertz Global Holdings, Inc., or "Hertz Holdings," is the top-level holding company that conducts substantially all of its business operations through its indirect subsidiaries. Hertz Holdings was incorporated in Delaware on August 31, 2005 in anticipation of the December 21, 2005 acquisition by its subsidiary, Hertz Investors, Inc., of the Hertz Corporation.

There are significant restrictions over the ability of Hertz Holdings to obtain funds from its indirect subsidiaries through dividends, loans or advances. Accordingly, these condensed financial statements have been presented on a "parent-only" basis. Under a parent-only presentation, the investments of Hertz Holdings in its consolidated subsidiaries are presented under the equity method of accounting. These parent-only financial statements should be read in conjunction with the consolidated financial statements of Hertz Holdings included in this Annual Report under the caption "Item 8 Financial Statements and Supplementary Data." For a discussion of background and basis of presentation, see Note 1 to the Notes to the consolidated financial statements included in this Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

**Note 2 Debt**

*Convertible Senior Notes*

In May and June 2009, we issued \$474.8 million in aggregate principal amount of 5.25% convertible senior notes due January 2014. Our Convertible Senior Notes may be convertible by holders into shares of our common stock, cash or a combination of cash and shares of our common stock, as elected by us, initially at a conversion rate of 120.6637 shares per \$1,000 principal amount of notes, subject to adjustment. However, we have a policy of settling the conversion of our Convertible Senior Notes using a combination settlement, which calls for settling the fixed dollar amount per \$1,000 in principal amount in cash and settling in shares, the excess conversion value, if any. Proceeds from the Convertible Debt Offering were allocated between "Debt" and "Additional paid-in capital." The value assigned to the debt component was 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 Senior Notes and the amount reflected as a debt liability was recorded as "Additional paid-in capital." As a result, the debt was recorded at a discount of \$117.9 million 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 in the consolidated statements of operations.

On December 1, 2009, Hertz Holdings made the first semi-annual interest payment of \$12.8 million on the convertible notes. Hertz Holdings made this payment with a combination of cash on hand and proceeds from the repayment of an inter-company loan from Hertz.

In the future, if our cash on hand and proceeds from the repayment of inter-company loans from Hertz is not sufficient to pay the semi-annual interest payment, we would need to receive a dividend, loan or advance from our subsidiaries. However, none of our subsidiaries are obligated to make funds available to us and certain of Hertz's credit facilities have requirements that must be met prior to it making dividends, loans or advances to us. In addition, Delaware law imposes requirements that may restrict Hertz's ability to make funds available to Hertz Holdings.

For a discussion of the debt obligations of the indirect subsidiaries of Hertz Holdings, see Note 3 to the Notes to the consolidated financial statements included in this Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

**SCHEDULE I (Continued)**

**HERTZ GLOBAL HOLDINGS, INC.**

**NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)**

**Note 3 Commitments and Contingencies**

Hertz Holdings has no direct commitments and contingencies, but its indirect subsidiaries do. For a discussion of the commitments and contingencies of the indirect subsidiaries of Hertz Holdings, see Notes 8 and 10 to the Notes to the consolidated financial statements included in this Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

**Note 4 Dividends**

Hertz Holdings did not receive any cash dividends from its subsidiaries during 2009 and 2008.

## SCHEDULE II

## VALUATION AND QUALIFYING ACCOUNTS

## HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

(In Thousands of Dollars)

	Balance at Beginning of Period	Additions			Deductions	Balance at End of Period
		Charged to Expense	Translation Adjustments			
Allowance for doubtful accounts:						
Year ended December 31, 2009	\$ 16,572	\$ 27,951	\$ 1,823	\$ 25,078 <sup>(a)</sup>	\$ 21,268	
Year ended December 31, 2008	\$ 12,147	\$ 31,068	\$ (554)	\$ 26,089 <sup>(a)</sup>	\$ 16,572	
Year ended December 31, 2007	\$ 3,321	\$ 13,874	\$ 877	\$ 5,925 <sup>(a)</sup>	\$ 12,147	
Tax valuation allowances:						
Year ended December 31, 2009	\$ 123,210	\$ 44,602	\$	\$	\$ 167,812	
Year ended December 31, 2008	\$ 69,879	\$ 53,331	\$	\$	\$ 123,210	
Year ended December 31, 2007	\$ 70,102	\$ (223)	\$	\$	\$ 69,879	

(a)

Amounts written off, net of recoveries.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report:

	<b>Page</b>
(a) 1. <i>Financial Statements:</i>	
Our financial statements filed herewith are set forth in Part II, Item 8 of this Annual Report as follows:	
Hertz Global Holdings, Inc. and Subsidiaries	
Report of Independent Registered Public Accounting Firm	93
Consolidated Balance Sheets	94
Consolidated Statements of Operations	95
Consolidated Statements of Changes in Equity	96
Consolidated Statements of Cash Flows	98
Notes to Consolidated Financial Statements	99
2. <i>Financial Statement Schedules:</i>	
Our financial statement schedules filed herewith are set forth in Part II, Item 8 of this Annual Report as follows:	
Hertz Global Holdings, Inc. Schedule I Condensed Financial Information of Registrant	164
Hertz Global Holdings, Inc. and Subsidiaries Schedule II Valuation and Qualifying Accounts	170
3. <i>Exhibits:</i>	

<b>Exhibit Number</b>	<b>Description</b>
23.1	Consent of PricewaterhouseCoopers LLP
31.1-31.2	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer and Chief Financial Officer
32.1-32.2	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer





**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
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32.1-32.2	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer

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QuickLinks

Explanatory Note

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
CONSOLIDATED BALANCE SHEETS  
CONSOLIDATED STATEMENTS OF OPERATIONS  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES  
SIGNATURES  
EXHIBIT INDEX