HERTZ GLOBAL HOLDINGS INC
Form 10-Q
August 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2007

OR

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

Commission File Number 001-33139

HERTZ GLOBAL HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

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

225 Brae Boulevard
Park Ridge, New Jersey 07656-0713
(201) 307-2000

(Address, including Zip Code, and telephone number,
including area code, of Registrant s principal executive offices)

Not Applicable

(Former name, former address and former fiscal year,
if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

There were 321,420,371 shares of the registrant s common stock, par value $0.01 per share, issued and outstanding as of August 10, 2007.

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
INDEX

PART I FINANCIAL INFORMATION

ITEM l. Condensed Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Hertz Global Holdings, Inc. and its subsidiaries as of June 30, 2007 and the related consolidated statements of operations for each of the three-month and six-month periods ended June 30, 2007 and June 30, 2006 and the consolidated statements of cash flows for the six-month periods ended June 30, 2007 and June 30, 2006. These interim financial statements are the responsibility of the Company s management.

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

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

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2006 and the related consolidated statements of operations, of stockholders equity and of cash flows for the year then ended (not presented herein), and in our report dated March 30, 2007 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
August 13, 2007

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars)
Unaudited

	June 30, 2007	December 31, 2006
ASSETS		
Cash and equivalents	$ 401,630	$ 674,549
Restricted cash	212,215	552,516
Receivables, less allowance for doubtful accounts of $5,412 and $1,989	1,411,789	1,656,542
Inventories, at lower of cost or market	129,846	112,119
Prepaid expenses and other assets	412,067	369,922
Revenue earning equipment, at cost:		
Cars	10,061,868	8,188,794
Less accumulated depreciation	(842,793)	(822,387)
Other equipment	2,922,090	2,686,947
Less accumulated depreciation	(346,261)	(247,846)
Total revenue earning equipment	11,794,904	9,805,508
Property and equipment, at cost:		
Land, buildings and leasehold improvements	1,012,412	969,195
Service equipment	643,566	597,882
	1,655,978	1,567,077
Less accumulated depreciation	(294,688)	(199,020)
Total property and equipment	1,361,290	1,368,057
Other intangible assets, net	3,143,263	3,173,495
Goodwill	985,347	964,693
Total assets	$ 19,852,351	$ 18,677,401
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable	$ 1,511,908	$ 654,327
Accrued liabilities	948,081	976,949
Accrued taxes	122,243	92,469
Debt	12,452,526	12,276,184
Public liability and property damage	340,583	327,024
Deferred taxes on income	1,822,971	1,801,073
Total liabilities	17,198,312	16,128,026
Commitments and contingencies		
Minority interest	20,169	14,813
Stockholders equity:		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 321,407,431 and 320,618,692 shares issued	3,214	3,206
Preferred Stock, $0.01 par value, 200,000,000 shares authorized, no shares issued		
Additional paid-in capital	2,449,044	2,427,293
Retained earnings	26,999	9,535
Accumulated other comprehensive income	154,613	94,528
Total stockholders equity	2,633,870	2,534,562
Total liabilities and stockholders equity	$ 19,852,351	$ 18,677,401

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 data)
Unaudited

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Revenues:				
Car rental	$ 1,711,656	$ 1,592,690	$ 3,216,731	$ 2,992,312
Equipment rental	432,791	420,294	822,634	783,342
Other	31,217	27,649	57,831	51,573
Total revenues	2,175,664	2,040,633	4,097,196	3,827,227
Expenses:				
Direct operating	1,164,714	1,137,219	2,279,038	2,207,369
Depreciation of revenue earning equipment	496,037	436,220	963,854	843,474
Selling, general and administrative	182,440	197,311	382,817	359,488
Interest, net of interest income of $8,176, $8,843, $20,267 and $16,500	191,514	212,610	421,101	422,923
Total expenses	2,034,705	1,983,360	4,046,810	3,833,254
Income (loss) before income taxes and minority interest	140,959	57,273	50,386	(6,027)
Provision for taxes on income	(52,538)	(35,417)	(20,421)	(18,094)
Minority interest	(4,746)	(4,038)	(8,856)	(7,297)
Net income (loss)	$ 83,675	$ 17,818	$ 21,109	$ (31,418)
Weighted average shares outstanding (in thousands)				
Basic	320,891	230,611	320,759	230,059
Diluted	327,628	230,611	324,127	230,059
Earnings (loss) per share				
Basic	$ 0.26	$ 0.08	$ 0.07	$ (0.14)
Diluted	$ 0.26	$ 0.08	$ 0.07	$ (0.14)

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

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)
Unaudited

	Six Months Ended June 30, 2007	2006
Cash flows from operating activities:		
Net income (loss)	$ 21,109	$ (31,418)
Non-cash expenses:		
Depreciation of revenue earning equipment	963,854	843,474
Depreciation of property and equipment	90,998	99,525
Amortization of other intangible assets	30,766	30,847
Amortization of deferred financing costs	25,090	35,695
Amortization of debt discount	11,176	16,956
Debt modification costs	16,177	
Stock-based employee compensation	13,839	2,009
Provision for public liability and property damage	92,266	86,392
Unrealized loss on mark-to-market of Euro-denominated debt		21,530
Unrealized (gain) loss on derivatives	(9,979)	387
Gain on ineffectiveness of interest rate swaps		(1,034)
Provision for losses on doubtful accounts	6,312	9,175
Minority interest	8,856	7,297
Vacation accrual adjustment	(19,559)	
Deferred taxes on income	15,899	18,415
Changes in assets and liabilities, net of effects of acquisition:		
Receivables	269,256	552,639
Inventories, prepaid expenses and other assets	(45,125)	(53,377)
Accounts payable	794,626	488,951
Accrued liabilities	7,298	78,475
Accrued taxes	(3,260)	(4,389)
Payments of public liability and property damage claims and expenses	(87,073)	(95,016)
Net cash provided by operating activities	$ 2,202,526	$ 2,106,533

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

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands of Dollars)
Unaudited

	Six Months Ended June 30, 2007	2006
Cash flows from investing activities:		
Net change in restricted cash	$ 340,828	$ 70,756
Revenue earning equipment expenditures	(7,150,826)	(7,540,300)
Proceeds from disposal of revenue earning equipment	4,305,073	4,899,511
Property and equipment expenditures	(97,301)	(130,629)
Proceeds from disposal of property and equipment	24,387	28,527
Other investing activities	(110)	5
Net cash used in investing activities	(2,577,949)	(2,672,130)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	4,541	1,088,842
Repayment of long-term debt	(817,804)	(102,506)
Short-term borrowings:		
Proceeds	570,000	491,937
Repayments		(409,770)
Ninety day term or less, net	354,442	133,234
Proceeds from the sale of common stock		18,074
Payment of financing costs	(12,951)	(44,041)
Distributions to minority interest	(3,500)	(2,450)
Exercise of stock options	3,484	
Proceeds from Stockholder short-swing profits	4,745	
Dividends paid		(999,248)
Net cash provided by financing activities	102,957	174,072
Effect of foreign exchange rate changes on cash and equivalents	(453)	59,992
Net decrease in cash and equivalents during the period	(272,919)	(331,533)
Cash and equivalents at beginning of period	674,549	843,908
Cash and equivalents at end of period	$ 401,630	$ 512,375
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	$ 387,033	$ 255,162
Income taxes	7,833	11,952

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

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Note 1 Basis of Presentation

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 Holdings was incorporated in Delaware in 2005 and had no operations prior to the Acquisition (as defined below). 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.

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, through CCMG Acquisition Corporation, a wholly owned subsidiary of Hertz Holdings (previously known as CCMG Holdings, Inc.) acquired all of Hertz s common stock from Ford Holdings LLC for aggregate consideration of $4,379 million in cash, debt refinanced or assumed of $10,116 million and transaction fees and expenses of $447 million.

We refer to the acquisition of all of Hertz s common stock through a wholly owned subsidiary of Hertz Holdings as the Acquisition. We refer to the Acquisition, together with related transactions entered into to finance the cash consideration for the Acquisition, to refinance certain of our existing indebtedness and to pay related transaction fees and expenses, as the Transactions.

In November 2006, we completed our initial public offering of 88,235,000 shares of our common stock at a per share price of $15.00, with proceeds to us before underwriting discounts and offering expenses of approximately $1.3 billion. The proceeds were used to repay borrowings that were outstanding under a $1.0 billion loan facility entered into by Hertz Holdings, or the Hertz Holdings Loan Facility, and to pay related transaction fees and expenses. The proceeds were also used to pay special cash dividends of $1.12 per share on November 21, 2006 to stockholders of record of Hertz Holdings immediately prior to the initial public offering.

In June 2007, the Sponsors completed a secondary public offering of 51,750,000 shares of their Hertz Holdings common stock at a per share price of $22.25. We did not receive any of the proceeds from the sale of these shares. We paid all of the expenses of the offering, excluding underwriting discounts and commissions of the selling stockholders, pursuant to a registration rights agreement we entered into at the time of the Acquisition. These expenses aggregated to approximately $2.0 million. Immediately following the secondary public offering, the Sponsors ownership percentage in us decreased to approximately 55%.

The significant accounting policies summarized in Note 1 to our audited consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed with the United States Securities and Exchange Commission on March 30, 2007, or the Form 10-K, have been followed in preparing the accompanying condensed consolidated financial statements.

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

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

The December 31, 2006 condensed consolidated balance sheet data was derived from our audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America, or GAAP.

Certain prior period amounts have been reclassified to conform with current reporting.

Note 2 Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or SFAS No. 157. This pronouncement defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for the fiscal year beginning after November 15, 2007. We are currently reviewing SFAS No. 157 to determine its impact, if any, on our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The provisions of SFAS No. 159 are effective for the fiscal year beginning after November 15, 2007. We are currently reviewing SFAS No. 159 to determine its impact, if any, on our financial position or results of operations.

Note 3 Cash and Equivalents and Restricted Cash

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

Restricted cash includes cash and equivalents that are not readily available for our normal disbursements. Restricted cash and equivalents are restricted for the acquisition of vehicles and other specified uses under our fleet debt programs, our like-kind exchange programs and to satisfy certain of our self-insurance regulatory reserve requirements. As of June 30, 2007 and December 31, 2006, the portion of total restricted cash that was associated with our fleet debt was $148.3 million and $487.0 million, respectively.

Note 4 Goodwill and Other Intangible Assets

We account for goodwill under SFAS No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill must be tested for impairment at least annually. For 2007, we conducted the required annual goodwill and indefinite-lived intangible asset impairment test in the second quarter and determined that there was no impairment.

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

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

	Car Rental	Equipment Rental	Total
Balance as of December 31, 2006	$ 336,579	$ 628,114	$ 964,693
Changes(1)	18,497	2,157	20,654
Balance as of June 30, 2007	$ 355,076	$ 630,271	$ 985,347

(1) Consists of changes primarily resulting from the adoption of FIN 48 (see Note 5 Taxes on Income) and the translation of foreign currencies at different exchange rates from the beginning of the period to the end of the period.

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

	June 30, 2007 Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	December 31, 2006 Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:						
Customer-related	$ 612,297	$ (93,674)	$ 518,623	$ 611,783	$ (63,046)	$ 548,737
Other	1,290	(650)	640	1,270	(512)	758
Total	613,587	(94,324)	519,263	613,053	(63,558)	549,495
Indefinite-lived intangible assets:						
Trade name	2,624,000		2,624,000	2,624,000		2,624,000
Total other intangible assets, net	$ 3,237,587	$ (94,324)	$ 3,143,263	$ 3,237,053	$ (63,558)	$ 3,173,495

Amortization of other intangible assets for the three months ended June 30, 2007 and 2006 was approximately $15.4 million and $15.3 million, respectively, and for the six months ended June 30, 2007 and 2006 was approximately $30.8 million and $30.8 million, respectively. Future amortization expense of other intangible assets is expected to be approximately $61.2 million per year for each of the next five years.

Note 5 Taxes on Income

The provision for taxes on income is determined using the estimated effective tax rate applicable for the full year. The effective tax rate for the three and six months ended June 30, 2007 is 37.3% and 40.5%, respectively, which reflects the impact of not providing a benefit for losses in certain countries.

We adopted the provisions of FASB Interpretation No. 48, or FIN 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109, on January 1, 2007. Upon adoption, we recorded an $18.9 million increase to our liabilities for unrecognized tax benefits. The increase in liabilities was recorded as a charge of $3.6 million and an increase of $15.3 million to the January 1, 2007 retained earnings and goodwill balances, respectively. As of the adoption date, we had gross tax

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

effected unrecognized tax benefits of $20.3 million, of which $5.1 million, if recognized, would favorably impact the effective tax rate in future periods.

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, including such major jurisdictions as Australia, the Netherlands, Brazil, Canada, France, Germany, Italy, Spain, Ireland, the United Kingdom and the United States. The open tax years for these jurisdictions span from 1991 to 2006. The 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.

In many cases our uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. We are not currently under audit by the Internal Revenue Service but are under audit in several non-U.S. jurisdictions. It is reasonably possible that a $3.3 million tax liability, attributable to an uncertain tax position, may reverse within the next twelve months.

Interest and penalties related to the liabilities for unrecognized tax benefits are classified as a component of Provision for taxes on income in our consolidated statement of operations. Accrued interest (net of benefit) and penalties recorded at January 1, 2007 in our condensed consolidated balance sheet was $12.5 million.

Note 6 Depreciation of Revenue Earning Equipment

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

	Three Months Ended June 30,	
	2007	**2006**
Depreciation of revenue earning equipment	$ 480,537	$ 439,211
Adjustment of depreciation upon disposal of the equipment	41	(9,334)
Rents paid for vehicles leased	15,459	6,343
Total	$ 496,037	$ 436,220

	Six Months Ended June 30,	
	2007	**2006**
Depreciation of revenue earning equipment	$ 931,902	$ 857,851
Adjustment of depreciation upon disposal of the equipment	5,097	(26,345)
Rents paid for vehicles leased	26,855	11,968
Total	$ 963,854	$ 843,474

The adjustment of depreciation upon disposal of revenue earning equipment for the three months ended June 30, 2007 and 2006 included a net loss of $3.5 million and a net gain of $3.2 million, respectively, on the disposal of vehicles in our car rental operations and net gains of $3.5 million and $6.1 million, respectively, on the disposal of industrial and construction equipment used in our equipment rental operations. The adjustment of depreciation upon disposal of revenue earning equipment for the six months ended June 30, 2007 and 2006 included a net loss of $12.0 million and a net gain of $14.3 million, respectively, on the disposal of vehicles in our car rental operations and

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

net gains of $6.9 million and $12.0 million, respectively, on the disposal of industrial and construction equipment in our equipment 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. Effective January 1, 2007 and April 1, 2007, depreciation rates being used to compute the provision for depreciation of revenue earning equipment were increased on certain vehicles in our U.S. and Canadian car rental operations and were decreased effective January 1, 2007 and increased effective April 1, 2007, in our other international car rental operations, in each case, 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 $3.7 million, $0.6 million and $2.0 million, respectively, in depreciation expense for the three months ended June 30, 2007 and net increases of $9.0 million, $0.8 million and $1.6 million, respectively, in depreciation expense for the six months ended June 30, 2007. Effective April 1, 2007, depreciation rates in our U.S. equipment rental operations were decreased and resulted in a net decrease of $3.0 million in depreciation expense for the three and six months ended June 30, 2007. Effective April 1, 2006 and January 1, 2007, depreciation rates in our French equipment rental operations were decreased and resulted in a net reduction of $0.3 million and $2.2 million in depreciation expense for the three and six months ended June 30, 2007, respectively.

Note 7 Debt

Our Senior Term Facility is a facility entered into by Hertz in connection with the Acquisition consisting of (a) a maximum borrowing capacity of $2,000 million (which was decreased in February 2007 to $1,400 million), which included a delayed draw facility of $293 million (which was utilized during 2006) and (b) a synthetic letter of credit facility in an aggregate principal amount of $250 million.

Our Senior ABL Facility is a senior asset-based revolving loan facility entered into by Hertz and certain of its U.S. and of its Canadian subsidiaries in connection with the Acquisition with a maximum borrowing capacity of $1,600 million (which was increased in February to $1,800 million). Up to $200.0 million of the revolving loan facility is available for the issuance of letters of credit. We refer to the Senior Term Facility and the Senior ABL Facility together as the Senior Credit Facilities.

Our Senior Dollar Notes are the $1,800 million aggregate principal amount of 8.875% Senior Notes due 2014 issued by Hertz in connection with the Acquisition. Our Senior Subordinated Notes refer to the $600 million aggregate principal amount of 10.5% Senior Subordinated Notes due 2016 issued by Hertz in connection with the Acquisition. Our Senior Euro Notes are the 225 million aggregate principal amount of 7.875% Senior Notes due 2014 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 Promissory Notes consist of the outstanding untendered senior notes issued under three separate indentures existing prior to the Acquisition. These senior notes have maturities ranging from 2007 to 2028.

Our U.S. Fleet Debt consists of approximately $4,300 million of asset-backed securities issued on the Closing Date by a special purpose entity wholly owned by us, backed by our U.S. car rental fleet, all of which we issued under our existing asset-backed notes program, or the ABS Program. An additional $600 million of previously issued asset-backed medium term notes, or Pre-Acquisition ABS

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

Notes, having maturities from 2007 to 2009 remained outstanding under the ABS Program following the closing of the Transactions ($265 million of which have subsequently matured). We have also issued approximately $1,500 million of variable funding notes on the Closing Date in two series under these facilities, none of which were funded on the Closing Date.

Our International Fleet Debt consists of the aggregate borrowings of our foreign subsidiaries under asset-based revolving loan facilities, subject to borrowing bases comprised of rental vehicles, rental equipment, and related assets of certain of our foreign subsidiaries (substantially all of which are organized outside of the United States) or one or more special purpose entities, as the case may be, and rental equipment and related assets of certain of our subsidiaries organized outside North America or one or more special purpose entities, as the case may be. The subsidiaries conducting the car rental business in certain European jurisdictions may, at their option, continue to engage in capital lease financings relating to revenue earning equipment outside the International Fleet Debt facilities.

Our Fleet Financing Facility is a credit agreement entered into by Hertz and its subsidiary, Puerto Ricancars, Inc., or PR Cars, in September 2006, which provides for a commitment of up to $275 million 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.

Our Brazilian Credit Facility consists of revolving and term credit facilities entered into by our Brazilian subsidiary in April 2007. The maximum amount that may be borrowed under this facility is R$130 million (or $67.6 million, calculated using exchange rates in effect on June 30, 2007) maturing in December 2010.

Our Canadian Fleet Financing Facility consists of an asset-backed borrowing facility to provide financing for our Canadian rental car fleet entered into in May 2007. The maximum amount which may be borrowed under this facility is CAN$400 million (or $376.3 million) maturing in May 2012.

Our Belgian Revolving Credit Facility consists of a revolving credit facility entered into by Hertz Belgium BVBA of up to 23.4 million (or $31.6 million) maturing in December 2010.

11

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

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

	June 30, 2007	December 31, 2006
Corporate Debt		
Senior Term Facility, average interest rate: 2007, 7.1%; 2006, 7.4% (effective average interest rate: 2007, 7.2%; 2006, 7.5%); net of unamortized discount: 2007, $25,705; 2006, $38,378	$ 1,370,795	$ 1,947,907
Senior ABL Facility, average interest rate: 2007, 6.5%; 2006, N/A (effective average interest rate: 2007, 7.8%; 2006, N/A); net of unamortized discount: 2007, $20,746; 2006, $22,188	108,058	(22,188)
Senior Notes, average interest rate: 2007, 8.7%; 2006, 8.7%	2,103,849	2,097,030
Senior Subordinated Notes, average interest rate: 2007, 10.5%; 2006, 10.5%	600,000	600,000
Promissory Notes, average interest rate: 2007, 7.2%; 2006, 7.2% (effective average interest rate: 2007, 7.3%; 2006, 7.3%); net of unamortized discount: 2007, $5,550; 2006, $5,545		