HERTZ GLOBAL HOLDINGS INC
Form 10-Q
August 06, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

Commission File Number 001-33139

HERTZ GLOBAL HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

Not Applicable

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

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

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

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

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

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

There were 412,066,036 shares of the Registrant's common stock, par value $0.01 per share, issued and outstanding as of August 2, 2010.

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PART I FINANCIAL INFORMATION

ITEM l. Condensed Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Hertz Global Holdings, Inc. and its subsidiaries as of June 30, 2010, and the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2010 and June 30, 2009 and the consolidated statements of cash flows for the six-month periods ended June 30, 2010 and June 30, 2009. 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 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, 2009, and the related consolidated statements of operations, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated February 26, 2010, 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, 2009, 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 6, 2010

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands of Dollars)

Unaudited

	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 896,848	$ 985,642
Restricted cash and cash equivalents	743,435	365,159
Receivables, less allowance for doubtful accounts of $17,374 and $21,268	1,400,306	1,325,332
Inventories, at lower of cost or market	88,805	93,415
Prepaid expenses and other assets	304,296	300,125
Revenue earning equipment, at cost:		
Cars	9,853,330	8,205,579
Less accumulated depreciation	(1,091,215)	(1,186,299)
Other equipment	2,558,808	2,582,029
Less accumulated depreciation	(909,713)	(749,724)
Total revenue earning equipment	10,411,210	8,851,585
Property and equipment, at cost:		
Land, buildings and leasehold improvements	1,038,726	1,023,891
Service equipment and other	853,647	838,906
	1,892,373	1,862,797
Less accumulated depreciation	(735,705)	(674,668)
Total property and equipment	1,156,668	1,188,129
Other intangible assets, net	2,563,709	2,597,682
Goodwill	290,550	295,350
Total assets	$ 17,855,827	$ 16,002,419
LIABILITIES AND EQUITY		
Accounts payable	$ 1,467,148	$ 658,671
Accrued liabilities	915,817	1,024,822
Accrued taxes	158,114	108,356
Debt	11,693,823	10,364,367
Public liability and property damage	261,142	277,828
Deferred taxes on income	1,446,099	1,470,934
Total liabilities	15,942,143	13,904,978
Commitments and contingencies (Note 16)		
Equity:		
Hertz Global Holdings Inc. and Subsidiaries stockholders' equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 411,949,818 and 410,245,225 shares issued and outstanding	4,120	4,102

Preferred Stock, $0.01 par value, 200,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	3,160,278	3,141,695
Accumulated deficit	(1,237,844)	(1,062,318)
Accumulated other comprehensive loss	(30,783)	(3,331)
Total Hertz Global Holdings, Inc. and Subsidiaries stockholders' equity	1,895,771	2,080,148
Noncontrolling interest	17,913	17,293
Total equity	1,913,684	2,097,441
Total liabilities and equity	$ 17,855,827	$ 16,002,419

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

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands of Dollars, except share and per share data)

Unaudited

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues:				
Car rental	$ 1,582,983	$ 1,450,902	$ 2,979,554	$ 2,711,804
Equipment rental	265,706	276,808	502,677	556,140
Other	30,897	26,774	58,243	51,426
Total revenues	1,879,586	1,754,484	3,540,474	3,319,370
Expenses:				
Direct operating	1,075,037	988,573	2,088,036	1,943,893
Depreciation of revenue earning equipment	456,720	479,350	915,893	969,178
Selling, general and administrative	171,985	141,510	339,728	308,234
Interest expense	188,873	163,835	369,971	328,944
Interest and other income, net	(6,791)	(49,511)	(9,069)	(51,532)
Total expenses	1,885,824	1,723,757	3,704,559	3,498,717
Income (loss) before income taxes	(6,238)	30,727	(164,085)	(179,347)
(Provision) benefit for taxes on income	(14,210)	(22,989)	(3,190)	26,665
Net income (loss)	(20,448)	7,738	(167,275)	(152,682)
Less: Net income attributable to noncontrolling interest	(4,673)	(3,876)	(8,251)	(6,965)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	$ (25,121)	$ 3,862	$ (175,526)	$ (159,647)
Weighted average shares outstanding (in thousands)				
Basic	411,834	343,698	411,290	333,591
Diluted	411,834	349,153	411,290	333,591
Earnings (loss) per share attributable to Hertz Global				

Holdings, Inc. and Subsidiaries' common stockholders:								
Basic	$	(0.06)	$	0.01	$	(0.43)	$	(0.48)
Diluted	$	(0.06)	$	0.01	$	(0.43)	$	(0.48)

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

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

Unaudited

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cash flows from operating activities:		
Net loss	$ (167,275)	$ (152,682)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of revenue earning equipment	915,893	969,178
Depreciation of property and equipment	78,571	80,543
Amortization of other intangible assets	32,700	33,138
Amortization and write-off of deferred financing costs	38,508	27,922
Amortization of debt discount	21,104	14,923
Stock-based compensation charges	19,308	16,502
(Gain) loss on derivatives	4,922	(18,318)
Amortization of cash flow hedges	38,868	29,857
Provision for losses on doubtful accounts	10,295	16,635
Asset writedowns	14,215	13,105
Deferred taxes on income	(3,818)	19,724
Gain on sale of property and equipment	(2,176)	(1,314)
Changes in assets and liabilities, net of effects of acquisition:		
Receivables	(105,472)	(15,878)
Inventories, prepaid expenses and other assets	(28,075)	18,257
Accounts payable	254,809	(65,003)
Accrued liabilities	(66,832)	(208,362)
Accrued taxes	(5,220)	(57,838)
Public liability and property damage	252	(22,029)
Net cash provided by operating activities	1,050,577	698,360
Cash flows from investing activities:		
Net change in restricted cash and cash equivalents	(389,242)	543,774
Revenue earning equipment expenditures	(5,429,930)	(3,540,501)
Proceeds from disposal of revenue earning equipment	3,409,157	3,197,561
Property and equipment expenditures	(92,018)	(48,344)
Proceeds from disposal of property and equipment	15,194	5,106
Acquisitions, net of cash acquired	(157)	(71,280)
(Purchase) sale of short-term investments, net	3,171	(4,169)
Other investing activities	817	835
Net cash provided by (used in) investing activities	$ (2,483,008)	$ 82,982

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

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands of Dollars)

Unaudited

	Six Months Ended June 30, 2010	2009
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	$ 681,370	$ 4,219
Proceeds from convertible debt offering		459,655
Repayment of long-term debt	(756,964)	(682,389)
Short-term borrowings:		
Proceeds	274,730	221,921
Repayments	(168,377)	(181,442)
Proceeds (repayments) under the revolving lines of credit, net	1,423,403	(971,469)
Distributions to noncontrolling interest	(7,630)	(8,050)
Proceeds from sale of common stock		328,739
Proceeds from exercise of stock options	2,250	2,702
Proceeds from employee stock purchase plan	1,222	1,363
Proceeds from disgorgement of stockholder short-swing profits	111	14
Net settlement on vesting of restricted stock	(5,670)	
Payment of financing costs	(24,972)	(6,772)
Net cash provided by (used in) financing activities	1,419,473	(831,509)
Effect of foreign exchange rate changes on cash and cash equivalents	(75,836)	26,790
Net decrease in cash and cash equivalents during the period	(88,794)	(23,377)
Cash and cash equivalents at beginning of period	985,642	594,266
Cash and cash equivalents at end of period	$ 896,848	$ 570,889
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	$ 264,563	$ 298,711
Income taxes	30,694	13,998
Supplemental disclosures of non-cash flow information:		
Purchases of revenue earning equipment included in accounts payable	$ 828,881	$ 616,745
Sales of revenue earning equipment included in receivables	530,856	145,640
Purchases of property and equipment included in accounts payable	29,125	14,309
Sales of property and equipment included in receivables	5,259	680

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

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Note 1 Background and Liquidity

Background

Hertz Global Holdings, Inc., or "Hertz Holdings," is our top-level holding company. The Hertz Corporation, or "Hertz," is our primary operating company and a direct wholly-owned subsidiary of Hertz Investors, Inc., which is wholly-owned by Hertz Holdings. "We," "us" and "our" mean Hertz Holdings and its consolidated subsidiaries, including Hertz.

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, 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" (now known as BAML Capital Partners),

or collectively the "Sponsors," acquired all of Hertz's common stock from Ford Holdings LLC. 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.

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.

Liquidity

Our primary liquidity needs include servicing of corporate and fleet related debt, the payment of operating expenses and purchases of rental vehicles and equipment to be used in our operations. Our primary sources of funding are operating revenue, cash received on the disposal of vehicles and equipment, borrowings under our asset-backed borrowing arrangements and our revolving credit facilities.

As of June 30, 2010, we had $11,693.8 million of total indebtedness outstanding. Accordingly, we are highly leveraged and a substantial portion of our liquidity needs arise from debt service on our indebtedness and from the funding of our costs of operations and capital expenditures.

Our liquidity as of June 30, 2010 consists of cash and cash equivalents, unused commitments under our Senior ABL Facility and unused commitments under our fleet financing facilities. For a description of these amounts, see Note 8 Debt.

Based on all that we accomplished in 2009 and the first half of 2010, our current availability under our various credit facilities and our business plan, we believe we have sufficient liquidity to meet our U.S. debt maturities over the next twelve months. See Note 8 Debt.

In June 2010, Hertz Vehicle Financing LLC, or "HVF," our wholly-owned subsidiary, issued $184.3 million in aggregate principal amount of 3 year and 5 year Subordinated Series 2009-2 Rental Car Asset Backed

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Notes, Class B, or the "Series 2009-2 Class B Notes." The 3 year notes carry a 4.94% coupon (5.00% yield) and the 5 year notes carry a 5.93% coupon (6.01% yield) with expected final maturities in 2013 and 2015, respectively. The net proceeds of the offering were or will be used to purchase vehicles under our asset-backed securities, or "ABS," program, used to pay other ABS indebtedness or, to the extent permitted, used for general purposes.

Also, in June 2010, we issued EUR 400 million (the equivalent of $491.1 million as of June 30, 2010) aggregate principal amount of 8.5% Senior Secured Notes due 2015, or the "Euro Notes," and entered into a EUR 220 million (the equivalent of $270.1 million as of June 30, 2010) revolving credit facility that matures in 2013, or the "European Credit Facility." The net proceeds of the Euro Notes and European Credit Facility were used to refinance our International Fleet Debt and Belgian Fleet Financing Facility, both of which were due to mature in December 2010, and the excess was or will be used for general purposes.

As of June 30, 2010, we have approximately $520.5 million of remaining international fleet debt outstanding that matures in December 2010. We are currently in discussions regarding our remaining refinancing options, and based on these discussions and our ability to access the capital markets, we expect to refinance the remaining debt maturing in December 2010 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 replacement 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 have a negative impact on our operational and financial flexibility, and may require us to make significant operational changes to our business (including, without limitation, reducing the size of our rental fleet, reducing the percentage of our car rental fleet subject to repurchase or guaranteed depreciation programs or reducing or delaying capital expenditures).

In July 2010, we entered into a EUR 400 million (the equivalent of $491.1 million as of June 30, 2010) asset-backed securitization facility that matures in 2013, or the "European Securitization," the proceeds of which were used to refinance the portion of our existing International ABS Fleet Financing Facility relating to France and the Netherlands, which was due to mature in December 2010. This facility refinanced $288.8 million of the $520.5 million of remaining international fleet debt outstanding as of June 30, 2010 that matures in December 2010.

In addition, in July 2010, we issued approximately $750 million in aggregate principal amount of 3 year, 5 year and 7 year Series 2010-1 Rental Car Asset Backed Notes, or the "Series 2010-1 Notes." The net proceeds of the offering were or will be used, to the extent permitted, to purchase vehicles under the ABS program of HVF, to pay other ABS indebtedness or distributed to Hertz and used for general purposes.

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. As of June 30, 2010, we were in compliance with all of these financial covenants.

MBIA Insurance Corporation, or "MBIA," and Ambac Assurance Corporation, or "Ambac," provide credit enhancements in the form of financial guarantees for our 2005 Notes, with each providing guarantees for approximately half of the $2,184.9 million in principal amount of the 2005 Notes that was outstanding as of June 30, 2010, all of which matures during 2010.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

An event of bankruptcy with respect to MBIA or Ambac between now and the maturities of the 2005 Notes in 2010 would result in an amortization event under the portion of the 2005 Notes guaranteed by the affected insurer. In addition, if an amortization event continues for 30 days or longer, the noteholders of the affected series of notes would have the right to require liquidation of a portion of the fleet sufficient to repay such notes, provided that the exercise of the right was exercised by a majority of the affected noteholders. Ambac has publicly stated that it has insufficient capital to finance its debt service and operating expense requirements beyond the second quarter of 2011 and may need to seek bankruptcy protection.

Since MBIA and Ambac are facing financial instability, have been downgraded one or more times and are on review for further credit downgrade or under developing outlook by one or more credit agencies, we did not have the Series 2009-1 Notes, Series 2009-2 Notes, Series 2009-2 Class B Notes or the Series 2010-1 Notes guaranteed. Accordingly, if a bankruptcy of MBIA or Ambac were to occur prior to the 2005 Notes maturing, we expect that we would use our corporate liquidity and the borrowings under or proceeds from these recent financings to pay down the amounts owed under the affected series of 2005 Notes.

On April 25, 2010, we entered into a definitive merger agreement, or the "Merger Agreement," under which we agreed to acquire Dollar Thrifty Automotive Group, or "Dollar Thrifty," for a purchase price of $41.00 per share, or a total of $1.27 billion, in a mix of cash and Hertz Holdings common stock, based on our closing stock price on the trading day before the agreement was signed. Under the terms of the agreement, Dollar Thrifty has agreed to pay a special cash dividend of $200 million (expected to be approximately $6.88 per share) to its stockholders immediately prior to closing, and each outstanding share of Dollar Thrifty common stock will be converted at the closing into the right to receive from us 0.6366 of a share of our common stock and a cash payment from us equal to $32.80 less the amount of the special cash dividend paid by Dollar Thrifty. At the closing, we will issue an aggregate of approximately 18 million shares of our common stock (excluding shares issuable upon the exercise of stock options that are being converted to Hertz Holdings stock options) and pay an aggregate of approximately $750 million in cash (which does not include the $200 million special cash dividend to be paid by Dollar Thrifty). We intend to fund the cash portion of the purchase price with existing liquidity from the combined company. We also intend to assume or refinance Dollar Thrifty's existing fleet debt outstanding at closing. The transaction is subject to customary closing conditions, regulatory approvals, approval by Dollar Thrifty stockholders and payment of the special dividend. The transaction is not conditioned on receipt of financing by us; however, it is likely that we will incur additional financing prior to the acquisition to replenish our liquidity levels. We are currently exploring alternatives with respect to debt offerings and other financings.

On July 28, 2010, Avis Budget Group, Inc., or "Avis," submitted a competing offer to acquire Dollar Thrifty, or the "Avis Offer." Pursuant to the terms of our Merger Agreement, the Dollar Thrifty board of directors analyzed the Avis Offer to determine whether its terms were superior to the terms of our Merger Agreement. On August 3, 2010, Dollar Thrifty issued a press release publishing a letter from its chief executive officer and president to Avis's chairman and chief executive officer indicating that Dollar Thrifty's board of directors could not conclude that the terms of the Avis Offer were superior to the terms of our Merger Agreement, but that Dollar Thrifty was ready to review and consider any modifications or additional information Avis may wish to make or provide to address the concerns identified in the letter.

Note 2 Basis of Presentation

The significant accounting policies summarized in Note 1 to our audited consolidated financial statements contained in our Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

December 31, 2009, filed with the United States Securities and Exchange Commission, or "SEC," on February 26, 2010 and March 1, 2010, respectively, or collectively known as our "Annual Report," have been followed in preparing the accompanying condensed consolidated financial statements.

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.

The December 31, 2009 condensed consolidated balance sheet data was derived from our audited financial statements, but does not include all disclosures required by GAAP.

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

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

Note 3 Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board issued guidance, which contains amendments to Accounting Standards Codification 810, "Consolidation," 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, but did not have a material impact on our financial position or results of operations.

Note 4 Cash and Cash 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.

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 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 June 30, 2010 and December 31, 2009, the portion of total restricted cash and cash equivalents that was associated with our Fleet Debt facilities was $671.2 million and $295.0 million, respectively. The increase in restricted cash associated with our Fleet Debt of $376.2 million from December 31, 2009 to June 30, 2010, primarily related to the timing of purchases and sales of revenue earning vehicles prior to the end of the quarter.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Note 5 Goodwill and Other Intangible Assets

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

	Car Rental	Equipment Rental	Total
Balance as of January 1, 2010			
Goodwill	$ 335.8	$ 654.5	$ 990.3
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	292.8	2.6	295.4
Goodwill acquired during the period		0.8	0.8
Other changes during the period[1]	(5.3)	(0.3)	(5.6)
Balance as of June 30, 2010			
Goodwill	330.5	655.0	985.5
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	$ 287.5	$ 3.1	$ 290.6

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

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(1) Primarily 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.

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

	June 30, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:			
Customer-related	$ 600.3	$ (275.6)	$ 324.7
Other	49.0	(15.6)	33.4
Total	649.3	(291.2)	358.1
Indefinite-lived intangible assets:			
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	$ 2,854.9	$ (291.2)	$ 2,563.7

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	December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:			
Customer-related	$ 600.6	$ (246.5)	$ 354.1
Other	50.0	(12.0)	38.0
Total	650.6	(258.5)	392.1
Indefinite-lived intangible assets:			
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

Amortization of other intangible assets for the three months ended June 30, 2010 and 2009, was approximately $16.3 million and $17.6 million, respectively, and for the six months ended June 30, 2010 and 2009, was approximately $32.7 million and $33.2 million, respectively. Based on our amortizable intangible assets as of June 30, 2010, we expect amortization expense to be approximately $32.0 million for the remainder of 2010 and range from $58.2 million to $63.6 million for each of the next five fiscal years.

During the six months ended June 30, 2010, we added one car rental location by acquiring a former franchisee in our domestic car rental operations and one equipment rental location related to an external acquisition done within our equipment rental operations. Each of these transactions has been accounted for using the acquisition method of accounting in accordance with GAAP and operating results of the acquired locations from the dates of acquisition are included in our consolidated statements of operations.

Note 6 Taxes on Income

The effective tax rate for the three and six months ended June 30, 2010 was (227.8)% and (1.9)%, respectively. The provision for taxes on income of $14.2 million in the three months ended June 30, 2010 decreased from $22.9 million in the three months ended June 30, 2009, primarily due to decreases in income before income taxes and discrete charges and a decrease in the losses in certain non-U.S. jurisdictions for which a tax benefit cannot be recognized. The provision for taxes on income was $3.2 million in the six months ended June 30, 2010 compared to a benefit of $26.7 million in the six months ended June 30, 2009. The change is primarily due to a lower loss before income taxes and an increase in discrete charges in the six months ended June 30, 2010, compared to the six months ended June 30, 2009, partially offset by a decrease in losses in certain non-U.S. jurisdictions for which a tax benefit cannot be recognized.

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Note 7 Depreciation of Revenue Earning Equipment

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Depreciation of revenue earning equipment	$ 429.8	$ 441.1
Adjustment of depreciation upon disposal	12.7	18.5
Rents paid for vehicles leased	14.2	19.8
Total	$ 456.7	$ 479.4

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Depreciation of revenue earning equipment	$ 861.4	$ 870.3
Adjustment of depreciation upon disposal	27.5	63.7
Rents paid for vehicles leased	27.0	35.2
Total	$ 915.9	$ 969.2

The adjustment of depreciation upon disposal of revenue earning equipment for the three months ended June 30, 2010 and 2009, included net losses of $9.4 million and $11.6 million, respectively, on the disposal of vehicles used in our car rental operations and net losses of $3.3 million and $6.9 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, 2010 and 2009, included net losses of $20.6 million and $26.7 million, respectively, on the disposal of vehicles used in our car rental operations and net losses of $6.9 million and $37.0 million, respectively, on the disposal of industrial and construction equipment used 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. During the six months ended June 30, 2010, 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 $3.4 million and $10.9 million in depreciation expense for the three and six months ended June 30, 2010, respectively. During the three and six months ended June 30, 2010, depreciation rate changes in our equipment rental operations resulted in net increases of $0.7 million and $2.7 million in depreciation expense.

For the three months ended June 30, 2010 and 2009, our worldwide car rental operations sold approximately 41,400 and 39,000 non-program cars, respectively, a 6.2% year over year increase primarily due to a higher average fleet size. For the six months ended June 30, 2010 and 2009, our worldwide car rental operations sold approximately 83,000 and 67,500 non-program cars, respectively, a 23.0% year over year increase primarily due to a higher average fleet size.

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Note 8 Debt

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

	June 30, 2010	December 31, 2009
Corporate Debt		
Senior Term Facility, average interest rate: 2010, 2.1%; 2009, 2.0% (effective average interest rate: 2010, 2.1%; 2009, 2.0%); net of unamortized discount: 2010, $11.6; 2009, $13.9	$ 1,340.2	$ 1,344.7
Senior ABL Facility; net of unamortized discount: 2010, $7.4; 2009, $9.6	(7.4)	(9.6)
Senior Notes, average interest rate: 2010, 8.7%; 2009, 8.7%	2,009.4	2,054.7
Senior Subordinated Notes, average interest rate: 2010, 10.5%; 2009, 10.5%	518.5	518.5
Promissory Notes, average interest rate: 2010, 7.5%; 2009, 7.3% (effective average interest rate: 2010, 7.5%; 2009, 7.4%); net of unamortized discount: 2010, $3.1; 2009, $3.3	342.6	391.4
Convertible Senior Notes, average interest rate: 2010, 5.25%; 2009, 5.25%; (effective average interest rate: 2010, 6.6%; 2009, 6.8%); net of unamortized discount: 2010, $97.8; 2009, $107.3	376.9	367.4
Notes payable, average interest rate: 2010, 6.0%; 2009, 8.0%	8.9	9.6
Foreign subsidiaries' debt denominated in foreign currencies:		
Short-term bank borrowings, average interest rate: 2010, 7.7%; 2009, 10.8%	12.0	7.3
Other borrowings, average interest rate: 2010, 2.5%; 2009, 2.5%	4.4	5.4
Total Corporate Debt	4,605.5	4,689.4
Fleet Debt		
U.S. Fleet Debt, average interest rate: 2010, 4.1%; 2009, 4.7% (effective average interest rate: 2010, 4.1%; 2009, 4.7%); net of	5,217.4	4,058.3

unamortized discount: 2010, $14.4; 2009, $16.7		
International Fleet Debt[1], average interest rate: 2009, 2.1% (effective average interest rate: 2009, 2.2%); net of unamortized discount: 2009, $8.7		705.3
International ABS Fleet Financing Facility, average interest rate: 2010, 3.6%; 2009, 3.6%; (effective average interest rate: 2010, 3.6%; 2009, 3.6%); net of unamortized discount: 2010, $2.4; 2009, $5.7	446.1	383.2
Fleet Financing Facility, average interest rate: 2010, 1.6%; 2009, 1.5% (effective average interest rate: 2010, 1.6%; 2009, 1.5%); net of unamortized discount: 2010, $0.5; 2009, $0.8	162.5	147.2
Brazilian Fleet Financing Facility, average interest rate: 2010, 9.9%; 2009, 13.3%	74.5	69.3
Canadian Fleet Financing Facility, average interest rate: 2010, 0.6%; 2009, 0.5%	115.2	55.6
Belgian Fleet Financing Facility[1], average interest rate: 2009, 1.8%		33.7
Capitalized Leases, average interest rate: 2010, 4.0%; 2009, 4.8%	314.7	222.4
Euro Notes[1], average interest rate: 2010, 8.5% (effective average interest rate: 2010, 8.5%); net of unamortized discount: 2010, $2.6	488.5	
European Credit Facility[1], average interest rate: 2010, 4.2%	269.4	
Total Fleet Debt	7,088.3	5,675.0
Total Debt	$ 11,693.8	$ 10,364.4

Note:

For further information on the definitions and terms of our debt, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Form 10-K under the caption "Item 8 Financial Statements and Supplementary Data" and Note 1 Background and Liquidity of this Form 10-Q, or this "Report."

(1)

The International Fleet Debt and Belgian Fleet Financing Facility were refinanced in the three months ended June 30, 2010 with the proceeds of the Euro Notes and the European Credit Facility.

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The aggregate amounts of maturities of debt for each of the twelve-month periods ending June 30 (in millions of dollars) are as follows: 2011, $5,373.4 (including $3,060.9 of other short-term borrowings); 2012, $180.2; 2013, $1,929.4; 2014, $2,484.5; 2015, $828.7; after 2015, $1,037.4.

Our short-term borrowings of $3,060.9 million as of June 30, 2010 include, among other items, the amounts outstanding under our International ABS Fleet Financing Facility, Fleet Financing Facility, Brazilian Fleet Financing Facility, Canadian Fleet Financing Facility, Capitalized Leases and European Credit Facility. 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 except for our International ABS Fleet Financing Facility and Brazilian Fleet Financing Facility which mature in December 2010.

As of June 30, 2010, there were outstanding standby letters of credit totaling $685.7 million. Of this amount, $423.5 million has been issued for the benefit of the ABS Program ($200.0 million of which was issued by Ford and $223.5 million of which was issued 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 June 30, 2010, none of these letters of credit have been drawn upon. In November 2010, the "Ford" letter of credit by its terms will expire in conjunction with the maturity of the 2005 Notes.

Second Quarter Events

In June 2010, HVF issued the Series 2009-2 Class B Notes which mature in 2013 and 2015. The net proceeds of the offering were or will be used to purchase vehicles under our ABS program, used to pay other ABS indebtedness or, to the extent permitted, used for general purposes. The Series 2009-2 Class B Notes are included in U.S. Fleet Debt.

In June 2010, we issued the Euro Notes and entered into the European Credit Facility. The net proceeds of the Euro Notes and European Credit Facility were used to refinance our International Fleet Debt and Belgian Fleet Financing Facility, both of which were due to mature in December 2010, and the excess was or will be used for general purposes. The Euro Notes and the European Credit Facility will be the primary fleet financing for our rental car operations in Germany, Italy, Spain, Belgium, Luxembourg and Switzerland and mature in 2013. The Euro Notes and the European Credit Facility are guaranteed on a senior unsecured basis by Hertz and certain U.S. subsidiaries of Hertz and on a senior secured basis by certain non-U.S. subsidiaries of Hertz.

See Note 18   Subsequent Events.

Guarantees and Security

There have been no material changes to the guarantees and security provisions of the debt instruments and credit facilities under which our indebtedness as of June 30, 2010 has been issued from the terms as disclosed in our Annual Report, except as described above.

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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 June 30, 2010, we were in compliance with all of these financial covenants.

As of June 30, 2010, we had an aggregate principal amount outstanding of $1,351.8 million pursuant to our Senior Term Facility and no amounts outstanding in our Senior ABL Facility. As of June 30, 2010, Hertz was required under the Senior Term Facility to have a consolidated leverage ratio of not more than 5.25:1 and a consolidated interest expense coverage ratio of not less than 2.00:1. In addition, under our Senior ABL Facility, if there was less than $200.0 million of available borrowing capacity under that facility as of June 30, 2010, Hertz was required to have a consolidated leverage ratio of not more than 5.25:1 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 June 30, 2010, we had a consolidated leverage ratio of 3.54:1 and a consolidated interest expense coverage ratio of 3.40:1. Since we had maintained sufficient borrowing capacity under our Senior ABL Facility as of June 30, 2010, and expect to maintain such capacity in the future, the consolidated fixed charge coverage ratio was not deemed relevant for presentation. For further information on the terms of our senior credit facilities, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

Derivatives

We utilize certain derivative instruments to enhance our ability to manage risks relating to cash flow and interest rate exposure. See Note 14 Financial Instruments.

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Credit Facilities

As of June 30, 2010, the following credit facilities were available for the use of Hertz and its subsidiaries (in millions of dollars):

	Remaining Capacity	Availability Under Borrowing Base Limitation
Corporate Debt		
Senior Term Facility	$	$
Senior ABL Facility	1,591.7	815.9
Total Corporate Debt	1,591.7	815.9
Fleet Debt		
U.S. Fleet Debt	478.1	80.4
International ABS Fleet Financing Facility	456.2	25.6
Fleet Financing Facility	2.0	2.0
Brazilian Fleet Financing Facility		
Canadian Fleet Financing Facility	102.0	3.9
Capitalized Leases	62.5	17.3
Euro Notes		
European Credit Facility		
Total Fleet Debt	1,100.8	129.2
Total	$ 2,692.5	$ 945.1

As of June 30, 2010, the Senior Term Facility had approximately $1.3 million available under the letter of credit facility and the Senior ABL Facility had $6.7 million available under the letter of credit facility sublimit.

Our liquidity as of June 30, 2010 was $2,813.5 million, which consisted of $896.8 million of cash and cash equivalents, $815.9 million of unused commitments under our Senior ABL Facility and $1,100.8 million of unused commitments under our fleet financing facilities. Taking into consideration the borrowing base limitations in our Senior ABL Facility and in our Fleet Debt, the amount that we had available for immediate use as of June 30, 2010 under our Senior ABL Facility was $815.9 million and we had $129.2 million of over-enhancement that was available under our Fleet Debt. Accordingly, as of June 30, 2010, we had $1,841.9 million ($896.8 million in cash and cash equivalents, $815.9 million available under our Senior ABL Facility and $129.2 million 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 these assets would be available to satisfy the claims of our general creditors if we failed to perform our obligations to such creditors.

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Some of these special purpose entities are consolidated variable interest entities, of which Hertz is the primary beneficiary, whose sole purpose is to provide commitments to lend in various currencies subject to borrowing bases comprised of rental vehicles and related assets of certain of Hertz International, Ltd.'s subsidiaries. As of June 30, 2010 and December 31, 2009, our International Fleet Funding and Hertz Fleet Limited variable interest entities had total assets primarily comprised of revenue earning equipment of $374.3 million and $367.6 million, respectively, and total liabilities primarily comprised of debt of $485.8 million and $710.3 million, respectively. For further information on the terms of our debt, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

Accrued Interest

As of June 30, 2010 and December 31, 2009, accrued interest was $117.5 million and $120.9 million, respectively, which is reflected in our condensed consolidated balance sheet in "Accrued liabilities."

Note 9 Employee Retirement Benefits

The following table sets forth the net periodic pension and postretirement (including health care, life insurance and auto) expense (in millions of dollars):

	Pension Benefits				Postretirement	
	U.S.		Non-U.S.		Benefits (U.S.)	
	Three Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Components of Net Periodic Benefit Cost:						
Service cost	$ 6.7	$ 5.4	$ 1.2	$ 1.4	$	$ 0.1
Interest cost	6.8	7.0	2.5	2.4	0.2	0.2
Expected return on plan assets	(6.7)	(5.8)	(2.4)	(1.9)		
Net amortizations	1.6	0.1		(0.1)	(0.1)	(0.1)
Settlement loss	0.1					
Net pension/postretirement expense	$ 8.5	$ 6.7	$ 1.3	$ 1.8	$ 0.1	$ 0.2

	Pension Benefits				Postretirement	
	U.S.		Non-U.S.		Benefits (U.S.)	
	Six Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Components of Net Periodic Benefit Cost:						
Service cost	$ 13.4	$ 10.8	$ 2.5	$ 2.7	$ 0.1	$ 0.1
Interest cost	13.6	14.0	5.1	4.6	0.4	0.4
Expected return on plan assets	(13.4)	(11.7)	(4.9)	(3.6)		
Net amortizations	3.3	0.2	(0.1)	(0.2)	(0.2)	(0.2)
Settlement loss	0.4	0.7				

Net pension/postretirement expense	$	17.3	$	14.0	$	2.6	$	3.5	$	0.3	$	0.3

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

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required. For the three and six months ended June 30, 2010, we contributed $10.6 million and $46.6 million, respectively, to our worldwide pension plans, including discretionary contributions of $1.4 million and $3.2 million, respectively, to our U.K. defined benefit pension plan and benefit payments made through unfunded plans. For the three and six months ended June 30, 2009, we contributed to and made benefit payments of $8.5 million and $17.2 million, respectively, to our funded worldwide plans. Of the contributions to worldwide plans, we contributed $6.5 million to the U.S. defined benefit plans during the three months ended June 30, 2009. For the three and six months ended June 30, 2009, we made discretionary contributions of $1.4 million and $2.5 million, respectively, to our U.K. defined benefit pension plan. Based upon the significant decline in asset values in 2008, which were in line with the overall market declines, we have and will continue to make cash contributions in 2010 and possibly in future years. We expect to contribute up to $54.0 million to our U.S. pension plan in the full year of 2010. The level of 2010 and future contributions will vary, and is dependent on a number of factors including actual and projected investment returns, interest rate fluctuations, plan demographics, funding regulations and the results of the final actuarial valuation.

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. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our condensed consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that maintain these plans, we could decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. Some multiemployer plans, including one in which we participate, are reported to have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.

Note 10 Stock-Based Compensation

In March 2010, we granted 527,574 Restricted Stock Units, or "RSUs," to certain executives and employees at fair values ranging from $9.70 to $9.99 and 800,613 Performance Stock Units, or "PSUs," at a fair value of $9.70 under the Hertz Global Holdings, Inc. 2008 Omnibus Incentive Plan, or the "Omnibus Plan." In May 2010, we granted 182,606 RSUs to certain employees at fair values ranging from $11.87 to $12.38 under the Omnibus Plan.

In March 2010, we granted options to acquire 3,208,155 shares of our common stock to certain executives and employees at exercise prices ranging from $9.70 to $9.99, and in May 2010, we granted options to acquire 29,229 shares of our common stock to certain employees at exercise prices ranging from $11.87 to $12.38, under the Omnibus Plan.

A summary of the total compensation expense and associated income tax benefits recognized under our Hertz Global Holdings, Inc. Stock Incentive Plan and Hertz Global Holdings, Inc. Director Stock

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Incentive Plan, or the "Prior Plans," and the Omnibus Plan, including the cost of stock options, RSUs, and PSUs, is as follows (in millions of dollars):

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Compensation Expense	$ 10.3	$ 9.1
Income Tax Benefit	(4.0)	(3.5)
Total	$ 6.3	$ 5.6

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Compensation Expense	$ 19.3	$ 16.5
Income Tax Benefit	(7.5)	(6.4)
Total	$ 11.8	$ 10.1

As of June 30, 2010, there was approximately $58.8 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 1.4 years, on a weighted average basis, of the requisite service period that began on the grant dates.

For the three and six months ended June 30, 2010, we recognized compensation cost of approximately $0.1 million ($0.1 million, net of tax) and $0.3 million ($0.2 million, net of tax), respectively, for the amount of the discount on the stock purchased by our employees under the Hertz Global Holdings, Inc. Employee Stock Purchase Plan, or "ESPP." For the three and six months ended June 30, 2009, we recognized compensation cost of approximately $0.1 million ($0.1 million, net of tax) and $0.2 million ($0.1 million, net of tax), respectively, for the amount of the discount on the stock purchased by our employees under the ESPP.

Note 11 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, 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 plus other reconciling items, non-cash purchase accounting charges, non-cash debt charges and certain one-time charges and non-operational items. The contribution of our reportable segments to revenues and adjusted pre-tax income (loss) and the

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reconciliation to consolidated amounts for the three and six months ended June 30, 2010 and 2009 are summarized below (in millions of dollars).

	Three Months Ended June 30,			
	Revenues		Adjusted Pre-Tax Income (Loss)	
	2010	2009	2010	2009
Car rental	$ 1,611.4	$ 1,474.7	$ 174.9	$ 143.5
Equipment rental	265.8	277.0	14.4	24.7
Total reportable segments	1,877.2	1,751.7	189.3	168.2
Other	2.4	2.8		
Total	$ 1,879.6	$ 1,754.5		
Adjustments:				
Other reconciling items(1)			(93.5)	(87.1)
Purchase accounting(2)			(22.5)	(21.8)
Non-cash debt charges(3)			(49.6)	(47.7)
Restructuring charges			(20.3)	(22.0)
Restructuring related charges(4)			(2.0)	(11.3)
Gain on debt buyback(5)				48.5
Derivative gains (losses)(6)			(0.6)	3.9
Acquisition related costs(7)			(7.0)	
Income (loss) before income taxes			$ (6.2)	$ 30.7

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	Six Months Ended June 30,			
	Revenues		Adjusted Pre-Tax Income (Loss)	
	2010	2009	2010	2009
Car rental	$ 3,033.1	$ 2,757.6	$ 202.0	$ 110.0
Equipment rental	502.8	556.5	9.4	25.4
Total reportable segments	3,535.9	3,314.1	211.4	135.4
Other	4.6	5.3		
Total	$ 3,540.5	$ 3,319.4		
Adjustments:				
Other reconciling items(1)			(184.9)	(170.9)
Purchase accounting(2)			(44.6)	(47.8)
Non-cash debt charges(3)			(98.4)	(72.7)
Restructuring charges			(31.0)	(51.5)
Restructuring related charges(4)			(7.3)	(20.2)
Management transition costs				(0.7)
Gain on debt buyback(5)				48.5
Derivative gains (losses)(6)			(2.3)	4.9
Acquisition related costs(7)			(7.0)	
Third-party bankruptcy accrual(8)				(4.3)
Loss before income taxes			$ (164.1)	$ (179.3)

(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 three and six months ended June 30, 2010, also includes $18.0 million and $38.9 million, respectively, associated with the amortization of amounts pertaining to the de-designation of the HVF interest

rate swaps as effective hedging instruments and $4.4 million and $4.4 million, respectively, associated with the write-off of unamortized debt costs in connection with the refinancing of our International Fleet Debt and Belgian Fleet Financing Facility. For the three and six months ended June 30, 2009, also includes $22.3 million and $29.8 million, respectively, associated with the amortization of amounts pertaining to the de-designation of the HVF interest rate swaps as effective hedging instruments.

(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 a gain (net of transaction costs) recorded in connection with the buyback of portions of our Senior Notes and Senior Subordinated Notes.

(6)

In 2010, represents the mark-to-market adjustment on our interest rate cap. In 2009, represents the mark-to-market adjustments on our gasoline swap.

(7)

Represents costs incurred in connection with the potential acquisition of Dollar Thrifty Automotive Group, Inc.

(8)

Represents an allowance for uncollectible program car receivables related to a bankrupt European dealer affiliated with a U.S. car manufacturer.

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The increase in total assets from December 31, 2009 to June 30, 2010 in our condensed consolidated balance sheet was primarily due to an increase in revenue earning vehicles and restricted cash in our car rental segment.

Note 12 Total Equity

(in Millions)	Number of Shares	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
December 31, 2009	410.2	$ 4.1	$	$ 3,141.7	$ (1,062.3)	$ (3.3)	$ 17.2	$ 2,097.4
Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders					(175.5)			(175.5)
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of $18.6						29.0		29.0
Translation adjustment changes						(83.2)		(83.2)
Unrealized gain on Euro-denominated debt, net of tax of $17.7						27.6		27.6
Defined benefit pension plans, net						(0.9)		(0.9)
Total Comprehensive Loss								(203.0)
Dividend payment to noncontrolling interest							(7.5)	(7.5)
Net income relating to noncontrolling interest							8.2	8.2
Employee stock purchase plan	0.2			1.2				1.2
Net settlement on vesting of restricted stock				(5.7)				(5.7)
Restricted stock	1.5							
Stock-based employee compensation charges, net of tax of $0				19.3				19.3
Exercise of stock options				2.3				2.3
Common shares issued to Directors				1.3				1.3
Phantom shares issued to Directors				0.1				0.1
Proceeds from disgorgement of stockholder short-swing profits, net of tax of $0				0.1				0.1
June 30, 2010	411.9	$ 4.1	$	$ 3,160.3	$ (1,237.8)	$ (30.8)	$ 17.9	$ 1,913.7

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(in Millions)	Number of Shares	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
December 31, 2008	323.0	$ 3.2	$	$ 2,503.8	$ (936.3)	$ (100.1)	$ 17.7	$1,488.3
Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders					(159.6)			(159.6)
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of $8.5						12.9		12.9
Translation adjustment changes						35.0		35.0
Unrealized gain on Euro-denominated debt, net of tax of $0.6						(1.0)		(1.0)
Defined benefit pension plans, net						(1.0)		(1.0)
Total Comprehensive Loss								(113.7)
Dividend payment to noncontrolling interest							(8.1)	(8.1)
Net income relating to noncontrolling interest							7.0	7.0
Proceeds from debt offering, net of tax of $44.5				69.8				69.8
Proceeds from sale of common stock	53.0	0.5		328.2				328.7
Employee stock purchase plan	0.4			1.4				1.4
Stock-based employee compensation charges, net of tax of $0				16.5				16.5
Exercise of stock options	0.6			2.7				2.7
Common shares issued to Directors				0.4				0.4
Phantom shares issued to Directors				0.1				0.1
June 30, 2009	377.0	$ 3.7	$	$ 2,922.9	$ (1,095.9)	$ (54.2)	$ 16.6	$1,793.1

Accumulated other comprehensive loss as of June 30, 2010 and December 31, 2009 includes accumulated translation gains of $48.9 million and $132.1 million, respectively, unrealized losses on cash flow hedges of $(20.7) million and $(49.8) million, respectively, changes due to the pension mark-to-market adjustment of $(67.4) million and $(66.5) million, respectively, and unrealized gains (losses) on our Euro-denominated debt of $8.4 million and $(19.2) million, respectively.

Note 13 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 re-engineering 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

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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.

For further information on actions taken in 2009, see Note 11 of the Notes to our audited annual consolidated financial statements included in our Annual Report under caption "Item 8 Financial Statements and Supplementary Data."

During the first half of 2010, our equipment rental business incurred charges for losses on available for sale equipment and the disposal of surplus equipment and recognition of future facility lease obligations related to branch closures in North America. We have suspended depreciation of all available for sale equipment, which would have the impact of decreasing quarterly depreciation by approximately $1.5 million. Additionally, first and second quarter restructuring charges included employee termination liabilities covering approximately 200 employees and 120 employees, respectively.

For the three months ended June 30, 2010, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of $20.3 million which is composed of $13.7 million in revenue earning equipment and fixed asset impairment charges, $3.0 million in facility closure and lease obligation costs, $1.4 million of termination benefits, $1.2 million in relocation and temporary labor costs and $1.0 million of other restructuring charges. The after-tax effect of the restructuring charges increased diluted loss per share by $0.03 for the three months ended June 30, 2010.

For the six months ended June 30, 2010, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of $31.0 million which is composed of $14.5 million in revenue earning equipment and fixed asset impairment charges, $6.6 million in facility closure and lease obligation costs, $4.8 million of termination benefits, $2.5 million in relocation and temporary labor costs, $0.7 million in consulting costs and $1.9 million of other restructuring charges. The after-tax effect of the restructuring charges increased diluted loss per share by $0.05 for the six months ended June 30, 2010.

For the three months ended June 30, 2009, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of $22.0 million which is composed of $8.3 million of involuntary termination benefits, $6.5 million in facility closures and lease obligation costs, $5.3 million in asset impairment charges, $0.7 million in consulting costs and $1.2 million of other restructuring charges. The after-tax effect of the restructuring charges reduced diluted earnings per share by $0.05 for the three months ended June 30, 2009.

For the six months ended June 30, 2009, our consolidated statement of operations included restructuring charges relating to the initiatives discussed above of $51.5 million which was composed of $18.6 million of involuntary termination benefits, $16.3 million in facility closures and lease obligation costs, $6.4 million in consulting costs, $6.0 million in asset impairment charges, $1.7 million in contract termination costs and $2.5 million of other restructuring charges. The after-tax effect of the restructuring charges increased diluted loss per share by $0.12 for the six months ended June 30, 2009.

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

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

	Three Months Ended June 30,	
	2010	**2009**
By Caption:		
Direct operating	$ 18.3	$ 18.5
Selling, general and administrative	2.0	3.5
Total	$ 20.3	$ 22.0

	Six Months Ended June 30,	
	2010	**2009**
By Caption:		
Direct operating	$ 25.3	$ 35.3
Selling, general and administrative	5.7	16.2
Total	$ 31.0	$ 51.5

	Three Months Ended June 30,	
	2010	**2009**
By Segment:		
Car rental	$ 4.2	$ 9.8
Equipment rental	16.0	12.8
Other reconciling items	0.1	(0.6)
Total	$ 20.3	$ 22.0

	Six Months Ended June 30,	
	2010	**2009**
By Segment:		
Car rental	$ 9.5	$ 24.9
Equipment rental	20.9	19.8
Other reconciling items	0.6	6.8
Total	$ 31.0	$ 51.5

The following table sets forth the activity affecting the accrual during the six months ended June 30, 2010 (in millions of dollars). We expect to pay substantially all of the remaining restructuring obligations by the end of the fourth quarter 2010.

	Involuntary Termination Benefits	Pension and Post Retirement Expense	Consultant Costs	Other	Total
Balance as of January 1, 2010	$ 19.6	$	$ 0.4	$ 9.7	$ 29.7
Charges incurred	4.8	0.6	0.7	24.9	31.0
Cash payments	(13.1)		(1.1)	(7.8)	(22.0)
Other[1]	(2.1)	(0.4)	0.1	(18.0)	(20.4)
Balance as of June 30, 2010	$ 9.2	$ 0.2	$ 0.1	$ 8.8	$ 18.3

(1) Primarily consists of decreases of $14.5 million for the impairment of revenue earning equipment and other assets, $2.8 million for facility closures, $2.4 million loss in foreign currency translation and a $0.3 million for executive pension liability settlements.

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Note 14 Financial Instruments

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Fair value approximates the amount indicated on the balance sheet at June 30, 2010 and December 31, 2009 because of the short-term maturity of these instruments. Money market accounts, whose fair value at June 30, 2010, is measured using Level 1 inputs, totaling $339.2 million and $653.3 million are included in "Cash and cash equivalents" and "Restricted cash and cash equivalents," respectively. Money market accounts, whose fair value at December 31, 2009, is 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. Level 1 inputs are observable inputs such as quoted prices in active markets.

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 June 30, 2010 was $12,133.3 million, compared to its aggregate carrying value of $11,833.6 million. 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.

Derivative Instruments and Hedging Activities

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009 (in millions of dollars):

	Fair Value of Derivative Instruments(1)			
	Asset Derivatives(2)		Liability Derivatives(2)	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Derivatives designated as hedging instruments under ASC 815:				
HVF interest rate swaps	$	$	$ 4.0	$ 12.8
Derivatives not designated as hedging instruments under ASC 815:				
Gasoline swaps		2.2	1.3	
Interest rate caps	1.3	8.2	1.0	5.6
Foreign exchange forward contracts	4.0	7.6	2.9	5.7
Foreign exchange options	0.1			
Total derivatives not designated as hedging instruments under ASC 815	5.4	18.0	5.2	11.3
Total derivatives	$ 5.4	$ 18.0	$ 9.2	$ 24.1

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

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(2) All asset derivatives are recorded in "Prepaid expenses and other assets" and all liability derivatives are recorded in "Accrued liabilities" on our condensed 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)	
	Three Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Derivatives in ASC 815 Cash Flow Hedging Relationship:						
HVF interest rate swaps	$ (5.6)	$ (0.6)	$ (18.0)[(1)]	$ (22.3)[(1)]	$	$

	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)	
	Six Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Derivatives in ASC 815 Cash Flow Hedging Relationship:						
HVF interest rate swaps	$ (8.8)	$ (12.0)	$ (38.9)(1)	$ (29.8)[(1)]	$	$

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.

(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 Three Months Ended June 30, 2010	2009
Derivatives Not Designated as Hedging Instruments under ASC 815:			
Gasoline swaps	Direct operating	$ (2.5)	$ 3.9
Interest rate caps	Selling, general and administrative	(0.6)	
Foreign exchange forward contracts	Selling, general and administrative	(10.1)	18.2
Foreign exchange options	Selling, general and administrative		0.2
Total		$ (13.2)	$ 22.3

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	Location of Gain or (Loss) Recognized on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Six Months Ended June 30, 2010	2009
Derivatives Not Designated as Hedging Instruments under ASC 815:			
Gasoline swaps	Direct operating	$ (1.7)	$ 4.9
Interest rate caps	Selling, general and administrative	(2.3)	
Foreign exchange forward contracts	Selling, general and administrative	(1.4)	12.4
Foreign exchange options	Selling, general and administrative	(0.1)	0.1
Total		$ (5.5)	$ 17.4

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 that matured in February 2010 and that will mature in 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 is being amortized into "Interest expense" over the respective terms of the associated debt in accordance with GAAP. We expect to amortize approximately $29.9 million from "Accumulated other comprehensive loss" into "Interest expense" over the next five months. Additionally, a new hedging relationship was designated between the HVF Swaps, 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.

As of June 30, 2010 and December 31, 2009, the balance reflected in "Accumulated other comprehensive loss," was a loss of $20.7 million (net of tax of $13.1 million) and a loss of $49.7 million (net of tax of $31.8 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. An "event of bankruptcy" (as defined in the ABS Base Indenture) with

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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. 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.

On September 18, 2009, HVF completed the sale 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 (i.e. the 1-month LIBOR yield curve and credit default swap spreads). 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.

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 fuel prices through the use of derivative commodity instruments. We currently have in place swaps to cover a portion of our fuel price 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 June 30, 2010, our outstanding commodity instruments for unleaded gasoline and diesel fuel totaled approximately 9.4 million gallons and 1.6 million gallons, respectively. The fair value of these commodity instruments was calculated using a discounted cash flow method and applying observable market data (i.e., NYMEX RBOB Gasoline and Department of Energy surveys, etc.). 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 June 30, 2010, were approximately $0.2 million. We limit counterparties to the transactions to financial institutions that have strong credit ratings. As of June 30, 2010 and December 31, 2009, the total notional amount of these foreign exchange options was $4.6 million and $0.3 million, respectively, maturing through January 2011. The fair value of the foreign exchange options was calculated using a discounted cash flow method and applying observable market data (i.e. foreign currency exchange rates). Gains and losses resulting from changes in the fair value of these options are included in our results of operations in the periods incurred.

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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 of June 30, 2010, the total notional amount of these forward contracts was $649.0 million, maturing within two months. The fair value of these foreign currency forward contracts was calculated based on foreign currency forward exchange rates.

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 June 30, 2010 and December 31, 2009, gains of $8.4 million (net of tax of $0.1 million) and losses of $19.2 million (net of tax of $17.8 million), respectively, attributable to the translation of our Senior Euro Notes into the U.S. dollar are recorded in our condensed consolidated balance sheet in "Accumulated other comprehensive loss."

Note 15 Related Party Transactions

Relationship with Hertz Investors, Inc. and the Sponsors

Other than as disclosed below, in the six months ended June 30, 2010, there were no material changes to our relationship with Hertz Investors, Inc. or the Sponsors.

Director Compensation Policy

For the three and six months ended June 30, 2010, we recognized $0.5 million and $0.9 million, respectively, of expense relating to the Director Compensation Policy in our consolidated statement of operations in "Selling, general and administrative" expenses. For the three and six months ended June 30, 2009, we recognized $0.4 million and $0.8 million, respectively, of expense relating to the Director Compensation Policy in our consolidated statement of operations in "Selling, general and administrative" expenses.

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 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 book runners in the issuance of the Series 2009-2 Notes and Series 2009-2 Class B Notes, for which they received customary fees and expenses.

As of June 30, 2010 and December 31, 2009, approximately $253 million and $246 million, respectively, of our outstanding debt was with related parties.

See Note 8 Debt.

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Note 16 Commitments and Contingencies

Off-Balance Sheet Commitments

As of June 30, 2010 and December 31, 2009, the following guarantees (including indemnification commitments) were issued and outstanding:

Indemnification Obligations

In the ordinary course of business, we execute contracts involving indemnification obligations customary in the relevant industry and indemnifications specific to a transaction such as the sale of a business. These indemnification obligations 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 indemnification obligations 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 indemnification obligations and have accrued for expected losses that are probable and estimable. The types of indemnification obligations 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 condensed consolidated financial statements. As of June 30, 2010 and December 31, 2009, the aggregate amounts accrued for environmental liabilities including liability for environmental indemnities, reflected in our condensed consolidated balance sheet in "Accrued liabilities" were $1.6 million and $2.0 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 to the site, the materials there, the involvement of other potentially

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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).

Legal Proceedings

From time to time we are a party to various legal proceedings. 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 June 30, 2010 and December 31, 2009 our liability recorded for public liability and property damage matters was $261.1 million and $277.8 million, respectively. The decrease in the reserve balance primarily reflects lower claim costs, the timing of payment activity during the quarter and the effects of foreign currency translation. 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.

For a detailed description of certain of our legal proceedings please see Note 10 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

The following recent developments pertaining to legal proceedings described in our Annual Report are furnished on a supplemental basis:

In June 2010, in *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*, the Lydia Lee case was refiled separately against Enterprise. Thereafter, Hertz and Enterprise jointly engaged in a mediation with the plaintiffs. That mediation has now resulted in a proposed settlement for an immaterial amount that will need to be incorporated into a Settlement Agreement. Once executed by the parties, the Settlement Agreement will be presented to the court for its approval.

In June 2010, in *Michael Shames and Gary Gramkow v. 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*, a three judge panel of the United States Court of Appeals for the Ninth Circuit affirmed the dismissal of the plaintiffs' antitrust claim against the California Travel and Tourism Commission as a state agency immune from an antitrust complaint because the California legislature foresaw the alleged price-fixing conspiracy that was the subject of the plaintiffs' complaint. The plaintiffs subsequently filed a petition with the United States Court of Appeals for the Ninth Circuit seeking to have all of the judges on the Ninth Circuit review the decision of the three judge panel.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Aside from the above mentioned, there were no material changes in the legal proceedings described in our Annual Report and we are not otherwise required to disclose any pending legal proceedings in response to Item 103 of Regulation S-K.

In addition to those described in our Form 10-K, 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. 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, are material to us and our subsidiaries taken as a whole.

We have established reserves for matters where we believe that the losses are probable and reasonably estimated. Other than with respect to the reserve established for claims for public liability and property damage, none of those reserves are material. For matters 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, 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.

Note 17 Earnings (Loss) Per Share

Basic earnings (loss) per share has been computed based upon the weighted average number of common shares outstanding. Diluted earnings (loss) per share has 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.

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

	Three Months Ended June 30,	
	2010	**2009**
Basic and diluted earnings (loss) per share:		
Numerator:		
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	$ (25.1)	$ 3.9
Denominator:		
Weighted average shares used in basic computation	411.8	343.7
Add: Stock options, RSUs and PSUs		5.5
Weighted average shares used in diluted computation	411.8	349.2
Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, basic	$ (0.06)	$ 0.01
Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, diluted	$ (0.06)	$ 0.01

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Basic and diluted loss per share:		
Numerator:		
Loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	$ (175.5)	$ (159.6)
Denominator:		
Weighted average shares used in basic and diluted computation	411.3	333.6
Loss per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, basic	$ (0.43)	$ (0.48)
Loss per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, diluted	$ (0.43)	$ (0.48)

Diluted earnings (loss) per share computations for the three and six months ended June 30, 2010 excluded the weighted-average impact of the assumed exercise of approximately 23.7 million stock options, RSUs and PSUs, respectively, because such impact would be antidilutive. Additionally, for the three and six months ended June 30, 2010, there was no impact to the diluted earnings (loss) per share computations associated with the Convertible Senior Notes, because such impact would be antidilutive. Diluted earnings (loss) per share computations for the three and six months ended June 30, 2009 excluded the weighted-average impact of the assumed exercise of approximately 10.8 million and 23.0 million shares, respectively, of stock options, RSUs and PSUs, because such impact would be anti-dilutive. Additionally, for the three and six months ended June 30, 2009, there was no impact to the diluted earnings (loss) per share computations associated with the Convertible Senior Notes as the average market price of our shares did not exceed the conversion price.

Note 18 Subsequent Events

In July 2010, we issued EUR 400 million (the equivalent of $491.1 million as of June 30, 2010) asset-backed securitization facility (European Securitization) which matures in 2013, the proceeds of which were used to refinance the portion of our existing International ABS Fleet Financing Facility relating to France and the Netherlands, which was due to mature in December 2010.

In addition, in July 2010, we issued approximately $750 million in aggregate principal amount of 3 year, 5 year and 7 year Series 2010-1 Rental Car Asset Backed Notes (Series 2010-1 Notes). The net proceeds of the offering were or will be used, to the extent permitted, to purchase vehicles under the ABS program of HVF, to pay other ABS indebtedness or distributed to Hertz and used for general purposes.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information that we believe to be relevant to an understanding of our consolidated financial condition and results of operations. Unless the context otherwise requires, in this Report on Form 10-Q, (i) "Hertz Holdings" means Hertz Global Holdings, Inc., our top-level holding company, (ii) "Hertz" means The Hertz Corporation, our primary operating company and a direct wholly-owned subsidiary of Hertz Investors, Inc., which is wholly-owned by Hertz Holdings, (iii) "we," "us" and "our" mean (a) prior to December 21, 2005, Hertz and its consolidated subsidiaries and (b) on and after December 21, 2005, Hertz Holdings and its consolidated subsidiaries, including Hertz, (iv) "HERC" means Hertz Equipment Rental Corporation, Hertz's wholly-owned equipment rental subsidiary, together with our various other wholly-owned international subsidiaries that conduct our industrial, construction and material handling equipment rental business, (v) "cars" means cars and light trucks (including sport utility vehicles and, outside North America, light commercial vehicles), (vi) "program cars" means cars purchased by car rental companies under repurchase or guaranteed depreciation programs with car manufacturers, (vii) "non-program cars" mean cars not purchased under repurchase or guaranteed depreciation programs for which the car rental company is exposed to residual risk and (viii) "equipment" means industrial, construction and material handling equipment.

You should read the following discussion and analysis together with the section below entitled "Cautionary Note Regarding Forward-Looking Statements," with the financial statements and the related notes thereto contained elsewhere in this Form 10-Q, or this "Report."

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained or incorporated by reference in this Report and in reports we subsequently file with the United States Securities and Exchange Commission, or the "SEC," on Forms10-K, 10-Q and file or furnish on Form 8-K, and in related comments by our management, include "forward-looking statements." Forward-looking statements include information concerning our liquidity and our possible or assumed future results of operations, including descriptions of our business strategies. These statements often include words such as "believe," "expect," "project," "anticipate," "intend," "plan," "estimate," "seek," "will," "may," "would," "should," "could," "forecasts" or similar expressions. These statements are based on certain assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. We believe these judgments are reasonable, but you should understand that these statements are not guarantees of performance or results, and our actual results could differ materially from those expressed in the forward-looking statements due to a variety of important factors, both positive and negative, that may be revised or supplemented in subsequent reports on SEC Forms 10-K, 10-Q and 8-K.

Some important factors that could affect our actual results, include, among others, those that may be disclosed from time to time in subsequent reports filed with the SEC, those described under "Item 1A Risk Factors" included in Hertz Holdings' Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended December 31, 2009, filed with the SEC, on February 26, 2010 and March 1, 2010, respectively, or collectively known as our "Annual Report," and in Part II, "Item 1A- Risk Factors" included in this Form 10-Q and the following, which were derived in part from the risks set forth in the Annual Report:

- *our ability to consummate our contemplated acquisition of Dollar Thrifty Automotive Group, or "Dollar Thrifty," within the timeframe and upon the terms contemplated by our management;*

- *the risk that expected synergies, operational efficiencies and cost savings from the Dollar Thrifty acquisition may not be fully realized or realized within the expected time frame;*

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

the operational and profitability impact of divestitures that may be required to be undertaken to secure regulatory approval of the Dollar Thrifty acquisition;

overall strength and stability of general economic conditions, both in the United States and in global markets;

levels of travel demand, particularly with respect to airline passenger traffic in the United States and in global markets;

significant changes in the competitive environment, including as a result of industry consolidation, and the effect of competition in our markets, including on our pricing policies or use of incentives;

our ability to achieve cost savings and efficiencies and realize opportunities to increase productivity and profitability;

an increase in our fleet costs as a result of an increase in the cost of new vehicles and/or a decrease in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;

our ability to accurately estimate future levels of rental activity and adjust the size of our fleet accordingly;

our ability to maintain sufficient liquidity and the availability to us of additional or continued sources of financing for our revenue earning equipment and to refinance our existing indebtedness;

financial instability of insurance companies providing financial guarantees for our asset-backed securities;

safety recalls by the manufacturers of our vehicles and equipment;

a major disruption in our communication or centralized information networks;

financial instability of the manufacturers of our vehicles and equipment;

any impact on us from the actions of our licensees, dealers and independent contractors;

our ability to maintain profitability during adverse economic cycles and unfavorable external events (including war, terrorist acts, natural disasters and epidemic disease);

shortages of fuel and increases or volatility in fuel costs;

our ability to successfully integrate future acquisitions and complete future dispositions;

costs and risks associated with litigation;

risks related to our indebtedness, including our substantial amount of debt and our ability to incur substantially more debt;

our ability to meet the financial and other covenants contained in our senior credit facilities, our outstanding unsecured senior notes and certain asset-backed funding arrangements;

changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on earnings;

changes in the existing, or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations where such actions may affect our operations, the cost thereof or applicable tax rates;

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

- *the effect of tangible and intangible asset impairment charges;*
- *the impact of our derivative instruments, which can be affected by fluctuations in interest rates;*
- *our exposure to fluctuations in foreign exchange rates; and*
- *other risks described from time to time in periodic and current reports that we file with the SEC.*

You should not place undue reliance on forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate History

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

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

- Clayton, Dubilier & Rice, Inc., or "CD&R,"
- The Carlyle Group, or "Carlyle," and
- Merrill Lynch Global Private Equity, or "MLGPE" (now known as BAML Capital Partners),

or collectively the "Sponsors," acquired all of Hertz's common stock from Ford Holdings LLC. 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.

In January 2009, Bank of America Corporation, or "Bank of America," acquired Merrill Lynch & Co., Inc., the parent company of MLGPE. Acco