

HERTZ GLOBAL HOLDINGS INC  
Form S-1/A  
November 08, 2006

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As filed with the Securities and Exchange Commission on November 7, 2006

Registration No. 333-135782

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## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 6 to

### FORM S-1

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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## HERTZ GLOBAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

(See table of additional registrants on following page.)

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

**7514**  
(Primary Standard Industrial  
Classification Code Number)

**20-3530539**  
(I.R.S. Employer  
Identification Number)

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

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

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**Harold E. Rolfe, Esq.**  
**Senior Vice President, General Counsel and Secretary**  
**Hertz Global Holdings, Inc.**  
**225 Brae Boulevard**  
**Park Ridge, New Jersey 07656-0713**  
**(201) 307-2000**

(Name, address, including ZIP Code, and telephone number, including area code, of agent for service)

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*With copies to:*

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**New York, New York 10153**  
**(212) 310-8000**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities of an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated November 7, 2006.

**88,235,000 Shares**

## **Hertz Global Holdings, Inc.**

### **Common Stock**

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This is an initial public offering of shares of common stock of Hertz Global Holdings, Inc., which we refer to in this prospectus as "Hertz Holdings."

Hertz Holdings is offering 88,235,000 shares to be sold in this offering. Hertz Holdings intends to use a portion of the net proceeds of the offering to pay a special cash dividend to holders of record of its common stock immediately prior to this offering. The record date for this potential dividend will precede the consummation of this offering, and investors in this offering will not be entitled to receive any payments or distributions in connection with this dividend.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$16.00 and \$18.00. Hertz Holdings has been approved to list the common stock on the New York Stock Exchange under the symbol HTZ.

See "Risk Factors" on page 27 to read about factors you should consider before buying shares of the common stock.

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Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Hertz Holdings	\$	\$

To the extent that the underwriters sell more than 88,235,000 shares of common stock, the underwriters have the option to purchase up to an additional 13,235,250 shares from the selling stockholders at the initial public offering price less the underwriting discount. Hertz Holdings will not receive any of the proceeds from the shares of common stock sold by the selling stockholders pursuant to any exercise of the underwriters' option to purchase additional shares.

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The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2006.

**Goldman, Sachs & Co.**

**Lehman Brothers**

**Merrill Lynch & Co.**

**JPMorgan**

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**Morgan Stanley**

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**Credit Suisse**

**UBS Investment Bank**

**Wachovia Securities**

Prospectus dated \_\_\_\_\_, 2006.

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**We have not authorized anyone to give you any information or to make any representations about the transactions we discuss in this prospectus other than those contained in the prospectus. If you are given any information or representation about these matters that is not discussed in this prospectus, you must not rely on that information. This prospectus is not an offer to sell anywhere or to anyone where or to whom we are not permitted to offer to sell securities under applicable law.**

**In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.**

We have filed with the U.S. Securities and Exchange Commission, or the "SEC," a registration statement on Form S-1 under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, filed as part of the registration statement, does not contain all the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our common stock, we refer you to the registration statement and to its exhibits and schedules. With respect to statements in this prospectus about the contents of any contract, agreement or other document, in each instance, we refer you to the copy of such contract, agreement or document filed as

an exhibit to the registration statement, and each such statement is qualified in all respects by reference to the document to which it refers.

The public may read and copy any reports or other information that we and our subsidiaries file with the SEC. Such filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. The SEC's website is included in this prospectus as an inactive textual reference only. You may also read and copy any document that we file with the SEC at its public reference room at 100 F Street, N.E., Washington D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

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*Unless the context otherwise requires, in this prospectus, (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) "equipment" means industrial, construction and material handling equipment, (vii) "EBITDA" means consolidated net income before net interest expense, consolidated income taxes and consolidated depreciation and amortization and (viii) "Corporate EBITDA" means "EBITDA" as that term is defined under Hertz's senior credit facilities, which is generally consolidated net income before net interest expense (other than interest expense relating to certain car rental fleet financing), consolidated income taxes, consolidated depreciation (other than depreciation related to the car rental fleet) and amortization and before certain other items, in each case as more fully described in the agreements governing Hertz's senior credit facilities.*

*On December 21, 2005, or the "Closing Date," an indirect, wholly owned subsidiary of Hertz Holdings acquired all of Hertz's common stock from Ford Holdings LLC, or "Ford Holdings," pursuant to a Stock Purchase Agreement, dated as of September 12, 2005, among Ford Motor Company, or "Ford," Ford Holdings and Hertz Holdings (previously known as CCMG Holdings, Inc.). As a result of this transaction, investment funds associated with or designated by Clayton, Dubilier & Rice, Inc., The Carlyle Group and Merrill Lynch Global Private Equity, or, collectively, the "Sponsors," currently own over 99% of the common stock of Hertz Holdings. We refer to the acquisition of all of Hertz's common stock as the "Acquisition." We refer to the Acquisition, together with related transactions entered into to finance the cash consideration for the Acquisition, to refinance certain of our existing indebtedness and to pay related transaction fees and expenses, as the "Transactions." The "Successor period ended December 31, 2005" refers to the 11-day period from December 21, 2005 to December 31, 2005 and the "Predecessor period ended December 20, 2005" refers to the period from January 1, 2005 to December 20, 2005. The term "Successor" refers to us following the Acquisition and the term "Predecessor" refers to us prior to the Closing Date.*

*The "Restatement" refers to the restatement by Hertz of its previously issued consolidated statements of operations, stockholder's equity and cash flows for the Predecessor period ended December 20, 2005. See Note 1A to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus for more information regarding the Restatement.*

*Certain financial information in this prospectus for the Predecessor period ended December 20, 2005 (as restated) and Successor period ended December 31, 2005 has been presented on a combined basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations" for a discussion of the presentation of our results for the year ended December 31, 2005 on a combined basis.*

## SUMMARY

*This summary highlights information appearing elsewhere in this prospectus. You should carefully read the entire prospectus, including the section entitled "Risk Factors," beginning on page 27 and our financial statements and notes to those financial statements included elsewhere in this prospectus before making any investment decision.*

### Our Company

We own what we believe is the largest worldwide general use car rental brand and one of the largest equipment rental businesses in the United States, both based on revenues. Our Hertz brand name is one of the most recognized in the world, signifying leadership in quality rental services and products. In our car rental business segment, we and our independent licensees and associates accept reservations for car rentals at approximately 7,600 locations in approximately 145 countries. We are the only car rental company that has an extensive network of company-operated rental locations both in the United States and in all major European markets. We maintain the leading airport car rental market share, by overall reported revenues, in the United States and at the 69 major airports in Europe where we have company-operated locations and data regarding car rental concessionaire activity is available. We believe that we also maintain the second largest market share, by revenues, in the off-airport car rental market in the United States. In our equipment rental business segment, we rent equipment through over 340 branches in the United States, Canada, France and Spain, as well as through our international licensees. We and our predecessors have been in the car rental business since 1918 and in the equipment rental business since 1965.

We have a diversified revenue base and a highly variable cost structure and are able to dynamically manage fleet capacity, the most significant determinant of our costs. This has helped us to earn a pre-tax profit in each year since our incorporation in 1967. Our revenues have grown at a compound annual growth rate of 7.6% over the last 20 years, with year-over-year growth in 18 of those 20 years. For the year ended December 31, 2005 and the six months ended June 30, 2006, we generated consolidated revenues of \$7,469.2 million and \$3,827.2 million, respectively, income (loss) before income taxes and minority interest of \$541.7 million and \$(6.0) million, respectively, and net income (loss) of \$350.0 million and \$(31.4) million, respectively. For a discussion of the presentation of our results for the year ended December 31, 2005 on a combined basis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations."

### Our Segments

The table below sets forth key financial and other facts concerning our car rental and equipment rental business segments as of December 31, 2005 or for the year then ended, unless otherwise indicated. For the year ended December 31, 2005 and the six months ended June 30, 2006, our corporate and other segment had revenues of \$7.1 million and \$3.8 million, respectively, and losses before income taxes and minority interest of \$72.0 million and \$190.3 million, respectively. For more details regarding the key financial and other facts appearing below, see "Business," and for more information concerning our segment financial data, see Note 11 to the Notes to our audited annual consolidated financial statements and Note 10 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

	Car Rental		Equipment Rental	
	Year Ended December 31, 2005	Six Months Ended June 30, 2006	Year Ended December 31, 2005	Six Months Ended June 30, 2006
	(Dollars in millions, unless otherwise indicated)		(Dollars in millions, unless otherwise indicated)	
<b>Revenues</b>	\$6,046.8	\$3,039.8	\$1,415.3	\$783.6
<b>Income (Loss) Before Income Taxes and Minority Interest</b>	\$374.6	\$78.4	\$239.1	\$105.9
<b>Key Facts</b>	#1 worldwide general use car rental brand <sup>(1)</sup>		One of the largest equipment rental companies in the U.S. and Canadian markets combined	
	#1 brand overall at U.S. airports with a #1 position in each of the business and leisure markets <sup>(2)</sup>		Industry participant for over 40 years with a majority of its operations developed from organic growth	
	#1 overall airport market position at 69 major European airports		Worldwide same store sales growth in each of the past eleven quarters, over the comparable quarter in the preceding year	
	Approximately 28 million annual transactions		27 month average fleet age in the United States, one of the youngest fleets in the industry	
	Balanced rental revenue base of 53% leisure and 47% business		Broad diversity of fleet and customers	
	Over 80% of revenues generated from affiliated customer channels, including over 60 travel industry partnerships		Nationwide presence in the United States, Canada, France and Spain, with over 40% of rental revenues derived from national accounts	
	Average of 438,800 company-operated cars in the fleet in 2005, with an average net book value of \$8.3 billion		Total of 208,000 pieces of equipment, with an average fleet acquisition cost during 2005 of \$2.6 billion	

(1) Market position based on management estimate

(2) Business and leisure market positions based on management estimate



## Our Markets

We operate in the global car rental industry and in the equipment rental industry, primarily in the United States. Both industries are large with favorable growth trends and opportunities.

We believe that the global car rental industry exceeds \$30 billion in annual revenues. According to a 2006 report appearing in *Auto Rental News*, car rental revenues in the United States totaled approximately \$19 billion in 2005 and have grown at a 4.9% compound annual growth rate since 1990, including 7.2% growth in 2005. We estimate that rentals by airline travelers at or near airports, or "airport rentals," accounted for approximately one-half of the total market in the United States. This portion of the market is significantly influenced by developments in the travel industry and particularly in airline passenger traffic, or "enplanements." The Federal Aviation Administration, or "FAA," projected in the first half of 2006 that U.S. domestic enplanements will grow at a compound annual rate of 3.2% from 2006 to 2017, consistent with long-term historical trends. According to Euromonitor International, car rentals in Western Europe account for over \$12.5 billion in annual revenues, with the airport portion of the industry comprising approximately 40% of the total. The International Air Transport Association, or "IATA," projected in October 2005 that annual international enplanements would grow at a compound annual rate of 5.6% from 2005 to 2009. The off-airport portion of the industry has rental volume primarily driven by local business use, leisure travel and the replacement of cars being repaired.

We estimate the size of the U.S. equipment rental industry, which is highly fragmented with few national competitors and many regional and local operators, to be approximately \$31 billion in annual revenues. We believe that the industry grew at a 9.7% compound annual growth rate between 1991 and 2005. The equipment rental industry serves a broad range of customers from small local contractors to large industrial national accounts and encompasses a wide range of rental equipment from small tools to heavy earthmoving equipment. The industry is undergoing a strong recovery following the industrial recession and downturn in non-residential construction spending between 2001 and 2003. According to data from F. W. Dodge received during the first quarter of 2006, U.S. non-residential construction spending is projected to grow at an annual rate of 9% and 7% in 2006 and 2007, respectively. We also believe, based on an article in *Rental Equipment Register* published on February 1, 2006, that rental equipment accounted for approximately 30% to 40% of all equipment sold into the U.S. construction industry in 2005, up from approximately 5% to 10% in 1991. In addition, we believe that the trend toward rental instead of ownership of equipment in the U.S. construction industry will continue and that as much as 50% of the equipment used in the industry could be rental equipment within the next ten years.

## Our Strengths

### *Premier Global Brand and Service Offerings*

We believe that our premier brand and service offerings have allowed us to create and maintain a loyal customer base and command premium pricing across our businesses.

*Car Rental.* The Hertz brand is one of the most recognized brands in the world. It has been the only travel company brand to be listed in *Business Week's* "100 Most Valuable Global Brands," and has been included in this list during each year that it was eligible for inclusion in the study since the study's inception in 2001. We understand that this study is limited to companies with public equity and their subsidiaries, and as a result, Hertz was not eligible for inclusion in 2006. Our customer surveys indicate that, in the United States, Hertz is the car rental brand most associated with the highest quality service, which is consistent with numerous published best-in-class car rental awards that we have won over many years. We have sought to support our reputation for quality and customer service in car rental through a variety of innovative service offerings, such as our global expedited rental program, Hertz #1

Club Gold, which accounted for approximately 40% of our car rental transactions worldwide for the twelve months ended June 30, 2006.

*Equipment Rental.* HERC, which is operated under the Hertz Equipment Rental brand, has long been a leader in equipment rental in the United States. We believe HERC was the first equipment rental company to develop an extensive national account program, which continues to be the source of substantial revenues. HERC's leadership position has recently been enhanced through a substantial investment in sales force automation and the operation of a high quality and diverse fleet. From January 1, 2004 through June 30, 2006, we invested \$1.4 billion, net of dispositions, in HERC's U.S. fleet, thereby reducing its average age to 25 months, which we believe is one of the youngest fleets in the industry.

***Clear and Sustained Market Leadership Position in Car Rental***

We believe that Hertz is the leading worldwide general use car rental system, based on revenues. In the United States, we maintain the overall leading market share of airport car rentals among both business and leisure customers. Based on reported industry revenues for 2005 and the four months ended April 30, 2006, our market share at the 180 largest U.S. airports where we operate was over 28%, and we had a margin of approximately nine percentage points over the closest competing brand. We have maintained a leadership position for more than 30 years. We also believe that we had the largest market share, by reported revenues on a collective basis in 2005, at the 69 major airports in Europe where we have company-operated locations and data regarding car rental concessionaire activity was available.

***Global, Diversified Business Mix***

We believe that our mix of businesses, customer types, end-markets, distribution channels and geographies provides us with a diverse revenue stream that positions us to capitalize on growth opportunities throughout our markets and makes us less vulnerable to economic cycles and events that might negatively affect either of our industries or any specific geography. Within our car rental business, we maintain a relatively balanced mix of leisure and business rentals (representing 53% and 47%, respectively, of our car rental revenues for the year ended December 31, 2005 and 51% and 49%, respectively, of our car rental revenues for the six months ended June 30, 2006), and utilize a broad range of distribution channels and partnerships. Within our equipment rental business, we serve a wide variety of industries and have a broad mix of end customers from local contractors to large national industrial accounts.

***Affiliated Customer Strategy Drives Premium Pricing and Customer Loyalty***

Over 80% of our car rental revenues are derived from affiliated customer channels, such as corporate accounts, associations and travel industry partnerships. We believe that we are one of only two car rental brands that have the service offerings and market presence to consistently serve these affiliated customer channels on a global basis. Our corporate accounts, which account for approximately 40% of our car rental revenues, represent a predictable source of revenues and a customer base that values our premium customer service. We have a leading position with this type of customer and provide our car rental services to most Fortune 500 companies. Our distribution partnerships include over 60 airlines, railroads and hotel chains worldwide, as well as leading traditional and online travel agencies and affiliations with non-travel organizations and associations.

***Best-in-Class Fleet and Fleet Management***

*Car Rental.* Our worldwide car rental fleet includes cars from over 30 manufacturers, and we believe our U.S. fleet mix is significantly more diversified than those of most of our major competitors.

In the twelve months ended June 30, 2006, six manufacturers each supplied more than 5% of our U.S. fleet, while seven manufacturers each supplied more than 5% of our international fleet. We have longstanding relationships with leading American, European, Japanese and Korean automakers, enabling us to provide a wide variety of car models and brands to our customers. The diversity of our car fleet enables us to design innovative rental offerings, such as the Prestige, Fun and Green Collections, that help us maintain a competitive advantage over our competitors. In addition, we have substantial experience in the complex process of managing the mix of cars subject to manufacturer repurchase and similar programs, or "program cars," and other cars, or "risk cars," in our fleet. We maintain an extensive infrastructure that supports the efficient disposition of risk cars and enables us to be opportunistic when evaluating the relative merits of purchasing program and risk cars.

*Equipment Rental.* We believe that our U.S. equipment rental fleet is one of the youngest in the industry, offering a value proposition to our customers in terms of productivity, safety and operator use enhancements while simultaneously reducing HERC's maintenance costs and fleet downtime. Our diverse U.S. equipment rental fleet enables us to meet the rental equipment needs of many customers; moreover, we are further diversifying our fleet through the addition of general rental and specialty equipment at many locations. Our over 40 years of experience in the procurement and disposition of equipment allows us to adjust our fleet size efficiently in light of market trends.

#### ***Proprietary Strategic Information Systems***

We utilize information technology comprehensively in the areas of reservations, fleet and rate management, customer relations and sales and marketing, as well as aspects of billing, finance, accounting and other reporting systems. Since January 1, 2001, we have invested more than \$300 million in our proprietary information systems and computer equipment to permit us to conduct our business more efficiently and enhance our ability to offer innovative services. Our information systems, which we believe are unique in the car and equipment rental industries, permit us to provide superior end-to-end service to customers, maintain effective pricing structures in a rapidly changing environment, utilize our fleets efficiently and maintain a high level of control over our geographically dispersed operations.

#### ***Experienced and Proven Management Team***

We have an experienced management team committed to maintaining operational excellence. Our management team has extensive knowledge of the car and equipment rental industries. While Craig R. Koch, our former Chief Executive Officer, relinquished the title of Chief Executive Officer and became Chairman of our Board of Directors effective July 19, 2006, we have employed our nine next most senior executive officers other than Mark P. Frissora, our current Chief Executive Officer, for an average of 26 years. Our regional and country managers also have a great deal of experience, having been employed by us for an average of 20 years and having been in their current positions for an average of seven years. Mr. Frissora, previously the Chairman and Chief Executive Officer of Tenneco Inc., replaced Mr. Koch as our Chief Executive Officer effective July 19, 2006. Mr. Frissora served in various management positions at Tenneco Inc. over the past 10 years, including as Chief Executive Officer since 1999 and Chairman since 2000. Prior to joining Tenneco Inc., Mr. Frissora served as a Vice President of Aeroquip Vickers Corporation for five years and, in the 15 years prior to joining Aeroquip Vickers, he served for 10 years with General Electric and five years with Philips Lighting Company in management roles focusing on product development and marketing. We believe our stock incentive plan closely aligns the interests of our management team and our stockholders.

## **Our Strategy**

### ***Further Enhance Our Premier Car Rental Brand, Differentiated Service Offering and Affiliated Customer Base***

The Hertz brand is recognized for superior customer service and a differentiated, premium product. We intend to maintain our position as a premier company through an intense focus on service, quality and product innovation. We believe that consistent investments in our core business activities, particularly in the areas of brand, facilities, technology, training and customer loyalty initiatives, will improve customer satisfaction and further enhance our premium brand position and product offerings. Continuing to strengthen these attributes will allow us to build our affiliated customer base and increase our share of profitable business.

### ***Pursue Profitable Growth within Our Car Rental Business***

We believe that we have significant opportunities for growth within our global car rental business that will allow us to sustain growth rates in this business consistent with historical levels.

*U.S. Airport Market.* We intend to maintain or expand our leading market share in the U.S. airport rental business and to continue to build upon our brand positioning and service differentiation, allowing us to capitalize on opportunities in the business and leisure travel markets and further strengthen the advantages arising from our leading market share position.

*U.S. Off-Airport Market Opportunities.* We intend to leverage our significant recent investment in our U.S. off-airport network and to expand the network to enable us to further penetrate the large and growing insurance replacement rental market, as well as to increase our share of other off-airport business and leisure rentals. In the two years ended December 31, 2005, we increased the number of our off-airport rental locations in the United States by approximately 33% to approximately 1,400 locations. Through this investment, we believe we have achieved critical scale in the off-airport market and will continue to grow our revenue by increasing penetration in the insurance rental replacement market through new and existing insurance company customers as well as with our traditional business and leisure customers as evidenced by our off-airport revenue growth of approximately 46% over the two years ended December 31, 2005. We believe our off-airport platform has significant future growth potential.

*European Markets.* We believe that the European market presents airport rental growth opportunities resulting from the growth of European air travel due in large part to the presence of high volume, low cost air carriers and increasing use of the Internet throughout the continent. We intend to continue to build on our affiliated relationships with travel providers and other associations in Europe to increase our penetration of the European market. We also intend to increase our participation in the off-airport portion of the car rental market in Europe, especially in leisure, replacement and light trucks.

### ***Increase Share of the Fragmented U.S. Equipment Rental Market***

We believe that our emphasis on customer service, large national account base, prominent brand name and diverse and comparatively young rental fleet will position HERC to continue to gain market share in the highly fragmented U.S. equipment rental market. HERC is pursuing growth through an expansion in a number of mid- to large-sized metropolitan areas, many of which will be in markets with high growth potential for HERC and adjacent to current operations, which will allow us to leverage existing infrastructure and customer relationships. We also plan to further increase our presence in the general rental, industrial and specialty equipment markets, many of which can be served from HERC's existing locations and provide incremental opportunities to increase revenues, margins and return on investment.

*Further Improve Profitability, Cash Flow and Return on Capital*

We believe that there are opportunities to further increase the productivity of our operations, thereby improving our profit margins and capital efficiency, as the profit margins that we have achieved in our car rental business during the twelve months ended June 30, 2006 are below our peak levels of profitability achieved in 2000. These opportunities include reducing our cost structure through process improvements and other reductions in operating costs. We also believe that we can improve our profitability by leveraging the investments we have made in building our off-airport business, in upgrading our airport facilities and through the use of our enhanced information systems to optimize our pricing, yield management and fleet utilization generally. In addition, we believe, based on our current business plans, capital structure, and the like-kind exchange programs implemented in connection with our car rental and equipment rental fleets, we will not be required to pay material U.S. federal income taxes for several years.

**Recent Developments**

**Expected Results for the Nine Months Ended September 30, 2006**

The following are our expectations of our financial results for the Successor nine month period ended September 30, 2006, and corresponding data for the Predecessor nine month period ended September 30, 2005. We have not finalized our financial statements for the Successor nine month period ended September 30, 2006, and it is therefore possible that our actual results may vary from the expectations set forth below. Moreover, our expected results for the Successor nine month period ended September 30, 2006 and the results for the Predecessor nine month period ended September 30, 2005 are unaudited. In our opinion, the expected results disclosed below include all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of our financial statements.

For the Successor nine month period ended September 30, 2006, we expect to report consolidated revenues of \$6,067.8 million, income before income taxes and minority interest of \$157.9 million, net income of \$76.1 million, EBITDA of \$2,323.9 million and Corporate EBITDA of \$1,017.1 million. For the Predecessor nine month period ended September 30, 2005, we had consolidated revenues of \$5,626.5 million, income before income taxes and minority interest of \$454.3 million, net income of \$325.3 million, EBITDA of \$2,127.7 million and Pro Forma Corporate EBITDA of \$882.0 million. For a discussion of our use and presentation of EBITDA and Corporate EBITDA, see footnote (h) to our summary historical and unaudited pro forma financial data beginning on page 20 of this prospectus. The following table reconciles actual net income to EBITDA and Corporate EBITDA for the Predecessor nine month period ended September 30, 2005 and our estimated net income to our

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estimated EBITDA and estimated Corporate EBITDA for the Successor nine month period ended September 30, 2006 (dollars in millions):

	<u>Predecessor</u>	<u>Successor</u>
	<u>Nine Months Ended September 30,</u>	
	<u>2005</u>	<u>2006</u>
Net income <sup>(1)</sup>	\$ 325.3	\$ 76.1
Depreciation and amortization <sup>(2)</sup>	1,329.6	1,505.6
Interest expense, net of interest income <sup>(1)(3)</sup>	353.2	672.6
Provision for taxes on income	119.6	69.6
<b>EBITDA</b>	<b>2,127.7</b>	<b>2,323.9</b>
Adjustments:		
Deduct pro forma car rental fleet interest <sup>(4)</sup>	(243.2)	(304.1)
Deduct car rental fleet depreciation <sup>(5)</sup>	(1,027.0)	(1,110.1)
Non-cash expenses and charges <sup>(6)</sup>	15.6	102.6
Extraordinary, unusual or non-recurring gains or losses <sup>(7)</sup>	8.9	2.3
Sponsors' fees	2.5	2.5
<b>Pro forma Corporate EBITDA<sup>(4)</sup></b>	<b>\$ 882.0</b>	<b>\$ 1,017.1</b>

The following table reconciles actual net cash provided by operating activities to EBITDA for the Predecessor nine month period ended September 30, 2005 and our estimated net cash provided by operating activities to EBITDA for the Successor nine month period ended September 30, 2006 (dollars in millions):

	<u>Predecessor</u>	<u>Successor</u>
	<u>Nine Months Ended September 30,</u>	
	<u>2005</u>	<u>2006</u>
Net cash provided by operating activities	\$ 1,744.2	\$ 2,197.6
Stock-based employee compensation	(4.6)	(20.9)
Provision for public liability and property damage	(126.7)	(129.1)
Minority interest	(9.5)	(12.3)
Deferred income taxes	283.9	(61.0)
Payments of public liability and property damage claims and expenses	124.6	138.0
Provision for taxes on income	119.6	69.6
Interest expense, net of interest income	353.2	672.6
Net changes in assets and liabilities	(357.0)	(530.6)
<b>EBITDA</b>	<b>\$ 2,127.7</b>	<b>\$ 2,323.9</b>

For the Predecessor nine month period ended September 30, 2005, we had car rental revenues of \$4,600.0 million and income before income taxes and minority interest attributable to our car rental segment of \$325.2 million. For the Successor nine month period ended September 30, 2006, we expect to report car rental revenues of \$4,825.3 million and income before income taxes and minority interest attributable to our car rental segment of \$283.1 million.

For the Predecessor nine month period ended September 30, 2005, we had equipment rental revenues of \$1,021.1 million and income before income taxes and minority interest attributable to our equipment rental segment of \$167.3 million. For the Successor nine month period ended September 30, 2006, we expect to report equipment rental revenues of \$1,236.6 million and income before income taxes and minority interest attributable to our equipment rental segment of \$190.3 million.



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The following table sets forth car rental operating data for the Predecessor nine month period ended September 30, 2005, as well as car rental operating data that we expect to report for the Successor nine month period ended September 30, 2006:

	<b>Predecessor</b>	<b>Successor</b>
	<b>Nine Months Ended or As of September 30,</b>	
	<b>2005</b>	<b>2006</b>
Worldwide transaction days <sup>(8)</sup> (in thousands)	93,077	93,876
Domestic	65,503	65,178
International	27,574	28,698
Worldwide rental rate revenue per transaction day <sup>(9)</sup>	\$ 41.90	\$ 43.02
Domestic	\$ 42.14	\$ 43.61
International	\$ 41.34	\$ 41.70
Worldwide average number of company-operated cars during period	444,300	441,600
Domestic	305,300	298,500
International	139,000	143,100
Worldwide revenue earning equipment, net (in millions of dollars)	\$ 8,574.2	\$ 8,141.1

The following table sets forth equipment rental operating data for the Predecessor nine month period ended September 30, 2005, as well as equipment rental operating data that we expect to report for the Successor nine month period ended September 30, 2006 (dollars in millions):

	<b>Predecessor</b>	<b>Successor</b>
	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2006</b>
Rental and rental related revenue <sup>(10)</sup>	\$ 905.4	\$ 1,078.4
Same store revenue growth <sup>(11)</sup>	22.5%	22.0%
Average acquisition cost of rental equipment operated during period	\$ 2,544.0	\$ 2,976.0
Revenue earning equipment, net	\$ 1,975.9	\$ 2,523.3

The following table sets forth balance sheet data for the Predecessor as of September 30, 2005, as well as balance sheet data that we expect to report for the Successor as of September 30, 2006 (dollars in millions):

	<b>Predecessor</b>	<b>Successor</b>
	<b>As of September 30,</b>	
	<b>2005</b>	<b>2006</b>
Cash and equivalents	\$ 771.7	\$ 440.7
Total assets	15,538.6	19,465.4
Total debt	10,597.9	13,955.5
Total fleet debt <sup>(12)</sup>	1,572.1	7,529.4
Total corporate debt <sup>(13)</sup>	9,025.8	6,426.1
Stockholders' equity	1,702.0	1,453.2

(1) For the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, corporate minority interest was \$9.5 million and \$12.3 million, respectively. The Successor nine month period ended September 30, 2006 includes \$0.1 million of audit fees and \$23.8 million of interest expense attributable to Hertz Holdings.

(2) For the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, depreciation and amortization was \$1,136.3 million and \$1,245.4 million, respectively, in our car rental segment and \$189.5 million and \$255.7 million, respectively, in



our equipment rental segment.

(3)

For the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, interest expense, net of interest income was \$263.9 million and \$323.2 million, respectively, in our car rental segment and \$63.9 million and \$101.3 million, respectively, in our equipment rental segment.

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(4) As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA includes a reduction for certain car rental fleet related interest. For the Predecessor nine month period ended September 30, 2005, car rental fleet interest has been calculated on a pro forma basis to give effect to the U.S. and international fleet debt financings entered into as part of the Transactions as if they had occurred on January 1, 2005. For the Successor nine month period ended September 30, 2006, car rental fleet interest is based on actual results.

(5) As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA includes a reduction for car rental fleet depreciation. For pro forma purposes, car rental fleet depreciation does not vary from the historical amounts. For the nine months ended September 30, 2006, car rental fleet depreciation is based on actual results.

(6) For the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, non-cash expenses and charges were \$8.8 million and \$56.8 million, respectively, in our car rental segment and \$0.3 million and \$0.0 million, respectively, in our equipment rental segment.

As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA excludes the impact of certain non-cash expenses and charges. The adjustments reflect the following (dollars in millions):

	<b>Predecessor</b>	<b>Successor</b>
	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2006</b>
Corporate non-cash stock-based employee compensation charges	\$ 4.6	\$ 20.9
Corporate unrealized losses (gains) on currency translation of Euro denominated senior notes		19.2
Non-cash amortization of debt financing costs included in car rental fleet interest		56.8
Non-cash charges for workers' compensation	8.9	
Corporate non-cash charges for public liability and property damage	2.1	
Corporate non-cash charges for pension		2.7
Corporate unrealized losses on derivatives		3.0
	<b>\$ 15.6</b>	<b>\$ 102.6</b>
Total	<b>\$ 15.6</b>	<b>\$ 102.6</b>

(7) As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA excludes the impact of extraordinary, unusual or non-recurring gains or losses or charges or credits. The adjustments reflect the following (dollars in millions):

	<b>Predecessor</b>	<b>Successor</b>
	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2006</b>
European car rental relocation costs	\$ 4.0	\$
Car rental concession settlement		1.0
Car rental insurance settlements		(3.6)
Charge related to Hurricane Katrina:		
Car rental		1.5
Equipment rental		1.2
Car rental value added tax settlement		1.7
		1.1

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	<u>Predecessor</u>	<u>Successor</u>
Corporate pension settlement loss recorded in connection with the Supplemental Employee Retirement Plan		
Car rental legal settlements	2.0	
Cost incurred in closing of car sales locations		2.3
<b>Total</b>	<b>\$ 8.9</b>	<b>\$ 2.3</b>

(8) Transaction days represents the total number of days that vehicles were on rent during the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006.

(9) For a discussion of our use and calculation of car rental rate revenue and rental rate revenue per transaction day, see footnote (l) beginning on page 25 of this prospectus. The following table reconciles our car rental revenue to our rental rate revenue and rental rate revenue per transaction day for the Predecessor nine month period ended September 30, 2005, and

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our estimated car rental revenue to our estimated rental rate revenue and estimated rental rate revenue per transaction day for the Successor nine month period ended September 30, 2006 (dollars in millions, except as noted):

	<b>Predecessor</b>	<b>Successor</b>
	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2006</b>
Car rental revenue per statement of operations	\$ 4,526.1	\$ 4,745.6
Non-rental rate revenue	(559.1)	(633.3)
Foreign currency adjustment	(66.8)	(73.5)
<b>Rental rate revenue</b>	<b>\$ 3,900.2</b>	<b>\$ 4,038.8</b>
Transaction days (in thousands)	93,077	93,876
Rental rate revenue per transaction day (in dollars)	\$ 41.90	\$ 43.02

(10)

For a discussion of our use and calculation of equipment rental and rental related revenue, see footnote (m) on page 26 of this prospectus. The following table reconciles our equipment rental revenue to our equipment rental and rental related revenue for the Predecessor nine month period ended September 30, 2005, and our estimated equipment rental revenue to our estimated equipment rental and rental related revenue for the Successor nine month period ended September 30, 2006 (dollars in millions):

	<b>Predecessor</b>	<b>Successor</b>
	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2006</b>
Equipment rental revenue per statement of operations	\$ 1,020.9	\$ 1,236.2
Equipment sales and other revenue	(113.7)	(147.2)
Foreign currency adjustment	(1.8)	(10.6)
<b>Rental and rental related revenue</b>	<b>\$ 905.4</b>	<b>\$ 1,078.4</b>

(11)

Same store revenue growth represents the change in the current period total same store revenue over the prior period total same store revenue as a percentage of the prior period. The same store revenue amounts are adjusted in all periods to eliminate the effect of fluctuations in foreign currency. Our management believes eliminating the effect of fluctuations in foreign currency is appropriate so as not to affect the comparability of underlying trends.

(12)

As of September 30, 2005, fleet debt consists of pre-Acquisition ABS Notes; ABS commercial paper; and capital lease financings. As of September 30, 2006, fleet debt consists of our U.S. fleet debt; obligations incurred under our international fleet debt facilities; capital lease financings relating to revenue earning equipment that are outside the international fleet debt facilities; and the pre-Acquisition ABS Notes.

(13)

As of September 30, 2005, corporate debt consists of our senior unsecured notes; Euro medium term notes issued prior to the Acquisition; and certain other indebtedness of our domestic and international subsidiaries. As of September 30, 2006, corporate debt consists of senior unsecured notes and Euro medium term notes issued prior to the Acquisition; borrowings under our senior term facility; borrowings under our senior ABL facility; our senior notes; our senior subordinated notes; borrowings under the Hertz Holdings Loan Facility (described below); and certain other indebtedness of our domestic and international subsidiaries.

### New Chief Executive Officer

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On July 17, 2006, we entered into an employment agreement with Mark P. Frissora, previously the Chairman and Chief Executive Officer of Tenneco Inc., who replaced Mr. Koch as our Chief Executive Officer effective July 19, 2006. Mr. Frissora also became a member of our Board of Directors as of July 19, 2006. As of that date, Craig R. Koch, our former Chief Executive Officer, became Chairman of our Board of Directors and George W. Tamke became Lead Director and Chairman of the Executive Committee of the Board of Directors. Mr. Frissora is expected to assume Mr. Koch's role as Chairman of the Board of Directors in late 2006 or early 2007. For a more detailed description of the terms of Mr. Frissora's employment, see "Management Employment Agreements."

### **Hertz Holdings Loan Facility and Hertz Holdings Dividends**

On June 30, 2006, Hertz Holdings entered into a loan facility with Deutsche Bank AG, New York Branch, Lehman Commercial Paper Inc., Merrill Lynch Capital Corporation, Goldman Sachs Credit Partners L.P., JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc. or affiliates thereof, providing for a loan of \$1.0 billion, which we refer to in this prospectus as the "Hertz Holdings Loan Facility," for the purpose of paying a dividend to the holders of our common stock and paying fees and expenses related to the facility. Under the terms of the financing, Hertz Holdings will be required to pay interest in cash, but only to the extent that funds are available by way of dividend from Hertz to do so in accordance with applicable law and the instruments governing Hertz's existing indebtedness. The amount of interest that would otherwise be payable in cash but for restrictions imposed by applicable law or the instruments governing Hertz's existing indebtedness will not be due on the applicable interest payment date, but will accrue until such time as sufficient funds are available to pay the accrued and unpaid interest in cash without violating these restrictions. Hertz Holdings primarily used the proceeds of the Hertz Holdings Loan Facility, together with cash on hand, to pay special cash dividends of \$4.32 per share, or approximately \$999.2 million in the aggregate, to its common stockholders on June 30, 2006, which we refer to in this prospectus as the "Hertz Holdings Dividend." It is anticipated that the Hertz Holdings Loan Facility will be repaid with the proceeds to us from this offering. Because affiliates of certain of the underwriters are lenders under the Hertz Holdings Loan Facility, affiliates of such underwriters will receive a substantial portion of the proceeds of this offering. For a more detailed description of the Hertz Holdings Loan Facility, see "Description of Certain Indebtedness Hertz Holdings Loan Facility."

Prior to the consummation of this offering, we intend to declare a special cash dividend, payable promptly following completion of this offering to holders of record of our common stock on the date of the declaration, or the "dividend record date." This dividend will be funded by the proceeds to us from the sale of the common stock offered hereby after deducting underwriting discounts and commissions and offering expenses, to the extent such net proceeds exceed the amounts required to repay borrowings outstanding under the Hertz Holdings Loan Facility. Assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, this dividend will be payable in an amount of approximately \$1.83 per share, or \$426.8 million in the aggregate.

The dividend record date for this potential dividend will precede the consummation of this offering, and investors in this offering will not be entitled to receive any payments or distributions in connection with this additional dividend on shares purchased in this offering.

### Principal Stockholders

Investment funds associated with or designated by the Sponsors invested approximately \$2,295.0 million in the aggregate in connection with the Acquisition. These funds currently own over 99% of our outstanding common stock, and, following the completion of this offering, will continue to own approximately 72% of our outstanding common stock. On June 30, 2006, investment funds associated with or designated by the Sponsors received approximately \$991.4 million, or approximately 99% of the aggregate amount paid to Hertz Holdings stockholders in connection with the Hertz Holdings Dividend. These funds will receive approximately \$421.5 million in the aggregate in connection with the payment of the special cash dividend to be funded by the proceeds to us from this offering, after deducting underwriting discounts, commissions and offering expenses, to the extent these net proceeds exceed the amount required to repay borrowings outstanding under the Hertz Holdings Loan Facility. Also, assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, if the underwriters exercise in full their option to purchase additional shares, these funds will receive an additional approximately \$214.9 million in aggregate net proceeds from the sale of shares of our common stock.

Of the nine members currently serving on our Board of Directors, seven are principals of the Sponsors. Under the terms of the Amended and Restated Stockholders Agreement to be entered into among the Sponsors in connection with this offering, the Sponsors will each have certain rights regarding the nomination of candidates for election to the Board of Directors. Upon completion of this offering, investment funds associated with or designated by the Sponsors will continue to have the right to nominate a majority of the members of our Board of Directors. In addition, this agreement will continue to provide rights and restrictions with respect to certain transactions in our securities entered into by such investment funds.

Pursuant to consulting agreements entered into with each of the Sponsors, in connection with the Acquisition, Hertz paid a fee of \$25 million to each Sponsor (\$75 million in the aggregate) for certain direct acquisition and finance related services provided by the Sponsors and their affiliates. During 2006, pursuant to the consulting agreements, Hertz has paid \$2.25 million in the aggregate, plus out of pocket expenses, to the Sponsors for ongoing consulting services. Upon completion of this offering, each of these agreements will be terminated for a fee of \$5 million (\$15 million in the aggregate).

#### *Clayton, Dubilier & Rice*

Clayton, Dubilier & Rice Fund VII, L.P. and related funds are private investment funds managed by Clayton, Dubilier & Rice, Inc., or "CD&R." CD&R is a leading private equity investment firm that employs an integrated operational and financial approach to build and grow portfolio businesses. Approximately half of the firm's principals are seasoned corporate executives from major industrial enterprises and the remainder come from mergers and acquisitions, financing or investment backgrounds. Since its founding in 1978, CD&R has managed the investment of over \$6 billion in 38 businesses mostly subsidiaries or divisions of large multibusiness corporations representing a broad range of industries with an aggregate transaction value in excess of \$30 billion and revenues of more than \$40 billion. CD&R and its affiliates have offices in New York and London. Investment funds associated with or designated by CD&R currently own approximately one-third of our outstanding common stock and, following the completion of this offering, will continue to own approximately 24.2% of our outstanding common stock, or approximately \$1,317.5 million in equity value, calculated at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus and assuming that the underwriters do not exercise their option to purchase additional shares.

*The Carlyle Group*

Carlyle Partners IV, L.P. and related funds are private investment funds managed by TC Group, L.L.C. The Carlyle Group, or "Carlyle," is a global private equity firm with \$44.3 billion under management. Carlyle invests in buyouts, venture & growth capital, real estate and leveraged finance in Asia, Europe and North America, focusing on aerospace & defense, automotive & transportation, consumer & retail, energy & power, healthcare, industrial, technology & business services and telecommunications & media. Since 1987, Carlyle has invested \$22.4 billion of equity in 528 transactions for a total purchase price of more than \$94.6 billion. Carlyle employs more than 670 people in 16 countries. In the aggregate, Carlyle portfolio companies have more than \$68 billion in revenues and employ more than 300,000 people around the world. Investment funds associated with or designated by Carlyle currently own approximately one-third of our outstanding common stock and, following the completion of this offering, will continue to own approximately 23.9% of our outstanding common stock, or approximately \$1,300.5 million in equity value, calculated at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus and assuming that the underwriters do not exercise their option to purchase additional shares.

*Merrill Lynch Global Private Equity*

ML Global Private Equity Fund, L.P. and related funds are private investment funds managed by certain private equity arm affiliates of Merrill Lynch & Co., Inc., or "MLGPE." MLGPE invests in companies with high growth/profitability prospects or strong cash flow characteristics and capable and experienced management teams. MLGPE's dedicated team of private equity professionals invests globally, across industries including general manufacturing, consumer products, as well as business and consumer services. MLGPE takes a partnership approach to investing with both management teams and other financial or strategic investors. Investment funds associated with or designated by MLGPE currently own approximately one-third of our outstanding common stock and, following the completion of this offering, will continue to own approximately 23.5% of our outstanding common stock, or approximately \$1,283.5 million in equity value, calculated at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus and assuming that the underwriters do not exercise their option to purchase additional shares.

\* \* \* \*

Hertz Holdings and Hertz are incorporated under the laws of the state of Delaware. Our corporate headquarters are located at 225 Brae Boulevard, Park Ridge, New Jersey 07656. Our telephone number is (201) 307-2000.



**The Offering**

Common stock offered	88,235,000 shares of common stock, par value \$0.01 per share, of Hertz Holdings, or "our common stock."
Shares of common stock offered by Hertz Holdings	88,235,000
Shares of common stock outstanding after the offering	320,618,692
Option to purchase additional shares of common stock	The selling stockholders have granted the underwriters a 30-day option to purchase up to 13,235,250 shares of our common stock.
Use of proceeds	Our net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$1,426.8 million. We intend to use the net proceeds of this offering to repay borrowings outstanding under the Hertz Holdings Loan Facility, with the remainder of the net proceeds, if any, to be used to pay an additional dividend that will be declared prior to the completion of this offering and will be payable promptly following completion of this offering to holders of record of our common stock on the dividend record date. Assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, this dividend will be payable in an amount of approximately \$1.83 per share, or \$426.8 million in the aggregate.  We will not receive any proceeds from the sale of our common stock by the selling stockholders if the underwriters exercise their option to purchase additional shares. The selling stockholders include affiliates of Merrill Lynch & Co., an underwriter in this offering. Because affiliates of certain of the underwriters are lenders under the Hertz Holdings Loan Facility, affiliates of such underwriters will receive a substantial portion of the proceeds of this offering. See "Use of Proceeds."
Dividend policy	We do not expect to pay dividends on our common stock for the foreseeable future.
Proposed New York Stock Exchange symbol	HTZ
Unless we specifically state otherwise, all information in this prospectus:	

assumes no exercise of the underwriters' option to purchase additional shares from the selling stockholders; and

excludes 15,833,354 shares of common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$6.96 per share (which weighted average exercise price is expected to be adjusted in connection with the payment of the additional dividend "Use of Proceeds").

320,618,692 shares of our common stock will be outstanding after this offering.

**Risk Factors**

You should consider carefully all of the information set forth in this prospectus and, in particular, the information under the heading "Risk Factors" beginning on page 27 for risks involved in investing in our common stock.

**SUMMARY HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL DATA**

The following tables present summary historical and unaudited pro forma consolidated financial information and other data for our business. The summary consolidated statement of operations data presented below for the Predecessor period ended December 20, 2005 has been restated. For a discussion of the Restatement, see note (a) below and Note 1A to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus. The summary consolidated statement of operations data for each of the years ended December 31, 2003 and 2004, the Predecessor period ended December 20, 2005 (as restated) and the Successor period ended December 31, 2005 and the summary consolidated balance sheet data as of December 31, 2005 presented below were derived from our audited annual consolidated financial statements and the related notes thereto included elsewhere in this prospectus. The unaudited summary consolidated statement of operations data for the Predecessor six-month period ended June 30, 2005 and for the Successor six-month period ended June 30, 2006 and the unaudited summary condensed consolidated balance sheet data as of June 30, 2006 are derived from the unaudited interim condensed consolidated financial statements and related notes thereto included elsewhere in this prospectus.

The unaudited pro forma as adjusted financial data below for the year ended December 31, 2005 and for the six months ended June 30, 2005 reflects adjustments to our historical financial data to give effect to (i) the Transactions and the use of the net proceeds therefrom, (ii) the borrowings under the Hertz Holdings Loan Facility and the payment of the Hertz Holdings Dividend and (iii) the sale of the common stock offered by this prospectus and the use of the net sale proceeds to repay borrowings under the Hertz Holdings Loan Facility with the remainder of our proceeds, if any, to be used to pay a special cash dividend to holders of record of our common stock on the dividend record date as if such transactions had occurred on January 1, 2005 for income statement purposes. The pro forma as adjusted financial data below for the six months ended June 30, 2006 reflects adjustments to our historical financial data to give effect to the Hertz Holdings Loan Facility, the Hertz Holdings Dividend and the sale of common stock offered by this prospectus and the use of the net sale proceeds to repay borrowings under the Hertz Holdings Loan Facility with the remainder of our proceeds, if any, to be used to pay a special cash dividend to holders of record of our common stock on the dividend record date as if such transactions had occurred on January 1, 2005 for income statement purposes. The pro forma as adjusted financial data below as of June 30, 2006 reflects adjustments to our historical financial data to give effect to the sale of common stock offered by this prospectus and the use of the net sale proceeds to repay borrowings under the Hertz Holdings Loan Facility with the remainder of our proceeds, if any, to be used to pay a special cash dividend to holders of record of our common stock on the dividend record date as if such transactions had occurred on June 30, 2006 for balance sheet purposes.

You should read the following summary historical and unaudited pro forma financial data in conjunction with the historical financial statements and the related notes thereto and other financial information appearing elsewhere in this prospectus, including "Capitalization," "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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	Historical					Pro Forma as Adjusted
	Predecessor		Predecessor	Successor	Combined	
	Years Ended December 31,		For the periods from			Year Ended December 31,
	2003	2004	January 1, 2005 to December 20, 2005 Restated <sup>(a)</sup>	December 21, 2005 to December 31, 2005	2005 <sup>(a)</sup> Restated	2005
(Dollars in millions except per share data)						
<b>Statement of Operations Data</b>						
Revenues						
Car rental	\$ 4,819.3	\$ 5,430.8	\$ 5,820.5	\$ 129.4	\$ 5,949.9	\$ 5,949.9
Equipment rental	1,037.8	1,162.0	1,392.4	22.5	1,414.9	1,414.9
Other <sup>(b)</sup>	76.6	83.2	101.8	2.6	104.4	104.4
Total revenues	5,933.7	6,676.0	7,314.7	154.5	7,469.2	7,469.2
Expenses						
Direct operating	3,316.1	3,734.4	4,086.3	103.0	4,189.3	4,263.8
Depreciation of revenue earning equipment <sup>(c)</sup>	1,523.4	1,463.3	1,555.9	43.8	1,599.7	1,612.5
Selling, general and administrative	501.7	591.3	623.4	15.1	638.5	645.0
Interest, net of interest income <sup>(d)</sup>	355.0	384.4	474.2	25.8	500.0	885.8
Total expenses	5,696.2	6,173.4	6,739.8	187.7	6,927.5	7,407.1
Income (loss) before income taxes and minority interest	237.5	502.6	574.9	(33.2)	541.7	62.1
(Provision) benefit for taxes on income <sup>(e)</sup>	(78.9)	(133.9)	(191.3)	12.2	(179.1)	(46.2)
Minority interest		(3.2)	(12.3)	(0.3)	(12.6)	(12.6)
Net income (loss)	\$ 158.6	\$ 365.5	\$ 371.3	\$ (21.3)	\$ 350.0	\$ 3.3
Weighted average shares outstanding (in millions) <sup>(f)</sup>						
Basic	229.5	229.5	229.5	229.5	229.5	229.5
Diluted	229.5	229.5	229.5	229.5	229.5	229.5
Pro forma weighted average shares outstanding (in millions) (unaudited) <sup>(g)</sup>						
Basic			317.7	317.7	317.7	317.7
Diluted			317.7	317.7	317.7	317.7
Earnings (loss) per share <sup>(f)</sup>						
Basic	\$ 0.69	\$ 1.59	\$ 1.62	\$ (0.09)	\$ 1.53	
Diluted	\$ 0.69	\$ 1.59	\$ 1.62	\$ (0.09)	\$ 1.53	
Pro forma earnings (loss) per share (unaudited) <sup>(g)</sup>						
Basic		\$	1.17	(0.07)	1.10	0.01
Diluted		\$	1.17	(0.07)	1.10	0.01
<b>Other Financial Data</b>						
Cash flows from operating activities	\$ 1,899.3	\$ 2,251.4	\$ 1,727.5	(274.7)	\$ 1,452.8	
EBITDA <sup>(h)</sup>	2,268.6	2,525.3	2,775.8	43.7	2,819.5	
Pro forma Corporate EBITDA <sup>(h)</sup>			1,144.5	(3.6)	1,140.9	



	Predecessor		Successor		Pro Forma as Adjusted	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006	2005	2006
<b>Statement of Operations Data</b>						
Revenues						
Car rental	\$ 2,824.5	\$ 2,992.3	\$ 2,824.5	\$ 2,992.3		
Equipment rental	630.1	783.3	630.1	783.3		
Other <sup>(b)</sup>	48.3	51.6	48.3	51.6		
Total revenues	3,502.9	3,827.2	3,502.9	3,827.2		
Expenses						
Direct operating	2,025.5	2,207.4	2,063.7	2,207.4		
Depreciation of revenue earning equipment <sup>(c)</sup>	756.4	843.5	762.8	843.5		
Selling, general and administrative	318.9	359.4	322.2	362.2		
Interest, net of interest income <sup>(d)</sup>	212.1	422.9	441.6	422.9		
Total expenses	3,312.9	3,833.2	3,590.3	3,836.0		
Income (loss) before income taxes and minority interest	190.0	(6.0)	(87.4)	(8.8)		
Provision for taxes on income <sup>(e)</sup>	(64.9)	(18.1)	32.2	(17.2)		
Minority interest	(5.0)	(7.3)	(5.0)	(7.3)		
Net income (loss)	\$ 120.1	\$ (31.4)	\$ (60.2)	\$ (33.3)		
Weighted average shares outstanding (in millions) <sup>(f)</sup>						
Basic	229.5	230.1				
Diluted	229.5	230.1				
Pro forma weighted average shares outstanding (in millions) (unaudited) <sup>(g)</sup>						
Basic		318.3	317.7	318.3		
Diluted		318.3	317.7	318.3		
Earnings (loss) per share <sup>(f)</sup>						
Basic	\$ 0.52	\$ (0.14)				
Diluted	\$ 0.52	\$ (0.14)				
Pro forma earnings (loss) per share (unaudited) <sup>(g)</sup>						
Basic		\$ (0.10)	\$ (0.19)	\$ (0.10)		
Diluted		\$ (0.10)	\$ (0.19)	\$ (0.10)		
<b>Other Financial Data</b>						
Cash flows from operating activities	\$ 1,665.5	\$ 2,104.1				
EBITDA <sup>(h)</sup>	1,247.0	1,383.4				
Pro forma Corporate EBITDA <sup>(h)</sup>	460.2	539.4				

	Historical		Pro Forma As Adjusted
	Successor		
	As of December 31, 2005	As of June 30, 2006	
	(Dollars in millions)		
<b>Balance Sheet Data</b>			
Cash and equivalents	\$ 843.9	\$ 512.4	\$ 512.4
Total assets <sup>(i)</sup>	18,580.9	19,753.4	19,753.4
Total debt	12,515.0	13,940.2	12,945.2
Stockholders' equity <sup>(i)</sup>	2,266.2	1,367.2	2,352.5

	Historical				
	Predecessor		Combined	Predecessor	Successor
	Years Ended, or as of December 31,			Six Months Ended, or as of June 30,	
	2003	2004	2005	2005	2006
<b>Selected Car Rental Operating Data</b>					
Worldwide transaction days <sup>(k)</sup> (in thousands)	102,281	115,246	122,102	58,402	59,174
Domestic	72,243	81,262	86,116	42,097	42,294
International	30,038	33,984	35,986	16,305	16,880
Worldwide rental rate revenue per transaction day <sup>(l)</sup>	\$ 43.14	\$ 41.92	\$ 42.03	\$ 41.51	\$ 43.13
Domestic	\$ 43.08	\$ 41.85	\$ 42.43	\$ 41.59	\$ 43.56
International	\$ 43.28	\$ 42.10	\$ 41.10	\$ 41.29	\$ 42.05
Worldwide average number of company-operated cars during period	374,600	414,700	438,800	428,400	425,700
Domestic	260,600	285,500	301,400	301,000	295,500
International	114,000	129,200	137,400	127,400	130,200
Worldwide revenue earning equipment, net (in millions of dollars)	\$ 6,462.0	\$ 7,597.2	\$ 7,399.5	\$ 9,271.5	\$ 8,963.0

<b>Selected Worldwide Equipment Rental Operating Data</b>					
Rental and rental related revenue <sup>(m)</sup> (in millions of dollars)	\$ 937.9	\$ 1,032.5	\$ 1,254.3	\$ 555.8	\$ 680.5
Same store revenue growth <sup>(n)</sup>	3.3%	13.3%	21.6%	19.2%	25.8%
Average acquisition cost of rental equipment operated during period (in millions of dollars)	\$ 2,281.8	\$ 2,305.7	\$ 2,588.0	\$ 2,460.6	\$ 2,880.8
Revenue earning equipment, net (in millions of dollars)	\$ 1,331.3	\$ 1,525.7	\$ 2,075.5	\$ 1,893.8	\$ 2,466.8

(a) Hertz has restated its previously issued consolidated statement of operations for the Predecessor period ended December 20, 2005. An explanation of the Restatement appears in Note 1A to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus. The Restatement resulted in the previously reported provision for taxes on income to increase by \$27.5 million and net income to decrease by \$27.5 million, due to the recording of additional non-cash tax expense relating to dividends repatriated prior to the Acquisition.

A split presentation of an annual period is required under accounting principles generally accepted in the United States of America, or "GAAP," when a change in accounting basis occurs. Consequently, the combined presentation for 2005 is not a recognized presentation under GAAP. Accounting for an acquisition requires that the historical carrying values of assets acquired and liabilities assumed be adjusted to fair value. This results in a higher cost basis associated with the allocation of the purchase price, which affects post-acquisition period results and period-to-period comparisons. We believe presenting only the separate Predecessor and Successor periods for the year ended December 31, 2005 in our consolidated statements of operations may impede understanding of our operating performance. The impact of the Acquisition on the 11-day Successor period does not materially affect the comparison of the annual periods and, accordingly, we have also presented our results of operations for the year ended December 31, 2005 (combined, as restated.) For a discussion of the presentation of our results for the year ended December 31, 2005 on a combined basis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations."

(b)

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Includes fees and certain cost reimbursements from our licensees and revenues from our third-party claim management services.

(c)

For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Successor six months ended June 30, 2006, depreciation of revenue earning equipment was reduced by \$33.8 million, \$1.2 million and \$14.1 million, respectively, resulting from the net effects of changing depreciation rates to reflect changes in the estimated residual value of revenue earning equipment upon disposal. For the years ended December 31, 2003, 2004, the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Predecessor and Successor six months ended June 30, 2005 and 2006, respectively, depreciation of revenue earning equipment includes a net loss of \$0.8 million and net gains of \$57.2 million, \$68.3 million, \$2.1 million, \$41.2 million and \$26.3 million, respectively, from the disposal of revenue earning equipment.

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- (d) For the years ended December 31, 2003, 2004, the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Predecessor and Successor six months ended June 30, 2005 and 2006, respectively, interest income was \$17.9 million, \$23.7 million, \$36.1 million, \$1.1 million, \$16.9 million and \$16.5 million, respectively.
- (e) For the year ended December 31, 2004, includes benefits of \$46.6 million relating to net adjustments to federal and foreign tax accruals. For the Predecessor period ended December 20, 2005, includes the reversal of a valuation allowance on foreign tax credit carryforwards of \$35.0 million (established in 2004) and favorable foreign tax adjustments of \$5.3 million, partly offset by a \$31.3 million provision relating to the repatriation of foreign earnings. For the six months ended June 30, 2006, we established valuation allowances of \$11.1 million relating to the realization of deferred tax assets in certain European countries.
- (f) Amounts for the Predecessor periods and the Successor period ended December 31, 2005 are computed based upon 229,500,000 shares of common stock outstanding immediately after the Acquisition applied to our historical net income (loss) amounts. Amounts for the Successor six months ended June 30, 2006 are computed based on the weighted average shares outstanding during the period applied to our historical net income (loss) amount.
- (g) Assuming an estimated offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus, the unaudited pro forma earnings (loss) per share has been computed to give effect to the issuance of 88,235,000 shares to be sold in this offering, the proceeds of which will be used to repay the Hertz Holdings Loan Facility and to pay a special cash dividend to stockholders.

	For the Periods from			Pro forma as adjusted Combined 2005	Six Months Ended June 30, 2006	Pro forma as adjusted Six Months ended June 30, 2006
	January 1, 2005 to December 20, 2005	December 21, 2005 to December 31, 2005	Combined 2005			
<b>Numerator:</b>						
Net income (loss) (as reported)	\$ 371.3	\$ (21.3)	\$ 350.0	\$ 3.3	\$ (31.4)	\$ (33.3)
<b>Denominator:</b>						
Weighted average shares outstanding as reported	229.5	229.5	229.5	229.5	230.1	230.1
<b>Add:</b>						
Shares to be sold in this offering the proceeds of which will be used for the repayment of the Hertz Holdings Loan Facility and payment of a special cash dividend to stockholders	88.2	88.2	88.2	88.2	88.2	88.2
Pro forma weighted average shares outstanding basic and diluted <sup>(1)</sup>	317.7	317.7	317.7	317.7	318.3	318.3
Pro forma earnings (loss) per share basic	\$ 1.17	\$ (0.07)	\$ 1.10	\$ 0.01	\$ (0.10)	\$ (0.10)
Pro forma earnings (loss) per share diluted	\$ 1.17	\$ (0.07)	\$ 1.10	\$ 0.01	\$ (0.10)	\$ (0.10)

- (1) The pro forma diluted weighted average shares outstanding for the six months ended June 30, 2006 excludes the impact of approximately 14 million stock options, because such impact would be antidilutive.



(h)

We present EBITDA and Corporate EBITDA in this prospectus to provide investors with supplemental measures of our operating performance and liquidity and, in the case of Corporate EBITDA, information utilized in the calculation of the financial covenants under Hertz's senior credit facilities. EBITDA, as used in this prospectus, is defined as consolidated net income before net interest expense, consolidated income taxes and consolidated depreciation and amortization. Corporate EBITDA differs from the term "EBITDA" as it is commonly used. Corporate EBITDA, as used in this prospectus, means "EBITDA" as that term is defined under Hertz's senior credit facilities, which is generally consolidated net income before net interest expense (other than interest expense relating to certain car rental fleet financing), consolidated income taxes, consolidated depreciation (other than depreciation related to the car rental fleet) and amortization and before certain other items, in each case as more fully defined in the agreements governing Hertz's senior credit facilities. The other items excluded in this calculation include, but are not limited to: non-cash expenses and charges; extraordinary, unusual or non-recurring gains or losses; gains or losses associated with the sale or writedown of assets not in the ordinary course of

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business; certain management fees paid to the Sponsors; and earnings to the extent of cash dividends or distributions paid from non-controlled affiliates. Further, the covenants in our senior credit facilities are calculated using Corporate EBITDA for the most recent four fiscal quarters as a whole. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or for any complete fiscal year.

Management uses EBITDA and Corporate EBITDA as performance and cash flow metrics for internal monitoring and planning purposes, including the preparation of our annual operating budget and monthly operating reviews, as well as to facilitate analysis of investment decisions. In addition, both metrics are important to allow us to evaluate profitability and make performance trend comparisons between us and our competitors. Further, we believe EBITDA and Corporate EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industries.

EBITDA is also used by management and investors to evaluate our operating performance exclusive of financing costs and depreciation policies. Further, because we have two business segments that are financed differently and have different underlying depreciation characteristics, EBITDA enables investors to isolate the effects on profitability of operating metrics such as revenue, operating expenses and selling, general and administrative expenses. In addition to its use to monitor performance trends, EBITDA provides a comparative metric to management and investors that is consistent across companies with different capital structures and depreciation policies. This enables management and investors to compare our performance on a consolidated basis and on a segment basis to that of our peers. In addition, our management uses consolidated EBITDA as a proxy for cash flow available to finance fleet expenditures and the costs of our capital structure on a day-to-day basis so that we can more easily monitor our cash flows when a full statement of cash flows is not available.

Corporate EBITDA also serves as an important measure of our performance. Corporate EBITDA for our car rental segment enables us to assess our operating performance inclusive of fleet management performance, depreciation assumptions and the cost of financing of our fleet. In addition, Corporate EBITDA for our car rental segment allows us to compare our performance, inclusive of fleet mix and financing decisions, to the performance of our competitors. Since most of our competitors utilize asset-backed fleet debt to finance fleet acquisitions, this measure is relevant for evaluating our operating efficiency inclusive of our fleet acquisition and utilization. For our equipment rental segment, Corporate EBITDA provides an appropriate measure of performance because the investment in our equipment fleet is longer-term in nature than for our car rental segment and therefore Corporate EBITDA allows management to assess operating performance exclusive of interim changes in depreciation assumptions. Further, unlike our car rental segment, our equipment rental fleet is not financed through separate securitization-based fleet financing facilities, but rather as part of our corporate debt. Corporate EBITDA for our equipment rental segment is a key measure used to make investment decisions because it enables us to evaluate return on investments. For both segments, Corporate EBITDA provides a relevant profitability metric for use in comparison of our performance against our public peers, many of whom publicly disclose a comparable metric. In addition, we believe that investors, analysts and rating agencies consider EBITDA and Corporate EBITDA useful in measuring our ability to meet our debt service obligations and make capital expenditures. Several of our material debt covenants are based on Corporate EBITDA and non-compliance with those covenants could result in the requirement to immediately repay all amounts outstanding under those agreements, which could have a material adverse effect on our results of operations, financial position and cash flows.

EBITDA and Corporate EBITDA are not recognized measurements under GAAP. When evaluating our operating performance or liquidity, investors should not consider EBITDA and Corporate EBITDA in isolation of, or as a substitute for, measures of our financial performance and liquidity as determined in accordance with GAAP, such as net income, operating income or net cash provided by operating activities. EBITDA and Corporate EBITDA may have material limitations as performance measures because they exclude items that are necessary elements of our costs and operations. Because other companies may calculate EBITDA and Corporate EBITDA differently than we do, EBITDA may not be, and Corporate EBITDA as presented in this prospectus is not, comparable to similarly titled measures reported by other companies.

The calculations of Pro forma Corporate EBITDA in the table above reflect historical financial data except for car rental fleet interest, which has been calculated on a pro forma basis to give effect to our new capital structure as if the fleet financings associated with the Transactions had occurred on January 1, 2005. This calculation may not be representative of the calculation of Corporate EBITDA under Hertz's senior credit facilities for any period prior to December 31, 2006 because consolidated interest expense (as defined in the agreements governing Hertz's senior credit facilities), a component of Corporate EBITDA, is calculated on a transitional basis until such date. As of June 30, 2006, Corporate EBITDA under this transitional formula would have been higher than the amount shown in the table above. Accordingly, we believe that the presentation of this amount would be misleading to investors and have instead provided what we believe to be a more meaningful calculation of Corporate EBITDA.

Borrowings under Hertz's senior credit facilities are a key source of our liquidity. Hertz's ability to borrow under these senior credit facilities depends upon, among other things, the maintenance of a sufficient borrowing base and compliance with the financial ratio covenants based on Corporate EBITDA set forth in the credit agreements for Hertz's senior credit facilities. Hertz's senior term loan facility requires it to maintain a specified consolidated leverage ratio and consolidated interest expense coverage ratio based on Corporate EBITDA, while its senior asset-based loan facility requires that a specified consolidated leverage ratio and consolidated fixed charge coverage ratio be maintained for periods during which there is less than \$200 million of available borrowing capacity under the senior asset-based loan facility. These financial covenants will be applicable to Hertz beginning with the four-quarter period ending September 30, 2006. Failure to comply with these financial ratio covenants would result in a default under the credit agreements for Hertz's senior credit facilities.



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and, absent a waiver or an amendment from the lenders, permit the acceleration of all outstanding borrowings under the senior credit facilities. Although we were not required to be in compliance with the above financial covenants as of June 30, 2006, we performed the calculations associated with them (noted below) and determined that we would have been in compliance, if compliance had been necessary, both under the transition rule as set forth in the credit agreements governing the senior credit facilities and as described in this footnote (h).

As of June 30, 2006, Hertz had aggregate principal amounts outstanding of \$1,783.4 million and \$654.1 million pursuant to its senior term loan facility and its senior asset-based loan facility, respectively. For the twelve months ended September 30, 2006, Hertz will be required under the senior term loan facility to have a consolidated leverage ratio of not more than 6.75:1 and a consolidated interest expense coverage ratio of not less than 1.25:1. In addition, under its senior asset-based loan facility, if there is less than \$200 million of available borrowing capacity under that facility as of September 30, 2006, Hertz will be required to have a consolidated leverage ratio of not more than 6.75:1 and a consolidated fixed charge coverage ratio of not less than 1:1 for the twelve months then ended. Had the covenants under the senior term loan facility been applicable to us for the twelve months ended June 30, 2006, on a pro forma basis, we would have had a consolidated leverage ratio of approximately 6.0:1 and a consolidated interest expense coverage ratio of approximately 2.0:1. Since we have maintained sufficient borrowing capacity under our senior asset-based loan facility as of June 30, 2006, 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 Hertz's senior credit facilities, see "Description of Certain Indebtedness Senior Credit Facilities." We have a significant amount of debt. For a discussion of the risks associated with our significant leverage, see "Risk Factors Risks Relating to Our Substantial Indebtedness."

The following table reconciles historical net income (loss) to EBITDA for the years ended December 31, 2003 and 2004 and historical net income (loss) to EBITDA and (i) on a pro forma basis to Corporate EBITDA for the Predecessor period ended December 20, 2005 (as restated), the Successor period ended December 31, 2005, the combined year ended December 31, 2005 (as restated) and the Predecessor six month period ended June 30, 2005 and (ii) on an actual basis to Corporate EBITDA for the Successor six month period ended June 30, 2006:

	Predecessor		Predecessor		Successor	Combined	Predecessor	Successor
	For the Periods From							
	Years Ended December 31,		January 1 to December 20,	December 21 to December 31,	Year Ended December 31,	Six Months Ended June 30,		
	2003	2004	2005 Restated	2005	2005 Restated	2005	2006	
	(Dollars in millions)							
Net income (loss) <sup>(1)</sup>	\$ 158.6	\$ 365.5	\$ 371.3	\$ (21.3)	\$ 350.0	\$ 120.1	\$ (31.4)	
Depreciation and amortization <sup>(2)</sup>	1,676.1	1,641.5	1,739.0	51.4	1,790.4	849.9	973.8	
Interest, net of interest income <sup>(1)(3)</sup>	355.0	384.4	474.2	25.8	500.0	212.1	422.9	
Provision (benefit) for taxes on income	78.9	133.9	191.3	(12.2)	179.1	64.9	18.1	
<b>EBITDA</b>	<b>2,268.6</b>	<b>2,525.3</b>	<b>2,775.8</b>	<b>43.7</b>	<b>2,819.5</b>	<b>1,247.0</b>	<b>1,383.4</b>	
Adjustments:								
Deduct pro forma car rental fleet interest <sup>(4)</sup>			(313.0)	(9.2)	(322.2)	(157.7)	(196.3)	
Deduct car rental fleet depreciation <sup>(5)</sup>			(1,344.1)	(37.4)	(1,381.5)	(650.0)	(716.6)	
Non-cash expenses and charges <sup>(6)</sup>			23.0	(0.7)	22.3	20.4	64.9	
Extraordinary, unusual or non-recurring gains or losses <sup>(7)</sup>			2.8		2.8	0.5	2.3	
Sponsors' fees							1.7	
<b>Pro forma Corporate EBITDA<sup>(8)</sup></b>			<b>\$ 1,144.5</b>	<b>\$ (3.6)</b>	<b>\$ 1,140.9</b>	<b>\$ 460.2</b>	<b>\$ 539.4</b>	

<b>Predecessor</b>	<b>Predecessor</b>	<b>Successor</b>	<b>Combined</b>	<b>Predecessor</b>	<b>Successor</b>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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- (1) For the Successor six month period ended June 30, 2006, includes corporate audit fees of \$0.1 million and \$0.2 million of interest expense attributable to Hertz Holdings. For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor six month period ended June 30, 2005 and the Successor six month period ended June 30, 2006, includes corporate minority interest of \$(12.3) million, \$(0.3) million, \$(5.0) million and \$(7.3) million, respectively.
- (2) For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor six month period ended June 30, 2005 and the Successor six month period ended June 30, 2006, depreciation and amortization was \$1,485.9 million, \$42.6 million, \$722.9 million and \$807.8 million, respectively, in our car rental segment and \$248.2 million, \$8.6 million, \$124.5 million and \$162.7 million, respectively, in our equipment rental segment.
- (3) For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor six month period ended June 30, 2005 and the Successor six month period ended June 30, 2006, interest, net of interest income was \$349.2 million, \$15.8 million, \$163.5 million and \$208.7 million, respectively, in our car rental segment and \$86.4 million, \$3.4 million, \$41.2 million and \$63.2 million, respectively, in our equipment rental segment.
- (4) As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA includes a reduction for certain car rental fleet related interest. For the Predecessor periods presented, car rental fleet interest has been calculated on a pro forma basis to give effect to the U.S. and international fleet debt financings entered into as part of the Transactions as if they had occurred on January 1, 2005. For the Successor period presented, car rental fleet interest is based on actual results.
- (5) As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA includes a reduction for car rental fleet depreciation. For pro forma purposes, car rental fleet depreciation does not vary from the historical amounts.
- (6) For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor six month period ended June 30, 2005 and the Successor six month period ended June 30, 2006, non-cash expenses and charges were \$11.7 million, \$2.1 million, \$4.9 million and \$40.2 million, respectively, in our car rental segment and \$1.0 million, \$0.0 million, \$(0.1) million and \$0.8 million, respectively, in our equipment rental segment.

As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA excludes the impact of certain non-cash expenses and charges. The adjustments reflect the following:

Predecessor	Successor	Combined	Predecessor	Successor
For the Periods From		Year Ended	Six Months Ended June 30,	
January 1, 2005 to December 20, 2005	December 21 to December 31, 2005	December 31, 2005	2005	2006

(Dollars in millions)

Corporate non-cash stock-based employee compensation charges	\$ 10.5	\$ 10.5	\$ 3.2	\$ 2.0
Corporate unrealized losses (gains) on currency translation of Euro denominated senior notes		(2.8)	(2.8)	21.5
Non-cash amortization of debt financing costs included in car rental fleet interest		2.1	2.1	39.3
Non-cash charges for workers' compensation	12.5	12.5	4.7	1.7
			12.5	

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	<u>Predecessor</u>	<u>Successor</u>	<u>Combined</u>	<u>Predecessor</u>	<u>Successor</u>
Corporate non-cash charges for pension					
Corporate unrealized loss on derivatives					0.4
<b>Total</b>	<b>\$ 23.0</b>	<b>\$ (0.7)</b>	<b>\$ 22.3</b>	<b>\$ 20.4</b>	<b>\$ 64.9</b>

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(7)

As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA excludes the impact of extraordinary, unusual or non-recurring gains or losses or charges or credits. The adjustments reflect the following:

	Predecessor	Successor	Combined	Predecessor	Successor
	For the Periods From		Year Ended	Six Months Ended June 30,	
	January 1, 2005 to December 20, 2005	December 21 to December 31, 2005	December 31, 2005	2005	2006
(Dollars in millions)					
European car rental relocation costs	\$ 4.0	\$	\$ 4.0	\$	\$
Car rental concession and lease settlements	(3.9)		(3.9)	1.0	
Car rental insurance settlements	(3.6)		(3.6)	(3.6)	
Charge related to Hurricane Katrina:					
Car rental	1.5		1.5		
Equipment Rental	1.2		1.2		
Corporate and Other					
Total	2.7		2.7		
Car rental value added tax settlement	1.7		1.7		
Corporate pension settlement loss recorded in connection with the Supplemental Employee Retirement Plan	1.1		1.1	1.1	
Car rental legal settlements	0.8		0.8	2.0	
Cost incurred in closing of car sales locations					2.3
Total	\$ 2.8	\$	\$ 2.8	\$ 0.5	\$ 2.3

(8)

Car rental fleet interest has been presented on a pro forma basis to give effect to the U.S. and international fleet debt financings entered into as part of the Transactions as if they had occurred on January 1, 2005 for all periods presented, except for the Successor six month period ended June 30, 2006, which is based on actual results.



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The following table reconciles historical net cash provided by (used in) operating activities to EBITDA for the years ended December 31, 2003 and 2004, the Predecessor period ended December 20, 2005 (as restated), the Successor period ended December 31, 2005, the combined year ended December 31, 2005 (as restated) and the Predecessor and Successor six month periods ended June 30, 2005 and 2006, respectively:

	Predecessor		Predecessor		Successor		Combined		Predecessor		Successor			
	For the Periods From													
	Years Ended December 31,		January 1 to December 20,		December 21 to December 31,		Year Ended December 31,		Six Months Ended June 30,					
	2003		2004		2005 Restated		2005		2005 Restated		2005		2006	
(Dollars in millions)														
Net cash provided by (used in) operating activities	\$	1,899.3	\$	2,251.4	\$	1,727.5	\$	(274.7)	\$	1,452.8	\$	1,665.5	\$	2,104.1
Stock-based employee compensation		(6.0)		(5.6)		(10.5)				(10.5)		(3.2)		(2.0)
Provision for public liability and property damage		(178.3)		(153.1)		(158.1)		(1.9)		(160.0)		(68.5)		(86.4)
Minority interest				(3.2)		(12.3)		(0.3)		(12.6)		(3.1)		(7.3)
Deferred income taxes		(260.8)		(129.6)		411.5		12.2		423.7		(57.7)		(18.4)
Payments of public liability and property damage claims and expenses		155.2		178.7		155.9		7.9		163.8		86.6		95.0
Provision (benefit) for taxes on income		78.9		133.9		191.3		(12.2)		179.1		64.9		18.1
Interest expense, net of interest income		355.0		384.4		474.2		25.8		500.0		212.1		422.9
Net changes in assets and liabilities		225.3		(131.6)		(3.7)		286.9		283.2		(649.6)		(1,142.6)
<b>EBITDA</b>	<b>\$</b>	<b>2,268.6</b>	<b>\$</b>	<b>2,525.3</b>	<b>\$</b>	<b>2,775.8</b>	<b>\$</b>	<b>43.7</b>	<b>\$</b>	<b>2,819.5</b>	<b>\$</b>	<b>1,247.0</b>	<b>\$</b>	<b>1,383.4</b>

- (i) Substantially all of our revenue earning equipment, as well as certain related assets, are owned by special purpose entities, or are subject to liens in favor of our lenders. Substantially all our other assets in the United States are also subject to liens in favor of our lenders, and substantially all our other assets outside the United States are (with certain limited exceptions) subject to liens in favor of our lenders. None of such assets are available to satisfy the claims of our general creditors.
- (j) Includes equity contributions totaling \$2,295 million to Hertz Holdings from investment funds associated with or designated by the Sponsors on or prior to December 21, 2005 and the payment of special cash dividends of approximately \$999.2 million to our stockholders on June 30, 2006.
- (k) Transaction days represents the total number of days that vehicles were on rent in a given period.
- (l) Car rental rate revenue consists of all revenue, net of discounts, associated with the rental of cars including charges for optional insurance products, but excluding revenue derived from fueling and concession and other expense pass-throughs, NeverLost units and certain ancillary revenue. Rental rate revenue per transaction day is calculated as total rental rate revenue, divided by the total number of transaction days, with all periods adjusted to eliminate the effect of fluctuations in foreign currency. Our management believes eliminating the effect of fluctuations in foreign currency is appropriate so as not to affect the comparability of underlying trends. This statistic is important to management as it represents the best

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measurement of the changes in underlying pricing in the car rental business and encompasses the elements in car rental pricing that management has the ability to control.

	Historical					
	Predecessor		Combined	Predecessor		Successor
	Year Ended December 31,			Six Months Ended June 30,		
	2003	2004	2005	2005	2006	
	(Dollars in millions)					
Car rental revenue per statement of operations	\$ 4,819.3	\$ 5,430.8	\$ 5,949.9	\$ 2,824.5	\$ 2,992.3	
Non-rental rate revenue	(491.9)	(561.4)	(758.2)	(346.5)	(406.6)	
Foreign currency adjustment	85.1	(37.8)	(59.2)	(53.7)	(33.4)	
Rental rate revenue	<u>\$ 4,412.5</u>	<u>\$ 4,831.6</u>	<u>\$ 5,132.5</u>	<u>\$ 2,424.3</u>	<u>\$ 2,552.3</u>	
Transaction days (in millions)	102.28	115.25	122.10	58.40	59.17	
Rental rate revenue per transaction day	\$ 43.14	\$ 41.92	\$ 42.03	\$ 41.51	\$ 43.13	

(m)

Equipment rental and rental related revenue consists of all revenue, net of discounts, associated with the rental of equipment including charges for delivery, loss damage waivers and fueling, but excluding revenue arising from the sale of equipment, parts and supplies and certain other ancillary revenue. Rental and rental related revenue is adjusted in all periods to eliminate the effect of fluctuations in foreign currency. Our management believes eliminating the effect of fluctuations in foreign currency is appropriate so as not to affect the comparability of underlying trends. This statistic is important to our management as it is utilized in the measurement of rental revenue generated per dollar invested in fleet on an annualized basis and is comparable with the reporting of other industry participants.

	Historical					
	Predecessor		Combined	Predecessor		Successor
	Year Ended December 31,			Six Months Ended June 30,		
	2003	2004	2005	2005	2006	
	(Dollars in millions)					
Equipment rental revenue per statement of operations	\$ 1,037.8	\$ 1,162.0	\$ 1,414.9	\$ 630.1	\$ 783.3	
Equipment sales and other revenue	(122.4)	(134.2)	(158.8)	(72.3)	(97.2)	
Foreign currency adjustment	22.5	4.7	(1.8)	(2.0)	(5.6)	
Rental and rental related revenue	<u>\$ 937.9</u>	<u>\$ 1,032.5</u>	<u>\$ 1,254.3</u>	<u>\$ 555.8</u>	<u>\$ 680.5</u>	

(n)

Same store revenue growth represents the change in the current period total same store revenue over the prior period total same store revenue as a percentage of the prior period. The same store revenue amounts are adjusted in all periods to eliminate the effect of fluctuations in foreign currency. Our management believes eliminating the effect of fluctuations in foreign currency is appropriate so as not to affect the comparability of underlying trends.

## RISK FACTORS

*Our business is subject to a number of important risks and uncertainties, some of which are described below. Any of these risks may have a material adverse effect on our business, financial condition, results of operations and cash flows. In such a case, you may lose all or part of your investment in our common stock.*

### **Risks Related to Our Business**

***An economic downturn could result in a decline in business and leisure travel and non-residential capital investment, which could harm our business.***

Our results of operations are affected by many economic factors, including the level of economic activity in the markets in which we operate. A decline in economic activity either in the United States or in international markets may have a material adverse effect on our business. In the car rental business, a decline in economic activity typically results in a decline in both business and leisure travel and, accordingly, a decline in the volume of car rental transactions. In the equipment rental business, a decline in economic activity typically results in a decline in activity in non-residential construction and other businesses in which our equipment rental customers operate and, therefore, results in a decline in the volume of equipment rental transactions. In the case of a decline in car or equipment rental activity, we may reduce rental rates to meet competitive pressures, which could have a material adverse effect on our results of operations. A decline in economic activity also may have a material adverse effect on residual values realized on the disposition of our revenue earning cars and/or equipment.

***We face intense competition that may lead to downward pricing, or an inability to increase prices, which could have a material adverse impact on our results of operations.***

The markets in which we operate are highly competitive. See "Business Worldwide Car Rental Competition" and "Business Equipment Rental Competition." We believe that price is one of the primary competitive factors in the car and equipment rental markets. Our competitors, some of whom may have access to substantial capital, may seek to compete aggressively on the basis of pricing. To the extent that we match competitors' downward pricing, it could have a material adverse impact on our results of operations. To the extent that we do not match or remain within a reasonable competitive distance from our competitors' pricing, it could also have a material adverse impact on our results of operations, as we may lose rental volume. The Internet has increased pricing transparency among car rental companies by enabling cost-conscious customers, including business travelers, to more easily obtain the lowest rates available from car rental companies for any given trip. This transparency may increase the prevalence and intensity of price competition in the future.

***Our car rental business is dependent on the air travel industry, and disruptions in air travel patterns could harm our business.***

We estimate that approximately 71% of our worldwide car rental revenues during the twelve months ended June 30, 2006 were generated at our airport rental locations. Significant capacity reductions or airfare increases (e.g., due to an increase in fuel costs) could result in reduced air travel and have a material adverse effect on our results of operations. In addition, any event that disrupts or reduces business or leisure air travel could have a material adverse effect on our results of operations. In particular, certain U.S. airlines have experienced economic distress in recent years, resulting in the bankruptcy proceedings of Delta Air Lines, Inc., Northwest Airlines Corporation, United Air Lines, Inc. and US Airways Group, Inc. Any further deterioration in the economic condition of U.S. and international airlines could exacerbate reductions in air travel. Other events that impact air travel could include work stoppages, military conflicts, terrorist incidents, natural disasters, epidemic diseases, or the response of governments to any of these events. For example, shortly before the September 11,

2001 terrorist attacks, we estimated that we would earn a pre-tax profit of approximately \$250 million in 2001; by contrast, our actual pre-tax profit for 2001 was only approximately \$3 million, and we continued to feel the adverse effects of the attacks well into the following year. On a smaller scale, the 2003 outbreak of Severe Acute Respiratory Syndrome, or "SARS," in the Toronto, Canada area and parts of Asia, significantly reduced our 2003 results of operations in Canada.

***Our business is highly seasonal, and a disruption in rental activity during our peak season could materially adversely affect our results of operations.***

Certain significant components of our expenses, including real estate taxes, rent, utilities, maintenance and other facility-related expenses, the costs of operating our information systems and minimum staffing costs, are fixed in the short-run. Seasonal changes in our revenues do not alter those fixed expenses, typically resulting in higher profitability in periods when our revenues are higher and lower profitability in periods when our revenues are lower. The second and third quarters of the year have historically been our strongest quarters due to their increased levels of leisure travel and construction activity. In 2005, the second and third quarters accounted for approximately 25% and 28% of total revenues and 29% and 49% of income before income taxes and minority interest, respectively. Any occurrence that disrupts rental activity during the second or third quarters could have a disproportionately material adverse effect on our liquidity and/or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

***We may not be successful in our business strategy to expand into the off-airport rental market, including marketing to replacement renters and insurance companies that reimburse or pay for such rentals.***

We have been increasing our presence in the off-airport car rental market in the United States. We currently intend to pursue profitable growth opportunities in the off-airport market. We may do this through a combination of selected new location openings, a disciplined evaluation of existing locations and the pursuit of same-store sales growth. In order to increase revenues at our existing and any new off-airport locations, we will need to successfully market to insurance companies and other companies that provide rental referrals to those needing cars while their vehicles are being repaired or are temporarily unavailable for other reasons, as well as to the renters themselves. This could involve a significant number of additional off-airport locations or strategic changes with respect to our existing locations. We incur minimal non-fleet costs in opening our new off-airport locations, but new off-airport locations, once opened, take time to generate their full potential revenues. As a result, revenues at new locations do not initially cover their start-up costs and often do not, for some time, cover the costs of their ongoing operation. See "Business Worldwide Car Rental Operations." The results of this strategy and the success of our implementation of this strategy will not be known for a number of years. If we are unable to grow profitably in our off-airport network, properly react to changes in market conditions or successfully market to replacement renters and the insurance companies covering the cost of their rentals, our financial condition, results of operations and cash flows could be materially adversely affected.

***We face risks of increased costs of cars and equipment and of decreased profitability, including as a result of limited supplies of competitively priced cars or equipment.***

We believe we are one of the largest private sector purchasers of new cars in the world for our rental fleet, and during the twelve months ended June 30, 2006, our approximate average holding period for a rental car was ten months in the United States and nine months in our international car rental operations. In recent years, the average cost of new cars has increased. In the United States, increases of approximately 17% in monthly per-car depreciation costs for 2006 model year program cars began to adversely affect our results of operations in the fourth quarter of 2005, as those cars

began to enter our fleet. On a comparable basis, we expect 2007 model year program vehicle depreciation costs to rise approximately 20% and per-car depreciation costs for 2007 model year U.S. risk cars to decline slightly. As a consequence of those changes in per-car costs, as well as the larger proportion of our U.S. fleet we expect to purchase as risk cars and other actions we expect to take to mitigate program car cost increases, we expect our net per-car depreciation costs for 2007 model year cars in the United States will increase by approximately 6% from our net per-car depreciation costs for 2006 model year U.S. cars. We will begin to experience the impact of those cost changes and mitigation actions in the fourth quarter of 2006, as substantial numbers of 2007 model year cars begin to enter our U.S. rental fleet. We may not be able to offset these car cost increases to a degree sufficient to maintain our profitability.

Historically, we have purchased more of the cars we rent from Ford Motor Company, or "Ford," than from any other automobile manufacturer. Over the five years ended December 31, 2005, approximately 50% of the cars acquired by us for our U.S. car rental fleet, and approximately 30% of the cars acquired by us for our international fleet, were manufactured by Ford and its subsidiaries. During the twelve months ended June 30, 2006, approximately 37% of the cars acquired by us domestically were manufactured by Ford and its subsidiaries and approximately 32% of the cars acquired by us for our international fleet were manufactured by Ford and its subsidiaries, which represented the largest percentage of any automobile manufacturer during that period. Under our Master Supply and Advertising Agreement with Ford, Ford has agreed to develop fleet offerings in the United States that are generally competitive with terms and conditions of similar offerings by other automobile manufacturers. The Master Supply and Advertising Agreement expires in 2010. See "Business Relationship with Ford Supply and Advertising Arrangements." We cannot assure you that we will be able to extend the Master Supply and Advertising Agreement beyond its current term or enter into similar agreements at reasonable terms. In the future, we expect to buy a smaller proportion of our car rental fleet from Ford than we have in the past. If Ford does not offer us competitive terms and conditions, and we are not able to purchase sufficient quantities of cars from other automobile manufacturers on competitive terms and conditions, then we may be forced to purchase cars at higher prices, or on terms less competitive, than for cars purchased by our competitors. Historically, we have also purchased a significant percentage of our car rental fleet from General Motors Corporation, or "General Motors." Over the five years ended December 31, 2005, approximately 19% of the cars acquired by us for our U.S. car rental fleet, and approximately 16% of the cars acquired by us for our international fleet, were manufactured by General Motors. During the twelve months ended June 30, 2006, approximately 22% of the cars acquired by our U.S. car rental fleet, and approximately 13% of the cars acquired by us for our international fleet, were manufactured by General Motors.

To date we have not entered into any long-term car supply arrangements with manufacturers other than Ford. In addition, certain car manufacturers, including Ford, have adopted strategies to de-emphasize sales to the car rental industry which they view as less profitable due to historical sales incentive and other discount programs that tended to lower the average cost of cars for fleet purchasers such as us. Reduced or limited supplies of equipment together with increased prices are risks that we also face in our equipment rental business. We cannot offer assurance that we will be able to pass on increased costs of cars or equipment to our rental customers. Failure to pass on significant cost increases to our customers would have a material adverse impact on our results of operations and financial condition.

***We face risks related to decreased acquisition or disposition of cars through repurchase and guaranteed depreciation programs.***

For the twelve months ended June 30, 2006, approximately 72% of the cars purchased in our combined U.S. and international car rental fleet were subject to repurchase by car manufacturers under contractual repurchase or guaranteed depreciation programs. Under these programs, car manufacturers

agree to repurchase cars at a specified price or guarantee the depreciation rate on the cars during a specified time period, typically subject to certain car condition and mileage requirements. These repurchase and guaranteed depreciation programs limit the risk to us that the market value of a car at the time of its disposition will be less than its estimated residual value at such time. We refer to this risk as "residual risk." For this reason, cars purchased by car rental companies under repurchase and guaranteed depreciation programs are sometimes referred to by industry participants as "program" cars. Conversely, those cars not purchased under repurchase or guaranteed depreciation programs for which the car rental company is exposed to residual risk are sometimes referred to as "risk" cars.

Repurchase and guaranteed depreciation programs enable us to determine our depreciation expense in advance. This predictability is useful to us, since depreciation is a significant cost factor in our operations. Repurchase and guaranteed depreciation programs are also useful in managing our seasonal peak demand for fleet, because some of them permit us to acquire cars and dispose of them after relatively short periods of time. A trade-off we face when we purchase program cars is that we typically pay the manufacturer of a program car more than we would pay to buy the same car as a risk car. Program cars thus involve a larger initial investment than their risk counterparts. If a program car is damaged or otherwise becomes ineligible for return or sale under the relevant program, our loss upon the disposition of the car will be larger than if the car had been a risk car, because our initial investment in the car was larger.

We expect the percentage of our car rental fleet subject to repurchase or guaranteed depreciation programs to decrease substantially due primarily to anticipated changes in the terms to be offered by automobile manufacturers under repurchase programs and because we expect car manufacturers to offer fewer program cars to us as part of their announced efforts to de-emphasize sales to car rental companies. Accordingly, we expect to bear increased risk relating to the residual market value and the related depreciation on our car rental fleet and to use different rotational techniques to accommodate our seasonal peak demand for cars.

Repurchase and guaranteed depreciation programs generally provide us with flexibility to reduce the size of our fleet by returning cars sooner than originally expected without risk of loss in the event of an economic downturn or to respond to changes in rental demand. This flexibility will be reduced if the percentage of program cars in our car rental fleet decreases materially. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview" and "Business Worldwide Car Rental Fleet."

In the future, car manufacturers could modify or eliminate their repurchase or guaranteed depreciation programs or change their return policies (which include condition, mileage and holding period requirements for returned cars) from one program year to another to make it disadvantageous to acquire certain cars. Any such modification or elimination would increase our exposure to the risks described in the preceding paragraphs. In addition, because we obtain a substantial portion of our financing in reliance on repurchase and guaranteed depreciation programs, the modification or elimination of those programs, or the associated return policies, by manufacturers or significant adverse changes in the financial condition of manufacturers could make needed vehicle-related debt financing significantly more difficult to obtain on reasonable terms. See " Our reliance on asset-backed financing to purchase cars subjects us to a number of risks, many of which are beyond our control."

***We could be harmed by a decline in the results of operations or financial condition of the manufacturers of our cars, particularly if they are unable, or reject their obligations, to repurchase program cars from us or to guarantee the depreciation of program cars.***

In 2005 and 2006, Ford and General Motors, which are the principal suppliers of cars to us on both a program and risk basis, have experienced deterioration in their operating results and significant declines in their credit ratings. A severe or persistent decline in the results of operations or financial

condition of a manufacturer of cars that we own could reduce the cars' residual values, particularly to the extent that the manufacturer unexpectedly announced the eventual elimination of its models or nameplates or ceased manufacturing them altogether. Such a reduction could cause us to sustain a loss on the ultimate sale of risk cars, on which we bear the risk of such declines in residual value, or require us to depreciate those cars on a more rapid basis while we own them.

In addition, if a decline in results or conditions were so severe as to cause a manufacturer to default on an obligation to repurchase or guarantee the depreciation of program cars we own, or to cause a manufacturer to commence bankruptcy reorganization proceedings, and reject its repurchase or guaranteed depreciation obligations, we would have to dispose of those program cars without the benefits of the associated programs. This could significantly increase our expenses. In addition, disposing of program cars following a manufacturer default or rejection of the program in bankruptcy could result in losses similar to those associated with the disposition of cars that have become ineligible for return or sale under the applicable program. Such losses could be material if a large number of program cars were affected. For example, we estimate that if Ford Motor Company, but not its subsidiaries, were to file for bankruptcy reorganization and reject all its commitments to repurchase program cars from us, we would sustain material losses, which could be as high as several hundred million dollars, upon disposition of those cars. A reduction in the number of program cars that we buy would reduce the magnitude of this exposure, but it would simultaneously increase our exposure to residual value risk. See " We face risks related to decreased acquisition or disposition of cars through repurchase and guaranteed depreciation programs."

Any default or reorganization of a manufacturer that has sold us program cars might also leave us with a substantial unpaid claim against the manufacturer with respect to program cars that were sold and returned to the car manufacturer but not paid for, or that were sold for less than their agreed repurchase price or guaranteed value. For the twelve months ended June 30, 2006, outstanding month-end receivables for cars sold to manufacturers were as much as \$975 million, with the highest amount for a single manufacturer being \$350 million owed by Ford. A decline in the economic and business prospects of car manufacturers, including any economic distress impacting the suppliers of car components to manufacturers, could also cause manufacturers to raise the prices we pay for cars or reduce their supply to us. In addition, events negatively affecting the car manufacturers could affect how much we may borrow under our asset-backed financing. See " Our reliance on asset-backed financing to purchase cars subjects us to a number of risks, many of which are beyond our control."

***We may not be successful in implementing our strategy of reducing operating costs and our cost reduction initiatives may have other adverse consequences.***

We intend to implement initiatives to reduce our operating expenses. These initiatives may include headcount reductions, as well as other expense controls. We cannot assure you that we will be able to implement our cost reduction initiatives successfully, or at all. Even if we are successful in our cost reduction initiatives, we may face other risks associated with our plans, including declines in employee morale or the level of customer service we provide. Any of these risks could materialize and therefore may have a material adverse impact on our results of operations, financial condition and cash flows.

***Our reliance on asset-backed financing to purchase cars subjects us to a number of risks, many of which are beyond our control.***

We rely significantly on asset-backed financing to purchase cars for our domestic and international car rental fleets. In connection with the Acquisition, a bankruptcy-remote special purpose entity wholly owned by us issued approximately \$4,300 million of new debt (plus an additional \$1,500 million in the form of variable funding notes issued but not funded at the closing of the Acquisition) backed by our U.S. car rental fleet under our U.S. asset-backed securities program, or our "ABS Program." In addition, we issued \$600 million of medium term notes backed by our U.S. car rental fleet prior to the

Acquisition, or the "pre-Acquisition ABS Notes," all of which remain outstanding. As part of the Acquisition, various of our non-U.S. subsidiaries and certain special purpose entities issued approximately \$1,781 million of debt under loan facilities secured by rental vehicles and related assets of certain of our subsidiaries (all of which are organized outside the United States) or by rental equipment and related assets of certain of our subsidiaries organized outside North America, as well as (subject to certain limited exceptions) substantially all our other assets outside North America. The asset-backed debt issued in connection with the Transactions has expected final payment dates ranging from 2008 to 2010 and the pre-Acquisition ABS Notes have expected final payment dates ranging from 2007 to 2009. Based upon these repayment dates, this debt will need to be refinanced within five years from the date of the closing of the Transactions. Consequently, if our access to asset-backed financing were reduced or were to become significantly more expensive for any reason, we cannot assure you that we would be able to refinance or replace our existing asset-backed financing or continue to finance new car acquisitions through asset-backed financing on favorable terms, or at all. Our asset-backed financing capacity could be decreased, or financing costs and interest rates could be increased, as a result of risks and contingencies, many of which are beyond our control, including, without limitation:

rating agencies that provide credit ratings for our asset-backed indebtedness, third-party credit enhancers that insure our asset-backed indebtedness or other third parties requiring changes in the terms and structure of our asset-backed financing, including increased credit enhancement (i) in connection with the incurrence of additional or refinancing of existing asset-backed debt, (ii) upon the occurrence of external events, such as changes in general economic and market conditions or further deterioration in the credit ratings of our principal car manufacturers, including Ford and General Motors, or (iii) or otherwise;

the terms and availability of third-party credit enhancement at the time of the incurrence of additional or refinancing of existing asset-backed debt;

the insolvency or deterioration of the financial condition of one or more of the third-party credit enhancers that insure our asset-backed indebtedness;

the occurrence of certain events that, under the agreements governing our asset-backed financing, could result, among other things, in (i) an amortization event pursuant to which payments of principal and interest on the affected series of asset-backed notes may be accelerated, or (ii) a liquidation event of default pursuant to which the trustee or holders of asset-backed notes would be permitted to require the sale of fleet vehicles or equipment that collateralize the asset-backed financing; or

changes in law that negatively impact our asset-backed financing structure.

Any disruption in our ability to refinance or replace our existing asset-backed financing or to continue to finance new car acquisitions through asset-backed financing, or any negative development in the terms of the asset-backed financing available to us, could cause our cost of financing to increase significantly and have a material adverse effect on our financial condition and results of operations. The assets that collateralize our asset-backed financing will not be available to satisfy the claims of our general creditors. The terms of our senior credit facilities permit us to finance or refinance new car acquisitions through other means, including secured financing that is not limited to the assets of special purpose entity subsidiaries. We may seek in the future to finance or refinance new car acquisitions, including cars excluded from the ABS Program such as our fleet in Hawaii, Kansas and Puerto Rico, through such other means. No assurances can be given, however, as to whether such financing will be available, or as to whether the terms of such financing will be comparable to the debt issued under the ABS Program.



***Fluctuations in fuel costs or reduced supplies could harm our business.***

We could be adversely affected by limitations on fuel supplies, the imposition of mandatory allocations or rationing of fuel or significant increases in fuel prices. A severe or protracted disruption of fuel supplies or significant increases in fuel prices could have a material adverse effect on our financial condition and results of operations, either by directly interfering with our normal activities or by disrupting the air travel on which a significant portion of our car rental business relies. See " Our car rental business is dependent on the air travel industry, and disruptions in air travel patterns could harm our business."

***Manufacturer safety recalls could create risks to our business.***

Our cars may be subject to safety recalls by their manufacturers. Under certain circumstances, the recalls may cause us to attempt to retrieve cars from renters or to decline to re-rent returned cars until we can arrange for the steps described in the recalls to be taken. If a large number of cars are the subject of simultaneous recalls, or if needed replacement parts are not in adequate supply, we may not be able to re-rent recalled cars for a significant period of time. We could also face liability claims if recalls affect cars that we have already sold. Depending on the severity of the recall, it could materially adversely affect our revenues, create customer service problems, reduce the residual value of the cars involved and harm our general reputation.

***We face risks arising from our heavy reliance on communications networks and centralized information systems.***

We rely heavily on information systems to accept reservations, process rental and sales transactions, manage our fleets of cars and equipment, account for our activities and otherwise conduct our business. We have centralized our information systems in two redundant facilities in Oklahoma City, Oklahoma, and we rely on communications service providers to link our systems with the business locations these systems serve. A simultaneous loss of both facilities, or a major disruption of communications between the systems and the locations they serve, could cause a loss of reservations, interfere with our ability to manage our fleet, slow rental and sales processes and otherwise materially adversely affect our ability to manage our business effectively. Our systems back-up plans, business continuity plans and insurance programs are designed to mitigate such a risk, not to eliminate it. In addition, because our systems contain information about millions of individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities leading to lower revenues, increased costs and other material adverse effects on our results of operations.

***The concentration of our reservations, accounting and information technology functions at a limited number of facilities in Oklahoma, Alabama and Ireland creates risks for us.***

We have concentrated our reservations functions for the United States in two facilities, one in Oklahoma City, Oklahoma, and one in Saraland (Mobile County), Alabama, and we have concentrated our accounting functions for the United States in two facilities in Oklahoma City. Similarly, we have concentrated reservations and accounting functions for our European operations in a single facility near Dublin, Ireland. In addition, our major information systems are centralized in two of our facilities in Oklahoma City. A disruption of normal business at any of our principal facilities in Oklahoma City, Saraland or Dublin, whether as the result of localized conditions (such as a fire or explosion) or as the result of events or circumstances of broader geographic impact (such as an earthquake, storm, flood, epidemic, strike, act of war, civil unrest or terrorist act), could materially adversely affect our business by disrupting normal reservations, customer service, accounting and systems activities. Our systems designs, business continuity plans and insurance programs are designed to mitigate those risks, not to eliminate them, and this is particularly true with respect to events of broad geographic impact.

***Claims that the software products and information systems that we rely on are infringing on the intellectual property rights of others could increase our expenses or inhibit us from offering certain services, which could adversely affect our results of operations.***

A number of entities, including some of our competitors, have sought, or may in the future obtain, patents and other intellectual property rights that cover or affect software products and other components of information systems that we rely on to operate our business. For example, Enterprise Rent-A-Car Company, or "Enterprise," has asserted that certain systems we use to conduct insurance replacement rentals would infringe on patent rights it would obtain if it were granted certain patents for which it has applied.

Litigation may be necessary to determine the validity and scope of third-party rights or to defend against claims of infringement. If a court determines that one or more of the software products or other components of information systems we use infringe on intellectual property owned by others or we agree to settle such a dispute, we may be liable for money damages. In addition, we may be required to cease using those products and components unless we obtain licenses from the owners of the intellectual property, redesign those products and components in such a way as to avoid infringement or cease altogether the use of those products and components. Each of these alternatives could increase our expenses materially or impact the marketability of our services. Any litigation, regardless of the outcome, could result in substantial costs and diversion of resources and could have a material adverse effect on our business. In addition, a third-party intellectual property owner might not allow us to use its intellectual property at any price, or on terms acceptable to us, which could materially affect our competitive position and our results of operations. For example, if Enterprise were to obtain the patent rights referred to above and after that pursue and prevail on claims of infringement similar to those it has previously asserted, it could have a material adverse effect on our ability to grow our insurance replacement business and, in turn, our off-airport business.

***If we acquire any businesses in the future, they could prove difficult to integrate, disrupt our business, or have an adverse effect on our results of operations.***

We intend to pursue growth primarily through internal growth, but from time to time we may consider opportunistic acquisitions which may be significant. Any future acquisition would involve numerous risks including, without limitation:

potential disruption of our ongoing business and distraction of management;

difficulty integrating the acquired business; and

exposure to unknown liabilities, including litigation against the companies we may acquire.

If we make acquisitions in the future, acquisition-related accounting charges may affect our balance sheet and results of operations. In addition, the financing of any significant acquisition may result in changes in our capital structure, including the incurrence of additional indebtedness. We may not be successful in addressing these risks or any other problems encountered in connection with any acquisitions.

***We face risks related to changes in our ownership.***

A substantial number of our airport concession agreements, as well as certain of our other agreements with third parties, require the consent of the airports' operators or other parties in connection with any change in ownership of us. Changes in ownership of us could also require the approval of other governmental authorities (including insurance regulators, regulators of our retail used car sales activities and antitrust regulators), and we cannot offer assurance that those approvals would be obtained on terms acceptable to us. If our owners were to proceed to change their ownership of us without obtaining necessary approvals, or if significant conditions on our operations were imposed in connection with obtaining such approvals, our ability to conduct our business could be impaired, resulting in a material adverse effect on our results of operations and financial condition.

***We face risks related to liabilities and insurance.***

Our businesses expose us to claims for personal injury, death and property damage resulting from the use of the cars and equipment rented or sold by us and for workers' compensation claims and other employment-related claims by our employees. Currently, we generally self-insure up to \$10 million per occurrence in the United States and Europe for vehicle and general liability exposures and maintain insurance with unaffiliated carriers in excess of such levels up to \$100 million per occurrence, or in the case of equipment rental in Europe and international operations outside of Europe, in such lower amounts as we deem adequate given the risks. We cannot assure you that we will not be exposed to uninsured liability at levels in excess of our historical levels resulting from multiple payouts or otherwise, that liabilities in respect of existing or future claims will not exceed the level of our insurance, that we will have sufficient capital available to pay any uninsured claims or that insurance with unaffiliated carriers will continue to be available to us on economically reasonable terms or at all. See "Business Risk Management" and "Business Legal Proceedings."

***We could face significant withdrawal liability if we withdraw from participation in one or more multiemployer pension plans in which we participate.***

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 withdrew from participation in one or more of these plans, then applicable law could require us to make an additional lump-sum contribution to those plans, and we would have to reflect that on our balance sheet and statement of operations. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. We currently do not expect to incur any withdrawal liability in the near future. However, 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 ones in which we participate, are reported to have significantly underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.

***We have received an informal request from the SEC to provide information about car rental services that we provide to our independent registered public accounting firm in the ordinary course of business.***

In July 2005, the Division of Enforcement of the SEC informed us that it was conducting an informal inquiry and asked Hertz to voluntarily provide documents and information related to car rental services that we provide to our independent registered public accounting firm PricewaterhouseCoopers LLP, or "PwC." The SEC noted in its letter that the inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred, or as a reflection upon any person, entity or security. We cooperated with the SEC by providing it with certain requested information in July and September 2005. Since then, we have received no further requests from the SEC with respect to this informal inquiry, but neither have we been advised that it has been closed.

After learning of this informal inquiry, our audit committee and representatives of PwC discussed PwC's independence with respect to us. PwC reconfirmed that it has been and remains independent with respect to us. In making this determination, PwC considered, among other things, its belief that PwC's arrangements with us represent arm's-length transactions that were negotiated in the normal course of business, and, therefore, that the commercial relationship does not impair PwC's independence with respect to us. If the SEC were to take a different view and it were ultimately determined that PwC was not independent with respect to us for certain periods, our filings with the SEC which contain our consolidated financial statements for such periods would be non-compliant with applicable securities laws. A determination that PwC was not independent with respect to us could, among other things, cause us to be in violation of, or in default under, the instruments governing our

indebtedness and airport concession agreements, limit our access to capital markets and result in regulatory sanctions. Also, in the event of such a determination, we may be required to have independent audits conducted on our previously audited financial statements by another independent registered public accounting firm for the affected periods. The time involved to conduct such independent audits may make it more difficult to obtain capital on favorable terms, or at all, pending the completion of such audits. Any of the foregoing could have a material adverse effect on our results of operations, liquidity and financial condition, the trading prices of our securities and the eligibility for listing of our common stock on The New York Stock Exchange, or "NYSE."

***Environmental laws and regulations and the costs of complying with them, or any liability or obligation imposed under them, could adversely affect our financial position, results of operations or cash flows.***

We are regulated by federal, state, local and foreign environmental laws and regulations in connection with our operations, including, among other things, with respect to the ownership and operation of tanks for the storage of petroleum products, such as gasoline, diesel fuel and motor and waste oils. We have established a compliance program for our tanks that is intended to ensure that the tanks are properly registered with the state or other jurisdiction in which the tanks are located and have been either replaced or upgraded to meet applicable leak detection and spill, overfill and corrosion protection requirements. However, we cannot assure you that these tank systems will at all times remain free from undetected leaks or that the use of these tanks will not result in significant spills.

We have made, and will continue to make, expenditures to comply with environmental laws and regulations, including, among others, expenditures for the cleanup of contamination at or emanating from, currently and formerly owned and leased properties, as well as contamination at other locations at which our wastes have reportedly been identified. We cannot assure you that compliance with existing or future environmental legislation and regulations will not require material expenditures by us or otherwise have a material adverse effect on our consolidated financial position, results of operations or cash flows. See "Business Governmental Regulation and Environmental Matters" and "Business Legal Proceedings."

***Changes in the U.S. and foreign legal and regulatory environment that impact our operations, including laws and regulations relating to the insurance products we sell, customer privacy, data security, insurance rates and expenses we pass through to customers by means of separate charges, could disrupt our business, increase our expenses or otherwise could have a material adverse effect on our results of operations.***

We are subject to a wide variety of laws and regulations in the United States and the other countries and jurisdictions in which we operate, and changes in the level of government regulation of our business have the potential to materially alter our business practices or our profitability. Depending on the jurisdiction, those changes may come about through new legislation, the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official. Sometimes those changes may have not just prospective but also retroactive effect, which is particularly true when a change is made through reinterpretation of laws or regulations that have been in effect for some time. Moreover, changes in regulation that may seem neutral on their face may have either more or less impact on us than on our competitors, depending on the circumstances.

The optional liability insurance policies and products providing insurance coverage in our domestic car rental operations are conducted pursuant to limited licenses or exemptions under state laws governing the licensing of insurance producers. In our international car rental operations, our offering of optional products providing insurance coverage historically has not been regulated. Any changes in the law in the United States or internationally that change our operating requirements with respect to insurance could increase our costs of compliance or make it uneconomical to offer such products, which would lead to a reduction in revenues. For instance, in the countries of the European Union and

Australia, the regulatory environment for insurance intermediaries is rapidly evolving, and we cannot assure you either that we will be able to continue offering such coverage without substantial changes in our offering process or in the terms of the coverage or that such changes, if required, would not render uneconomic our continued offering of the coverage. Due to a change in law in Australia, we have discontinued sales of certain insurance products there. See "Business Risk Management" for further discussion regarding how changes in the regulation of insurance intermediaries may affect us internationally.

Laws in many countries and jurisdictions limit the types of information we may collect about individuals with whom we deal or propose to deal, as well as how we collect, retain and use the information that we are permitted to collect. In addition, the centralized nature of our information systems requires the routine flow of information about customers and potential customers across national borders, particularly into the United States. If this flow of information were to become illegal, or subject to onerous restrictions, our ability to serve our customers could be seriously impaired for an extended period of time. Other changes in the regulation of customer privacy and data security could likewise have a material adverse effect on our business. Privacy and data security are rapidly evolving areas of regulation, and additional regulation in those areas, some of it potentially difficult for us to accommodate, is frequently proposed and occasionally adopted. Thus, changes in the worldwide legal and regulatory environment in the areas of customer privacy, data security and cross-border data flows could have a material adverse effect on our business, primarily through the impairment of our marketing and transaction processing activities.

Further, the substantive regulation of the rates we charge car renters, either through direct price regulation or a requirement that we disregard a customer's source market (location or place of residence) for rate purposes, could reduce our revenues or increase our expenses. We set rates based on a variety of factors including the sources of rental reservations geographically and the means through which the reservations were made, all of which are in response to various market factors and costs. The European Commission has recently considered a directive that could eventually require us to disregard the country of residence of European Union residents for rate purposes, and bills have been introduced into the New York State legislature that similarly would prevent us from charging higher rates to renters residing in certain boroughs of New York City. The adoption of any such measures could have a material adverse impact on our revenues and results of operations.

The Attorneys General of Massachusetts, Virginia and Montana have in the past year taken positions that car rental companies may not pass through to customers, by means of separate charges, various expenses, such as vehicle licensing costs and airport concession fees, that the companies incur in their business, or that our ability to pass through such expenses is limited. In Massachusetts and Virginia, as well as in most other places where we operate, we pass through various expenses, including the recovery of vehicle licensing costs and airport concession fees, to our car rental customers as separate charges; we have no corporate operations in Montana. We believe our expense pass-through charges, where imposed, are lawful, and expense pass-throughs have, when challenged, been upheld in courts of other states. The position of the Attorney General of Virginia was reversed by subsequent legislation, while the concerns of the Attorney General of Montana, which related primarily to the passing through of vehicle licensing costs, were resolved by assurances of voluntary compliance by our licensees (which permitted passing through of such costs subject to certain limitations of small operational significance). Nonetheless, we cannot offer assurance that the Attorney General of Massachusetts or other states will not take enforcement action against us with respect to our car rental expense pass-throughs. If such action were taken and the Attorneys General were to prevail, it could have a material adverse impact on our revenues and results of operations. In the United States, our revenues from car rental expense pass-throughs for the year ended December 31, 2005 and the six months ended June 30, 2006 were approximately \$287.4 million and \$156.2 million, respectively.

*After this offering, the Sponsors or their affiliates may compete directly against us.*

Corporate opportunities may arise in the area of potential competitive business activities that may be attractive to us as well as to one or more of the Sponsors, including through potential acquisitions by one or more Sponsors or their affiliates of competing businesses. Any competition could intensify if an affiliate or subsidiary of one or more of the Sponsors were to enter into or acquire a business similar to our car rental or equipment rental operations. Given that after the consummation of this offering, we will not be wholly owned by any one of the three Sponsors, the Sponsors may be inclined to direct relevant corporate opportunities to entities which they control individually rather than to us. In addition, our amended and restated certificate of incorporation will provide that the Sponsors are under no obligation to communicate or offer any corporate opportunity to us, even if such opportunity might reasonably have been expected to be of interest to us or our subsidiaries. See "Description of Capital Stock" and "Certain Relationships and Related Party Transactions Stockholders Agreement."

*The misuse of information we possess could harm our reputation or competitive position, change the price at which shares of our common stock trade or give rise to material liabilities.*

We possess non-public information with respect to millions of individuals, including our customers and our current and former employees, and thousands of businesses, as well as non-public information with respect to our own affairs. The misuse of that information by either our employees or third parties could result in material damage to our brand, reputation or competitive position or materially affect the price at which shares of our common stock trade. In addition, depending on the type of information involved, the nature of our relationship with the person or entity to which the information relates, the cause and the jurisdiction whose laws are applicable, such misuse could result in governmental investigations or material civil or criminal liability. The laws that would be applicable to such a failure are rapidly evolving and becoming more burdensome. See "Changes in the U.S. and foreign legal and regulatory environment that impact our operations, including laws and regulations relating to the insurance products we sell, customer privacy, data security, insurance rates and expenses we pass through to customers by means of separate charges, could disrupt our business, increase our expenses or otherwise could have a material adverse effect on our results of operations."

On October 18, 2006, we were advised by the U.S. Federal Bureau of Investigation, or the "FBI," that the names, social security numbers, titles and dates of hire of most of our U.S. employees as of a date in late 2002 had been found on the home computer of one of our former employees. We are cooperating with the FBI in its investigation of this matter. We believe that the information was obtained by the former employee in the course of his employment and subsequently retained by him in violation of applicable company procedures. Regardless of whether we are required by law to do so, we intend to notify the affected individuals and to offer them free credit monitoring for a fixed period of time. We cannot give assurance that this notice will not give rise to adverse publicity or damage employee morale.

#### **Risks Relating to Our Substantial Indebtedness**

*We have substantial debt and may incur substantial additional debt, which could adversely affect our financial condition, our ability to obtain financing in the future and our ability to react to changes in our business.*

We have a significant amount of debt. On a pro forma basis assuming that this offering and the use of proceeds to us thereof as described in "Use of Proceeds" occurred on June 30, 2006, we would have had approximately \$12,945.2 million of debt outstanding and a total debt to equity ratio of 5.5 to 1.0. Our substantial debt could have important consequences to you. For example, it could:

make it more difficult for us to satisfy our obligations to the holders of our outstanding debt securities and to the lenders under our senior credit facilities and the U.S. and international fleet debt financings entered into as part of the Transactions, resulting in possible defaults on and acceleration of such indebtedness;

require us to dedicate a substantial portion of our cash flows from operations to make payments on our debt, which would reduce the availability of our cash flows from operations to fund working capital, capital expenditures or other general corporate purposes;

increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings, including under the agreements governing our U.S. and international fleet debt financings entered into as part of the Transactions and our senior credit facilities, is at variable rates of interest;

place us at a competitive disadvantage to our competitors with proportionately less debt or comparable debt at more favorable interest rates;

limit our ability to refinance our existing indebtedness or borrow additional funds in the future;

limit our flexibility in planning for, or reacting to, changing conditions in our business and industry; and

limit our ability to react to competitive pressures, or make it difficult for us to carry out capital spending that is necessary or important to our growth strategy and our efforts to improve operating margins.

Any of the foregoing impacts of our substantial indebtedness could have a material adverse effect on our business, financial condition and results of operations.

***Despite our current indebtedness levels, we and our subsidiaries may be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial indebtedness.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the instruments governing our indebtedness do not prohibit us or fully prohibit us or our subsidiaries from doing so. As of June 30, 2006, our senior credit facilities provided us commitments for additional aggregate borrowings (subject to borrowing base limitations) of approximately \$1,154.0 million, and permitted additional borrowings beyond those commitments under certain circumstances. As of June 30, 2006, our U.S. and international fleet debt facilities provided us commitments for additional aggregate borrowings of approximately \$1,303.0 million and the foreign currency equivalent of \$1,217.0 million respectively, subject to borrowing base limitations. If new debt is added to our current debt levels, the related risks that we now face would increase. In addition, the instruments governing our indebtedness do not prevent us or our subsidiaries from incurring obligations that do not constitute indebtedness. On June 30, 2006, Hertz Holdings entered into the Hertz Holdings Loan Facility in order to finance the payment of the Hertz Holdings Dividend. We cannot assure you that Hertz Holdings will not enter into similar transactions in the future.

***We may not be able to generate sufficient cash to service all of our debt, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.***

Our ability to make scheduled payments on our indebtedness, or to refinance our obligations under our debt agreements, will depend on the financial and operating performance of us and our subsidiaries, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business risk factors, many of which may be beyond our control, as described under "Risks Related to Our Business" above.

We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure our indebtedness. In the future, our cash flows and capital resources may not be sufficient for payments of interest on and principal of our debt, and such alternative measures may not be successful and may not permit us to meet scheduled debt service obligations. We also cannot assure you





that we will be able to refinance any of our indebtedness or obtain additional financing, particularly because of our high levels of debt and the debt incurrence restrictions imposed by the agreements governing our debt, as well as prevailing market conditions. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The instruments governing our indebtedness restrict our ability to dispose of assets and restrict the use of proceeds from any such dispositions. We cannot assure you we will be able to consummate those sales, or, if we do, what the timing of the sales will be or whether the proceeds that we realize will be adequate to meet debt service obligations when due.

***A significant portion of our outstanding indebtedness is secured by substantially all of our consolidated assets. As a result of these security interests, such assets would only be available to satisfy claims of our general creditors or to holders of our equity securities if we were to become insolvent to the extent the value of such assets exceeded the amount of our indebtedness and other obligations. In addition, the existence of these security interests may adversely affect our financial flexibility.***

Indebtedness under our senior credit facilities is secured by a lien on substantially all our assets (other than assets of foreign subsidiaries), including pledges of all or a portion of the capital stock of certain of our subsidiaries. Our senior notes and senior subordinated notes are unsecured and therefore do not have the benefit of such collateral. Accordingly, if an event of default were to occur under our senior credit facilities, the senior secured lenders under such facilities would have a prior right to our assets, to the exclusion of our general creditors, including the holders of our senior notes and senior subordinated notes. In that event, our assets would first be used to repay in full all indebtedness and other obligations secured by them (including all amounts outstanding under our senior credit facilities), resulting in all or a portion of our assets being unavailable to satisfy the claims of our unsecured indebtedness. Furthermore, many of the subsidiaries that hold our U.S. and international car rental fleets in connection with our asset-backed financing programs are intended to be bankruptcy remote and the assets held by them may not be available to our general creditors in a bankruptcy unless and until they are transferred to a non-bankruptcy remote entity. As of June 30, 2006, substantially all of our consolidated assets, including our car and equipment rental fleets, have been pledged for the benefit of the lenders under our senior credit facilities or are subject to securitization facilities in connection with our U.S. and international fleet debt facilities. As a result, the lenders under these facilities would have a prior claim on such assets in the event of our bankruptcy, insolvency, liquidation or reorganization, and we may not have sufficient funds to pay all of our creditors and holders of our unsecured indebtedness may receive less, ratably, than the holders of our senior debt, and may not be fully paid, or may not be paid at all, even when other creditors receive full payment for their claims. In that event, holders of our equity securities would not be entitled to receive any of our assets or the proceeds therefrom. See "Description of Certain Indebtedness Senior Credit Facilities Senior Term Facility Guarantees; Security" and " Senior ABL Facility Guarantees; Security." As discussed below, the pledge of these assets and other restrictions may limit our flexibility in raising capital for other purposes. Because substantially all of our assets are pledged under these financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility.

***Restrictive covenants in certain of the agreements and instruments governing our indebtedness may adversely affect our financial flexibility.***

Our senior credit facilities and the indentures governing our senior notes and senior subordinated notes contain covenants that, among other things, restrict Hertz's and its subsidiaries' ability to:

dispose of assets;

incur additional indebtedness;

incur guarantee obligations;

prepay other indebtedness or amend other debt instruments;

pay dividends;

create liens on assets;

enter into sale and leaseback transactions;

make investments, loans or advances;

make acquisitions;

engage in mergers or consolidations;

change the business conducted by us; and

engage in certain transactions with affiliates.

In addition, our senior credit facilities contain covenants that require us to maintain specified financial ratios and satisfy other financial condition tests, including ratios and tests which utilize Corporate EBITDA. Our ability to comply with the covenants and restrictions contained in our senior credit facilities and the indentures for our senior notes and senior subordinated notes may be affected by economic, financial and industry conditions beyond our control. The breach of any of these covenants or restrictions could result in a default under either our senior credit facilities or the indentures that would permit the applicable lenders or holders of the senior notes and senior subordinated notes, as the case may be, to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. In any such case, we may be unable to make borrowings under the senior credit facilities and may not be able to repay the amounts due under the senior credit facilities and the senior notes and senior subordinated notes. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

We are also subject to operational limitations under the terms of our ABS Program. For example, there are contractual limitations with respect to the cars that secure our ABS Program. These limitations are based on the identity or credit ratings of the cars' manufacturers, the existence of satisfactory repurchase or guaranteed depreciation arrangements for the cars or the physical characteristics of the cars. As a result, we may be required to limit the percentage of cars from any one manufacturer or increase the credit enhancement related to the program and may not be able to take advantage of certain cost savings that might otherwise be available through manufacturers. If these limitations prevented us from purchasing, or retaining in our fleet, cars on terms that we would otherwise find advantageous, our results of operations could be adversely affected.

Further, the facilities relating to our international fleet financing contain a number of covenants, including a covenant that restricts the ability of Hertz International, Ltd., a subsidiary of ours that is the direct or indirect holding company of substantially all of our non-U.S. operating subsidiaries, to make dividends and other restricted payments (which may include payments of intercompany indebtedness), in an amount greater than €100 million plus a specified excess cash flow amount, calculated by reference to excess cash flow in earlier periods. Subject to certain exceptions, until the later of one year from the Closing Date and such time as 50% of the commitments under the facilities on the Closing Date have been replaced by permanent take-out international asset-based facilities, the specified excess cash flow amount will be zero. Thereafter, this specified excess cash flow amount will be between 50% and 100% of excess cash flow based on the percentage of facilities relating to our international fleet debt at the closing of the Acquisition that have been replaced by permanent take-out international asset-based facilities. These restrictions will limit the availability of funds from Hertz International, Ltd. and its subsidiaries to help us make payments on our indebtedness. Certain of these permanent take-out international asset-based facilities are expected to be novel and complicated structures. We cannot assure you that we will be able to complete such permanent take-out financings

on terms acceptable to us or on a timely basis, if at all; if we are unable to do so, our liquidity and interest costs may be adversely affected.

***The instruments governing our debt contain cross default or cross acceleration provisions that may cause all of the debt issued under such instruments to become immediately due and payable as a result of a default under an unrelated debt instrument.***

The indentures governing our senior notes and senior subordinated notes and the agreements governing our senior credit facilities contain numerous covenants and require us to meet certain financial ratios and tests which utilize Corporate EBITDA. Our failure to comply with the obligations contained in these agreements or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt and the debt issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which funds may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell our assets and otherwise curtail our operations in order to pay our creditors. Such alternative measures could have a material adverse effect on our business, financial condition and results of operations.

#### **Risks Relating to Our Common Stock and This Offering**

***We may have a contingent liability arising out of electronic communications sent to institutional investors by a previously named underwriter that will not participate as an underwriter in this offering.***

We understand that, during the week of October 23, 2006, several e-mails authored by an employee of a previously named underwriter for this offering were ultimately forwarded by employees of that underwriter to approximately 175 institutional accounts. We were not involved in any way in the preparation or distribution of the e-mail messages by the employees of this previously named underwriter, and we had no knowledge of them until after they were sent. We have requested that the previously named underwriter notify the institutional accounts who received these e-mail messages from its employees that the e-mail messages were distributed in error and should be disregarded. In addition, this previously named underwriter will not participate as an underwriter in this offering.

The e-mail messages may constitute a prospectus or prospectuses not meeting the requirements of the Securities Act of 1933, as amended, or the "Securities Act." We, the selling stockholders and the other underwriters participating in this offering disclaim all responsibility for the contents of these e-mail messages. We strongly caution you not to place any reliance on the contents of the e-mail messages. The contents of the e-mail messages should be totally disregarded and should not be relied upon when making any investment decision regarding our common stock. All potential investors should base their investment decisions solely on information contained in this prospectus.

We do not believe that the e-mail messages constitute a violation by us of the Securities Act. However, if any or all of these communications were to be held by a court to be a violation by us of the Securities Act, the recipients of the e-mails, if any, who purchase shares of our common stock in this offering might have the right, under certain circumstances, to require us to repurchase those shares. Consequently, we could have a contingent liability arising out of these possible violations of the Securities Act. The magnitude of this liability, if any, is presently impossible to quantify, and would depend, in part, upon the number of shares purchased by the recipients of the e-mails and the trading price of our common stock. If any liability is asserted, we intend to contest the matter vigorously.

***Hertz Holdings is a holding company with no operations of its own that depends on its subsidiaries for cash.***

The operations of Hertz Holdings are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations or to pay dividends is highly dependent on the earnings and the receipt of funds from its subsidiaries via dividends or intercompany loans. However, none of the subsidiaries of Hertz Holdings are obligated to make funds available to Hertz

Holdings for the payment of dividends. In addition, payments of dividends and interest among the companies in our group may be subject to withholding taxes. Further, the terms of the indentures governing Hertz's senior notes and senior subordinated notes and the agreements governing Hertz's senior credit facilities and Hertz's fleet debt facilities significantly restrict the ability of the subsidiaries of Hertz to pay dividends or otherwise transfer assets to Hertz Holdings. Furthermore, the subsidiaries of Hertz are permitted under the terms of Hertz's senior credit facilities and other indebtedness to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by such subsidiaries to Hertz Holdings. See "Risk Factors Risks Relating to Our Substantial Indebtedness Restrictive covenants in certain of the agreements governing our indebtedness may adversely affect our financial flexibility." In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

***There currently exists no market for our common stock. We cannot assure you that an active trading market will develop for our common stock. If our stock price fluctuates after this offering, you could lose all or a significant part of your investment.***

Prior to this offering, there was no public market for shares of our common stock. An active market may not develop following the completion of this offering or, if developed, may not be maintained. We negotiated the initial public offering price with the underwriters. The initial public offering price may not be indicative of the price at which our common stock will trade following completion of this offering. The market price of our common stock may also be influenced by many factors, some of which are beyond our control, including:

the failure of securities analysts to cover our common stock after this offering, changes in financial estimates by analysts or a downgrade of our stock or our sector by analysts;

announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

variations in quarterly operating results;

loss of a large customer or supplier;

general economic conditions;

war, terrorist acts and epidemic disease;

future sales of our common stock; and

investor perceptions of us and the car and equipment rental industries.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the initial offering price. In addition, the stock market in general has experienced extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies like us. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

***A few significant stockholders control the direction of our business. If the ownership of our common stock continues to be highly concentrated, it will prevent you and other stockholders from influencing significant corporate decisions.***

Following the completion of this offering, Clayton, Dubilier & Rice Fund VII, L.P. and related funds, Carlyle Partners IV, L.P. and related funds and ML Global Private Equity Fund, L.P. and related funds will beneficially own approximately 24.2%, 23.9% and 23.5%, respectively, of the outstanding shares of our common stock assuming that the underwriters do not exercise their option to purchase additional shares. These funds and Hertz Holdings are parties to a Stockholders Agreement, pursuant to which the funds have agreed to vote in favor of nominees to our board of directors nominated by the other funds. As a result, the Sponsors will continue to exercise control over matters requiring



stockholder approval and our policy and affairs, for example, by being able to direct the use of proceeds received from this and future security offerings. See "Certain Relationships and Related Party Transactions." In addition, we are a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, currently intend to rely on exemptions from certain corporate governance requirements.

The concentrated holdings of the funds associated with the Sponsors, certain provisions of the Stockholders Agreement among the funds and us and the presence of these funds' nominees on our board of directors may result in a delay or the deterrence of possible changes in control of our company, which may reduce the market price of our common stock. The interests of our existing stockholders may conflict with the interests of our other stockholders. Our board of directors intends to adopt corporate governance guidelines that will, among other things, address potential conflicts between a director's interests and our interests. In addition, we have adopted a code of business conduct that, among other things, requires our employees to avoid actions or relationships that might conflict or appear to conflict with their job responsibilities or the interests of Hertz Holdings, and to disclose their outside activities, financial interests or relationships that may present a possible conflict of interest or the appearance of a conflict to management or corporate counsel. These corporate governance guidelines and code of business ethics will not, by themselves, prohibit transactions with our principal stockholders.

***Because affiliates of the lead underwriters for this offering are lenders under the Hertz Holdings Loan Facility and, in one case, a potential selling stockholder, they may have interests that conflict with yours as an investor in our common stock.***

On June 30, 2006, we entered into the Hertz Holdings Loan Facility under which certain affiliates of Lehman Brothers, Merrill Lynch & Co., Goldman, Sachs & Co., JPMorgan and Morgan Stanley provided a \$1.0 billion loan to us, which loan must be repaid or converted into longer term debt securities on June 30, 2007. Under the terms of the credit agreement, we are required to use the proceeds of this offering to repay the loan. For a description of the material terms of the Hertz Holdings Loan Facility, we refer you to the disclosure under the heading "Description of Certain Indebtedness Hertz Holdings Loan Facility." In addition, affiliates of Merrill Lynch & Co. will be selling stockholders in this offering if the underwriters exercise their option to purchase additional shares. As a result of this loan, together with the potential participation of affiliates of Merrill Lynch & Co. as selling stockholders, these underwriters have interests that may conflict with yours as an investor in our common stock with respect to this offering because they have interests in the successful completion of this offering beyond the underwriting discount and commissions they will receive in the offering, including their interest in the repayment of the Hertz Holdings Loan Facility and, in the case of selling stockholders affiliated with Merrill Lynch & Co., the potential return on their equity investment in us.

Because these underwriters may receive more than 10% of the entire net proceeds in this offering, the underwriters may be deemed to have a "conflict of interest" under Rule 2710(h) of the Conduct Rules of the National Association of Securities Dealers, Inc. or "NASD." In addition, because affiliates of Merrill Lynch & Co. own more than 10% of our outstanding common stock, Merrill Lynch & Co. is deemed to be an affiliate of Hertz Holdings under Rule 2720(b)(1) of the NASD Conduct Rules and, therefore, the underwriters may also be deemed to have a conflict of interest under Rule 2720 of the NASD Conduct Rules. Accordingly, this offering will be made in compliance with the applicable NASD Conduct Rules, which require that the initial public offering price can be no higher than that recommended by a "qualified independent underwriter," as defined by the NASD. Credit Suisse Securities (USA) LLC is serving in that capacity. We cannot assure you that the use of a qualified independent underwriter will be sufficient to eliminate any actual or potential conflicts of interest. For more information regarding the role of the qualified independent underwriter in this offering and other

relationships we and our affiliates have with the underwriters, we refer you to the disclosure under the heading "Underwriting."

***Our share price may decline due to the large number of shares eligible for future sale.***

Sales of substantial amounts of our common stock, or the possibility of such sales, may adversely affect the price of our common stock and impede our ability to raise capital through the issuance of equity securities.

Upon consummation of this offering, there will be 320,618,692 shares of common stock outstanding. Of these shares, the shares of common stock sold in the offering will be freely transferable without restriction or further registration under the Securities Act, unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. The remaining 232,383,692 shares of common stock outstanding will be restricted securities within the meaning of Rule 144 under the Securities Act, but will be eligible for resale subject to applicable volume, manner of sale, holding period and other limitations of Rule 144 or pursuant to an exemption from registration under Rule 701 under the Securities Act. Upon completion of this offering, we intend to file one or more registration statements under the Securities Act to register the shares of common stock to be issued under our stock incentive plans and, as a result, all shares of common stock acquired upon exercise of stock options and other equity-based awards granted under these plans will also be freely tradable under the Securities Act unless purchased by our affiliates. A total of 28.5 million shares of common stock are reserved for issuance under our stock incentive plans.

We, each of the funds associated with or designated by the Sponsors that currently own shares of our common stock, our executive officers and directors have agreed to a "lock-up," meaning that, subject to certain exceptions, neither we nor they will sell any shares without the prior consent of the representatives of the underwriters for 180 days after the date of this prospectus. Following the expiration of this 180-day lock-up period, 229,500,000 of these shares of our common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. See "Shares Eligible for Future Sale" for a discussion of the shares of common stock that may be sold into the public market in the future. In addition, our existing stockholders have the right under certain circumstances to require that we register their shares for resale. As of June 30, 2006, these registration rights apply to the 229,500,000 shares of our outstanding common stock owned by the investment funds affiliated with or designated by the Sponsors. See "Certain Relationships and Related Party Transactions Registration Rights Agreement" for a description of the shares of common stock that may be sold into the public market in the future.

***Purchasers of our common stock will experience immediate and substantial dilution resulting in their shares being worth less on a net tangible book value basis than the amount they invested.***

The initial public offering price is expected to be significantly higher than the net tangible book value per share of our common stock. Purchasers of the common stock in this offering will experience an immediate dilution in net tangible book value of \$22.92 per share of common stock purchased. In the past, we issued options to acquire shares of common stock at prices that may be significantly below the initial public offering price. To the extent that these outstanding options are exercised, there may be further dilution to investors. Accordingly, in the event we are liquidated, investors may not receive the full amount of their investment. See "Dilution."

***Our certificate of incorporation, by-laws and Delaware law may discourage takeovers and business combinations that our stockholders might consider in their best interests.***

A number of provisions we intend to include, effective as of the offering, in our certificate of incorporation and by-laws, as well as anti-takeover provisions of Delaware law, may have the effect of

delaying, deterring, preventing or rendering more difficult a change in control of Hertz Holdings that our stockholders might consider in their best interests. These provisions include:

establishment of a classified board of directors, with staggered terms;

granting to the board of directors sole power to set the number of directors and to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;

limitations on the ability of stockholders to remove directors;

the ability of our board of directors to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of the board of directors;

prohibition on stockholders from calling special meetings of stockholders;

establishment of advance notice requirements for stockholder proposals and nominations for election to the board of directors at stockholder meetings; and

prohibiting our stockholders from acting by written consent if investment funds affiliated with or designated by the Sponsors cease to collectively hold a majority of our outstanding common stock.

These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Our certificate of incorporation and by-laws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders.

See "Description of Capital Stock" for additional information on the anti-takeover measures applicable to us.



**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this prospectus under "Business," "Business Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Management Directors and Executive Officers" and "Management Executive Compensation" include "forward-looking statements." You should not place undue reliance on these 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," "anticipate," "intend," "plan," "estimate," "seek," "will," "may" 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. As you read and consider this prospectus, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Many factors could affect our actual financial results and could cause actual results to differ materially from those expressed in the forward-looking statements. Some important factors include:

our operations;

economic performance;

financial condition;

management forecasts;

efficiencies,

cost savings and opportunities to increase productivity and profitability;

income and margins;

liquidity;

anticipated growth;

economies of scale;

the economy;

future economic performance;

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

future acquisitions and dispositions;

litigation;

potential and contingent liabilities;

management's plans;

taxes; and

refinancing of existing debt.

In light of these risks, uncertainties and assumptions, the forward-looking statements contained in this prospectus might not prove to be accurate and you should not place undue reliance upon them. 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.

**MARKET AND INDUSTRY DATA**

Information in this prospectus about the car and equipment rental industries, including our general expectations concerning the industries and our market position and market share, are based in part on industry data and forecasts obtained from industry publications and surveys and internal company surveys. Third-party industry publications and forecasts generally state that the information contained therein has been obtained from sources generally believed to be reliable. While we are not aware of any misstatements regarding any industry data presented in this prospectus, our estimates, in particular as they relate to our general expectations concerning the car and equipment rental industries, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the caption "Risk Factors."

## RECENT TRANSACTIONS

### Hertz Holdings Dividends and Related Financing

In June 2006, Hertz Holdings entered into the Hertz Holdings Loan Facility. Hertz Holdings primarily used the proceeds from the borrowings under the Hertz Holdings Loan Facility plus cash on hand to pay the Hertz Holdings Dividend and related fees and expenses. It is anticipated that all borrowings and other amounts owing under the Hertz Holdings Loan Facility will be repaid with the proceeds to us from this offering.

Prior to the consummation of this offering, we intend to declare a special cash dividend, payable promptly following the completion of this offering to holders of record of our common stock on the dividend record date. This dividend will be funded by the proceeds to us from the sale of the common stock offered hereby after deducting underwriting discounts and commissions and offering expenses, to the extent these net proceeds exceed the amount required to repay borrowings outstanding under the Hertz Holdings Loan Facility. Assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, this dividend will be payable in an amount of approximately \$1.83 per share, or \$426.8 million in the aggregate.

The dividend record date for this potential dividend will precede the consummation of this offering, and investors in this offering will not be entitled to receive any payments in connection with this additional dividend on shares purchased or distributions in this offering.

### The Transactions

On the Closing Date, we entered into a series of financing and refinancing transactions in connection with the Acquisition. To finance the cash consideration for the Acquisition, to refinance certain of Hertz's existing indebtedness and to pay related transaction fees and expenses, the following funds were used:

equity contributions totaling \$2,295 million from the investment funds associated with or designated by the Sponsors;

net proceeds from a private placement by CCMG Acquisition Corporation, a wholly owned subsidiary of Hertz Holdings, of \$1,800 million aggregate principal amount of 8.875% Senior Notes due 2014, or the "Senior Dollar Notes," \$600 million aggregate principal amount of 10.5% Senior Subordinated Notes due 2016, or the "Senior Subordinated Notes," and €225 million aggregate principal amount of 7.875% Senior Notes due 2014, or the "Senior Euro Notes." In connection with the Transactions, CCMG Acquisition Corporation merged with and into Hertz, with Hertz as the surviving corporation of the merger. We refer to the Senior Dollar Notes and the Senior Euro Notes together in this prospectus as the "Senior Notes;"

aggregate borrowings of approximately \$1,707 million by Hertz under a new senior term facility, or the "Senior Term Facility," which consists of (a) a maximum borrowing capacity of \$2,000 million, including a \$293 million delayed draw term loan that was made available until August 2007 to refinance certain existing debt and (b) a synthetic letter of credit facility in an aggregate principal amount of \$250 million. On May 15, 2006, Hertz borrowed approximately \$84.9 million under the delayed draw term loan of the Senior Term Facility, or the "Delayed Draw Term Loan," and used the proceeds thereof to repay its 6.5% Senior Notes due 2006. Hertz borrowed the remaining portion of the Delayed Draw Term Loan on July 10, 2006, and applied the proceeds thereof to repay borrowings outstanding under the asset-based revolving loan facility described below;

aggregate borrowings of approximately \$400 million by Hertz and one of its Canadian subsidiaries under a new senior asset-based revolving loan facility, or the "Senior ABL Facility,"

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with a maximum borrowing capacity of \$1,600 million. We refer to the Senior Term Facility and the Senior ABL Facility together in this prospectus as the "Senior Credit Facilities;"

aggregate proceeds of offerings totaling approximately \$4,300 million by a special purpose entity wholly owned by Hertz of asset-backed securities backed by our U.S. car rental fleet, or the "U.S. Fleet Debt," all of which were issued under our ABS Program, under which an additional \$600 million of pre-Acquisition ABS Notes having maturities from 2007 to 2009 remain outstanding following the closing of the Transactions, and in connection with which approximately \$1,500 million of variable funding notes in two series were also issued, but not funded, on the Closing Date;

aggregate borrowings of the U.S. dollar equivalent of approximately \$1,781 million by certain of Hertz's foreign subsidiaries under asset-based revolving loan facilities with aggregate commitments equivalent to approximately \$2,930 million (calculated in each case as of December 31, 2005), subject to borrowing bases comprised of rental vehicles, and related assets of certain of Hertz's foreign subsidiaries (all of which are organized outside of the United States) or one or more special purpose entities, as the case may be, and rental equipment and related assets of certain of Hertz's subsidiaries organized outside North America or one or more special purpose entities, as the case may be, which facilities are referred to collectively in this prospectus as the "International Fleet Debt Facilities;" and

Hertz's cash on hand in an aggregate amount of approximately \$6.1 million.

In connection with the Transactions, Hertz refinanced existing indebtedness in an aggregate principal amount of \$8,346 million, through the following transactions:

the repurchase of approximately \$3,700 million in aggregate principal amount of existing senior notes having maturities from May 2006 to January 2028, which left additional notes in the aggregate principal amount of approximately \$803.3 million outstanding following the Transactions;

the repurchase of approximately €192.4 million (or approximately \$230.0 million, calculated as of December 31, 2005) in aggregate principal amount of existing Euro medium term notes with a maturity of July 2007, which left additional medium term notes in the aggregate principal amount of approximately €7.6 million outstanding following the Transactions;

the repayment of a \$1,185 million intercompany note issued by Hertz to Ford Holdings on June 10, 2005 that would have matured in June 2010;

the repayment of approximately \$1,935 million under an interim credit facility that would have matured on February 28, 2006;

the repayment of commercial paper, notes payable and other bank debt of approximately \$1,212 million; and

the settlement of all accrued interest and unamortized debt discounts relating to the above indebtedness.

### USE OF PROCEEDS

We estimate that our net proceeds from the sale of 88,235,000 shares of our common stock being offered by us pursuant to this prospectus at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and estimated offering expenses, will be approximately \$1,426.8 million. A \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share would increase (decrease) the net proceeds to us from this offering by \$84.3 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. We will not receive any proceeds from the sale of up to 13,235,250 shares of our common stock by the selling stockholders, which include affiliates of Merrill Lynch & Co., an underwriter in this offering, if the underwriters exercise their option to purchase additional shares from the selling stockholders.

We intend to use the net proceeds to us from the sale of common stock to repay borrowings outstanding under the Hertz Holdings Loan Facility and to pay related transaction fees and expenses. Hertz Holdings used the proceeds of the Hertz Holdings Loan Facility plus cash on hand to pay special cash dividends of \$4.32 per share, or approximately \$999.2 million in the aggregate, to its common stockholders on June 30, 2006 and related fees and expenses. Of this amount, approximately \$991.4 million, or over 99%, was paid to investment funds associated with or designated by the Sponsors on a pro rata basis according to their ownership of our common stock. Borrowings outstanding under the Hertz Holdings Loan Facility, which currently has a stated maturity of June 30, 2007, bear interest, at our option, at a fluctuating rate of interest measured by reference to either (1) an adjusted London inter-bank offered rate, or "LIBOR," plus a borrowing margin or (2) an alternate base rate plus a borrowing margin. See "Description of Certain Indebtedness Hertz Holdings Loan Facility." As of June 30, 2006, borrowings under the Hertz Holdings Loan Facility bore interest at 10.5%. This loan was converted to a LIBOR based loan with an interest rate of 8.59% on July 7, 2006. Because affiliates of Lehman Brothers, Merrill Lynch & Co., Goldman, Sachs & Co., JPMorgan and Morgan Stanley are lenders under the Hertz Holdings Loan Facility, affiliates of such underwriters will receive a substantial portion of the proceeds of this offering. See "Underwriting."

Prior to the consummation of this offering, we intend to declare a special cash dividend, payable promptly following the completion of this offering to holders of record of our common stock on the dividend record date. This dividend will be funded by the proceeds to us from the sale of our common stock offered hereby after deducting underwriting discounts and commissions and offering expenses, to the extent these net proceeds exceed the amount required to repay borrowings outstanding under the Hertz Holdings Loan Facility. Assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, this dividend will be payable in an amount of approximately \$1.83 per share, or \$426.8 million in the aggregate.

The dividend record date for this potential dividend will precede the consummation of this offering, and investors in this offering will not be entitled to receive any payments or distributions in connection with this additional dividend on shares purchased in this offering.

### **DIVIDEND POLICY**

We do not expect to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for the operation and growth of our business. Our ability to pay dividends to holders of our common stock is limited as a practical matter by Hertz's Senior Credit Facilities, Hertz's Fleet Debt Facilities and the indentures governing Hertz's Senior Notes and Senior Subordinated Notes, insofar as we may seek to pay dividends out of funds made available to us by Hertz and/or its subsidiaries, because Hertz's debt facilities directly or indirectly restrict Hertz's ability to pay dividends or make loans to us. Any future determination to pay dividends on our common stock is subject to the discretion of our board of directors and will depend upon various factors, including our results of operations, financial condition, liquidity requirements, restrictions that may be imposed by applicable law and our contracts, and other factors deemed relevant by our board of directors.

On June 30, 2006, we paid special dividends of \$4.32 per share to the holders of our common stock, totaling approximately \$999.2 million. Of this amount, approximately \$991.4 million, or over 99%, was paid to investment funds associated with or designated by the Sponsors on a pro rata basis according to their ownership of our common stock. Prior to the consummation of this offering, we intend to declare a special cash dividend, payable promptly following the completion of this offering to holders of record of our common stock on the dividend record date. This dividend will be funded by the proceeds to us from the sale of the common stock offered hereby after deducting underwriting discounts and commissions and offering expenses, to the extent these net proceeds exceed the amounts required to repay borrowings outstanding under the Hertz Holdings Loan Facility. Assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, this dividend will be payable in an amount of \$1.83 per share, or approximately \$426.8 million in the aggregate.

The dividend record date for this potential dividend will precede the consummation of this offering, and investors in this offering will not be entitled to receive any payments or distributions in connection with this additional dividend on shares purchased in this offering. We do not currently intend to declare or pay any similar special dividends in the future.

## CAPITALIZATION

The following table sets forth as of June 30, 2006, on a consolidated basis:

Our actual capitalization;

Our as adjusted capitalization that gives effect to the purchase of shares by certain newly hired employees on August 15, 2006;

Our pro forma as adjusted capitalization that gives further effect to our sale of 88,235,000 shares of common stock in this offering at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus; and

The application of the net proceeds therefrom to repay borrowings outstanding under the Hertz Holdings Loan Facility, to pay related transaction fees and expenses and to pay a special cash dividend to holders of record of our common stock on the dividend record date that will be funded by the net proceeds to us in excess of the amounts required to repay borrowings outstanding under the Hertz Holdings Loan Facility as described in "Use of Proceeds."

You should read the following table in conjunction with the information in this prospectus under the captions "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Selected Historical Consolidated Financial Data," "Description of Certain Indebtedness" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and with the audited annual consolidated and unaudited interim condensed consolidated financial statements and related notes included elsewhere in this prospectus. For a description of the debt facilities and instruments referred to below, see "Recent Transactions The Transactions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

	As of June 30, 2006		
	Actual	As Adjusted	Pro Forma As Adjusted
	(Dollars in millions)		
Cash and equivalents	\$ 512.4	\$ 518.5	\$ 518.5
Total debt:			
Fleet debt <sup>(1)</sup>	\$ 7,069.2	7,069.2	7,069.2
Corporate debt <sup>(2)</sup>	5,876.0	5,876.0	5,876.0
Hertz Holdings Loan Facility <sup>(3)</sup>	995.0	995.0	
Total debt (including current portion)	13,940.2	13,940.2	12,945.2
Stockholders' equity			
Common stock, par value \$0.01 per share, 2,000,000,000 shares authorized; 231,307,354 shares outstanding actual, 232,383,692 shares outstanding as adjusted; 320,618,692 shares outstanding pro forma	2.3	2.3	3.2
Additional capital paid-in	1,313.5	1,319.7	2,318.8
Retained earnings (deficit)	(52.7)	(52.7)	(67.4)
Accumulated other comprehensive income (loss)	104.1	104.1	104.1
Total stockholders' equity	1,367.2	1,373.4	2,358.7
Total capitalization	\$ 15,307.4	\$ 15,313.6	\$ 15,303.9



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- (1) Fleet debt consists of our U.S. Fleet Debt, obligations incurred under our International Fleet Debt Facilities, capital lease financings relating to revenue earning equipment that are outside the International Fleet Debt Facilities and the pre-Acquisition ABS Notes. For a description of these facilities see "Management's Discussion and Analysis of Financial Condition and Results of Operations Financing Fleet Financing."
- (2) Corporate debt consists of senior notes and Euro medium term notes issued prior to the Acquisition; borrowings under our Senior Term Facility; borrowings under our Senior ABL Facility; our Senior Notes; our Senior Subordinated Notes; and certain other indebtedness of our domestic and foreign subsidiaries. For a description of these facilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Financing Senior Credit Facilities" and " Senior Notes and Senior Subordinated Notes."
- (3) Represents aggregate borrowings of \$1.0 billion under the Hertz Holdings Loan Facility net of fees of \$5.0 million paid to the lenders thereunder on June 30, 2006.

**DILUTION**

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price of the shares of our common stock and the net tangible book value per share after this offering.

Net tangible book value (deficit) per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of common stock then outstanding. Our net tangible book value (deficit) as of June 30, 2006 was \$(2,889.8) million, or \$(12.49) per share, based on the 231.3 million shares of common stock outstanding as of such date. Our pro forma net tangible book value (deficit) as of June 30, 2006 that gives effect to the purchase of shares by certain newly hired employees on August 15, 2006 was \$(2,883.7) million, or \$(12.41) per share, based on the 232.4 million shares of common stock outstanding as of such date. After giving further effect to our sale of 88,235,000 shares in this offering at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated offering expenses, our pro forma as adjusted net tangible book value (deficit) as of June 30, 2006 would have been \$(1,898.5) million, or \$(5.92) per share. This represents an immediate increase in the pro forma as adjusted net tangible book value of \$6.49 per share to existing stockholders and an immediate and substantial dilution of \$22.92 per share to new investors purchasing shares in this offering. If the initial offering price is higher or lower, the dilution to new investors purchasing our common stock will be greater or less, respectively. The following table illustrates this dilution:

	<b>Per Share</b>
Assumed initial public offering price	\$ 17.00
Pro forma net tangible book value (deficit) as of June 30, 2006	(12.41)
Increase attributable to this offering	6.49
Pro forma as adjusted net tangible book value (deficit) after this offering	(5.92)
Dilution in net tangible book value to new investors	\$ 22.92

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us, a \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share would increase (decrease) our dilution in net tangible book deficit per share to new investors in this offering by \$1.00 since any increase (decrease) in the assumed initial public offering price will be reflected as an adjustment to the special cash dividend to stockholders.

The following table summarizes as of August 15, 2006 the total number of shares of common stock purchased from us, the total consideration paid to us, and the weighted average price per share paid by existing stockholders and by new investors purchasing shares from us in this offering at our assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus, and before deducting underwriting discounts and estimated offering expenses payable by us.

	<b>Shares Acquired (in millions)</b>		<b>Total Consideration (in millions)</b>		<b>Weighted Average Price Per Share</b>
	<b>Number</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	
Existing stockholders	232.4	72.5%	\$ 2,319.2	60.7%	\$ 9.98
New investors	88.2	27.5	1,500.0	39.3	17.00
<b>Total</b>	<b>320.6</b>	<b>100.0%</b>	<b>\$ 3,819.2</b>	<b>100.0%</b>	<b>\$ 11.91</b>

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The number of shares held by the existing stockholders will be reduced to the extent the underwriters exercise their option to purchase additional shares. If the underwriters fully exercise their option, the existing stockholders will own a total of 219,148,442 shares, or approximately 68.4% of our total outstanding shares. In addition, the payment of the special cash dividend of approximately \$1.83 per share contemplated to be funded from the net proceeds to us from this offering after repaying borrowings outstanding under the Hertz Holdings Loan Facility effectively decreases the average price paid by the existing stockholders per share from \$9.98 (\$5.68 after adjustment for the Hertz Holdings Dividend) to \$3.85.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share would increase (decrease) total consideration paid by new investors and the total average price per share by \$88.2 million and \$0.28 respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and without deducting underwriting discounts and commissions and estimated expenses payable by us.

The foregoing discussion and tables assume no exercise of outstanding stock options. As of August 15, 2006, there were options outstanding to purchase a total of 15,833,354 shares of our common stock at a weighted average exercise price of \$6.96 per share.

To the extent that any of these stock options are exercised, there may be further dilution to new investors. See "Capitalization," "Management," Note 17 to the Notes to our audited annual consolidated financial statements and Note 11 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities could result in further dilution to our stockholders.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed consolidated statements of operations and the unaudited pro forma condensed consolidated balance sheet have been derived from our historical audited annual consolidated financial statements and the related notes thereto and our historical unaudited interim condensed consolidated financial statements and the related notes thereto included elsewhere in this prospectus. The pro forma as adjusted financial data below for the year ended December 31, 2005 (as restated) and the six months ended June 30, 2005 reflect adjustments to our historical financial data to give effect to (i) the Transactions and the use of the net proceeds therefrom, (ii) the borrowings under the Hertz Holdings Loan Facility and the payment of the Hertz Holdings Dividend, or the "Hertz Holdings Transactions," and (iii) the sale of 88,235,000 shares of common stock offered by this prospectus at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus and the use of the net sale proceeds to repay borrowings under the Hertz Holdings Loan Facility and to pay a special cash dividend to holders of record of our common stock on the dividend record date that will be funded by the net proceeds to us in excess of the amounts required to repay borrowings outstanding under the Hertz Holdings Loan Facility, or the "Offering and Use of Proceeds" as if they had occurred on January 1, 2005 for income statement purposes. The historical consolidated statements of operations data presented below for the Predecessor period ended December 20, 2005 and the combined year ended December 31, 2005 have been restated. For a discussion of the Restatement, see Note 1A to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus. The pro forma as adjusted financial data below for the six months ended June 30, 2006 reflects adjustments to our historical financial data to give effect to the Hertz Holdings Transactions and the Offering and Use of Proceeds as if such transactions had occurred on January 1, 2005 for income statement purposes. The pro forma as adjusted financial data below as of June 30, 2006 reflects adjustments to our historical financial data to give effect to the Offering and Use of Proceeds as if such transactions had occurred on June 30, 2006 for balance sheet purposes.

The unaudited pro forma condensed consolidated financial statements include adjustments directly attributable to the Transactions, the Hertz Holdings Transactions and the Offering and Use of Proceeds that are expected to have a continuing impact on us. The pro forma adjustments are described in the accompanying notes to the unaudited pro forma condensed consolidated financial statements. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma condensed consolidated financial statements do not purport to represent our results of operations or financial position had the Transactions, the Hertz Holdings Transactions and the Offering and Use of Proceeds actually occurred as of such dates or of the results that we would have achieved after the Transactions, the Hertz Holdings Transactions and the Offering and Use of Proceeds.

The Acquisition has been accounted for using the purchase method of accounting for business combinations. Under this method, assets and liabilities are recorded at their fair values on the closing date of the Acquisition. The total purchase price plus acquisition costs in excess of the fair value of the assets acquired and liabilities assumed results in goodwill. The fair value adjustments included in the unaudited pro forma condensed consolidated financial statements summarize management's evaluation of the fair value of the net assets acquired based upon available information. This evaluation assigned value to certain identifiable tangible and intangible assets, including our trade name and customer relationships.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the information included in this prospectus under the captions "Use of Proceeds," "Capitalization," "Selected Historical Consolidated Financial Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and with the historical consolidated and condensed consolidated financial statements and the related notes thereto.

## Hertz Global Holdings, Inc.

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2005**  
(Dollars in millions except per share data)

	Historical			Pro Forma				
	Predecessor	Successor	Combined					
	For the Periods from		Year Ended					
	January 1, 2005 to December 20, 2005 Restated	December 21, 2005 to December 31, 2005	December 31, 2005 Restated	Adjustments for the Transactions <sup>(1)</sup>	Pro Forma Subtotal	Adjustments for the Hertz Holdings Transactions	Adjustments for the Offering and Use of Proceeds	Pro Forma As Adjusted
<b>Revenues:</b>								
Car rental	\$ 5,820.5	\$ 129.4	\$ 5,949.9	\$	\$ 5,949.9	\$		\$ 5,949.9
Equipment rental	1,392.4	22.5	1,414.9		1,414.9			1,414.9
Other	101.8	2.6	104.4		104.4			104.4
<b>Total revenues</b>	<b>7,314.7</b>	<b>154.5</b>	<b>7,469.2</b>		<b>7,469.2</b>			<b>7,469.2</b>
<b>Expenses:</b>								
Direct operating	4,086.3	103.0	4,189.3	74.5 <sup>(2)</sup>	4,263.8			4,263.8
Depreciation of revenue earning equipment	1,555.9	43.8	1,599.7	12.8 <sup>(2)</sup>	1,612.5			1,612.5
Selling, general and administrative	623.4	15.1	638.5	0.9 <sup>(2)</sup>	639.4	2.8 <sup>(6)</sup>	2.8 <sup>(8)</sup>	645.0
Interest, net of interest income	474.2	25.8	500.0	385.8 <sup>(3)</sup>	885.8	93.9 <sup>(7)</sup>	(93.9) <sup>(9)</sup>	885.8
<b>Total expenses</b>	<b>6,739.8</b>	<b>187.7</b>	<b>6,927.5</b>	<b>474.0</b>	<b>7,401.5</b>	<b>96.7</b>	<b>(91.1)</b>	<b>7,407.1</b>
Income (loss) before income taxes and minority interest	574.9	(33.2)	541.7	(474.0)	67.7	(96.7)	91.1	62.1
(Provision) benefit for taxes on income	(191.3)	12.2	(179.1)	131.0 <sup>(4)</sup>	(48.1)	33.8 <sup>(4)</sup>	(31.9) <sup>(4)</sup>	(46.2)
Minority interest	(12.3)	(0.3)	(12.6)		(12.6)			(12.6)
<b>Net income (loss)</b>	<b>\$ 371.3</b>	<b>\$ (21.3)</b>	<b>\$ 350.0</b>	<b>\$ (343.0)</b>	<b>\$ 7.0</b>	<b>\$ (62.9)</b>	<b>59.2</b>	<b>\$ 3.3</b>
<b>Weighted average shares outstanding (in millions)<sup>(5)</sup></b>								
Basic	229.5	229.5	229.5				88.2	317.7

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	Historical			Pro Forma	
Diluted	229.5	229.5	229.5	88.2	317.7
Earnings (loss) per share: <sup>(5)</sup>					
Basic	\$ 1.62	\$ (0.09)	\$ 1.53		\$ 0.01
Diluted	\$ 1.62	\$ (0.09)	\$ 1.53		\$ 0.01

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

## Hertz Global Holdings, Inc.

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Six Months Ended June 30, 2005**  
(Dollars in millions except per share data)

	Historical		Pro Forma			
	Predecessor	Adjustments for the Transactions <sup>(1)</sup>	Pro Forma Subtotal	Adjustments for the Hertz Holdings Transactions	Adjustments for the Offering and Use of Proceeds	Pro Forma As Adjusted
<b>Revenues:</b>						
Car rental	\$ 2,824.5	\$	\$ 2,824.5	\$	\$	\$ 2,824.5
Equipment rental	630.1		630.1			630.1
Other	48.3		48.3			48.3
<b>Total revenues</b>	<b>3,502.9</b>		<b>3,502.9</b>			<b>3,502.9</b>
<b>Expenses:</b>						
Direct operating	2,025.5	38.2 <sup>(2)</sup>	2,063.7			2,063.7
Depreciation of revenue earning equipment	756.4	6.4 <sup>(2)</sup>	762.8			762.8
Selling, general and administrative	318.9	0.5 <sup>(2)</sup>	319.4	1.4 <sup>(6)</sup>	1.4 <sup>(8)</sup>	322.2
Interest, net of interest income	212.1	229.5 <sup>(3)</sup>	441.6	43.2 <sup>(7)</sup>	(43.2) <sup>(9)</sup>	441.6
<b>Total expenses</b>	<b>3,312.9</b>	<b>274.6</b>	<b>3,587.5</b>	<b>44.6</b>	<b>(41.8)</b>	<b>3,590.3</b>
Income (loss) before income taxes and minority interest	190.0	(274.6)	(84.6)	(44.6)	41.8	(87.4)
(Provision) benefit for taxes on income	(64.9)	96.1 <sup>(4)</sup>	31.2	15.6 <sup>(4)</sup>	(14.6) <sup>(4)</sup>	32.2
Minority interest	(5.0)		(5.0)			(5.0)
<b>Net income (loss)</b>	<b>\$ 120.1</b>	<b>\$ (178.5)</b>	<b>\$ (58.4)</b>	<b>\$ (29.0)</b>	<b>\$ 27.2</b>	<b>\$ (60.2)</b>
<b>Weighted average shares outstanding (in millions)<sup>(5)</sup></b>						
Basic	229.5				88.2	317.7
Diluted	229.5				88.2	317.7
<b>Earnings (loss) per share:<sup>(5)</sup></b>						
Basic	\$ 0.52					\$ (0.19)
Diluted	\$ 0.52					\$ (0.19)

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

## Hertz Global Holdings, Inc.

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Six Months Ended June 30, 2006**  
(Dollars in millions except per share data)

	Historical	Pro Forma		
		Adjustments for the Hertz Holdings Transactions	Adjustments for the Offering and Use of Proceeds	Pro Forma as Adjusted
<b>Revenues:</b>				
Car rental	\$ 2,992.3	\$	\$	\$ 2,992.3
Equipment rental	783.3			783.3
Other	51.6			51.6
<b>Total revenues</b>	<b>3,827.2</b>			<b>3,827.2</b>
<b>Expenses:</b>				
Direct operating	2,207.4			2,207.4
Depreciation of revenue earning equipment	843.5			843.5
Selling, general and administrative	359.4	1.4 <sup>(6)</sup>	1.4 <sup>(8)</sup>	362.2
Interest, net of interest income	422.9	50.7 <sup>(7)</sup>	(50.7) <sup>(9)</sup>	422.9
<b>Total expenses</b>	<b>3,833.2</b>	<b>52.1</b>	<b>(49.3)</b>	<b>3,836.0</b>
Income (loss) before income taxes and minority interest	(6.0)	(52.1)	49.3	(8.8)
(Provision) benefit for taxes on income	(18.1)	18.2 <sup>(4)</sup>	(17.3) <sup>(4)</sup>	(17.2)
Minority interest	(7.3)			(7.3)
<b>Net income (loss)</b>	<b>\$ (31.4)</b>	<b>\$ (33.9)</b>	<b>32.0</b>	<b>\$ (33.3)</b>
<b>Weighted average shares outstanding (in millions)<sup>(5)</sup></b>				
Basic	230.1		88.2	318.3
Diluted	230.1		88.2	318.3
<b>Earnings (loss) per share:<sup>(5)</sup></b>				
Basic	\$ (0.14)			\$ (0.10)
Diluted	\$ (0.14)			\$ (0.10)

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.



## Hertz Global Holdings, Inc.

**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**As of June 30, 2006**  
**(Dollars in millions)**

	Historical	Pro Forma	
		Adjustments for the Offering and Use of Proceeds	Pro Forma as Adjusted
<b>Assets</b>			
Cash and equivalents	\$ 512.4		512.4
Restricted cash	220.6		220.6
Receivables, less allowance for doubtful accounts	1,321.7		1,321.7
Inventories, at lower of cost or market	126.9		126.9
Prepaid expenses and other assets	483.1		483.1
Revenue earning equipment, net	11,429.8		11,429.8
Property and equipment, net	1,401.9		1,401.9
Goodwill and other intangible assets	4,257.0		4,257.0
	<u>19,753.4</u>		<u>19,753.4</u>
Total assets	\$ 19,753.4		19,753.4
<b>Liabilities and Stockholders' Equity</b>			
Accounts payable	\$ 1,131.0		1,131.0
Accrued liabilities	951.4	15.0 <sup>(12)</sup>	966.4
Accrued taxes	113.9		113.9
Debt	13,940.2	(995.0) <sup>(10)(11)</sup>	12,945.2
Public liability and property damage	345.0		345.0
Deferred taxes on income	1,890.9	(5.3) <sup>(12)</sup>	1,885.6
	<u>18,372.4</u>	<u>(985.3)</u>	<u>17,387.1</u>
Total liabilities	18,372.4	(985.3)	17,387.1
Minority interest	13.8		13.8
Stockholders' equity:			
Common stock	2.3	0.9 <sup>(10)</sup>	3.2
Preferred stock			
Additional capital paid-in	1,313.5	999.1 <sup>(10)</sup>	2,312.6
Retained earnings (deficit)	(52.7)	(14.7) <sup>(11)(12)</sup>	(67.4)
Accumulated other comprehensive income	104.1		104.1
	<u>1,367.2</u>	<u>985.3</u>	<u>2,352.5</u>
Total stockholders' equity	1,367.2	985.3	2,352.5
Total liabilities and stockholders' equity	\$ 19,753.4		19,753.4

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

## Hertz Global Holdings, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements  
(Dollars in millions)

(1) On December 21, 2005, an indirect wholly owned subsidiary of Hertz Holdings acquired all of Hertz's common stock from Ford Holdings pursuant to a Stock Purchase Agreement dated as of September 12, 2005, among Ford, Ford Holdings and Hertz Holdings. As a result of this transaction, investment funds associated with or designated by the Sponsors currently own approximately 99% of our common stock.

We have accounted for the Acquisition as a purchase in accordance with Statement of Financial Accounting Standards, or "SFAS," No. 141, "Business Combinations," with goodwill and other intangible assets recorded in conformity with SFAS No. 142, "Goodwill and Other Intangible Assets," requiring an allocation of the purchase price to the tangible and intangible net assets acquired based on their relative fair values as of the date of acquisition. Accordingly, we have allocated the excess of the purchase price over the net assets acquired to certain identifiable intangible assets, including our customer relationships and trade name, and goodwill. We believe that the Hertz trade name has an indefinite life and therefore will be assessed on an annual basis for impairment. In accordance with SFAS No. 142, goodwill is not amortized but is reviewed at least annually for impairment. Goodwill recorded in relation to the Acquisition will not be deductible for tax purposes since it was a stock purchase transaction.

As noted above, a portion of the excess purchase price has been allocated to certain identifiable intangible assets, which has created a difference in the book and tax values of the assets. This difference has impacted the deferred tax liability accounts reflected in our unaudited condensed consolidated balance sheet as of June 30, 2006.

The allocation of the purchase price was based on management's judgment after evaluating several factors, including actuarial estimates for pension liabilities, fair values of our indebtedness and other liabilities, and valuation assessments of our tangible and intangible assets prepared by a valuation specialist.

The following table summarizes the allocation of the Acquisition purchase price (in millions of dollars):

<b>Purchase price allocation:</b>		
Purchase price		\$ 14,495 <sup>(a)</sup>
Transaction fees and expenses		439 <sup>(b)</sup>
		<hr/>
Total cash purchase price		14,934
Less:		
Debt refinanced	\$ 8,346 <sup>(c)</sup>	
Assumption of remaining existing debt	1,770 <sup>(d)</sup>	
Fair value adjustments to tangible net assets	1,464	
Other intangible assets acquired	3,237	
Deferred taxes	(1,238)	
Deferred financing fees and debt discount	312	13,891
		<hr/>
Excess purchase price attributed to goodwill		\$ 1,043
		<hr/>

At the time of the Acquisition, no election was made under Section 338(h)(10) of the Internal Revenue Code. Such an election, which required the consent of Ford, had to be made on or prior to September 15, 2006. This election was not made.

(a) Represents the use of proceeds from the Transactions to (i) purchase equity, and (ii) refinance pre-Acquisition and assume existing debt outstanding, as follows (in millions of dollars):

Purchase equity	\$ 4,379
Refinance pre-Acquisition debt	8,346
Existing debt remaining outstanding	1,770
	<hr/>
	\$ 14,495

- (b) Represents fees and expenses incurred in connection with the Transactions, including placement and other financing fees, bond tender costs, advisory fees and other transaction costs and professional fees and expenses. Of these fees and expenses, \$223.2 million are capitalized on our balance sheet as deferred financing fees and \$89.3 million are costs paid directly to lenders and classified as discounts on the respective loans.
- (c) Represents refinancing of pre-Acquisition debt, including related accrued interest and unamortized debt discount.

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(d) Represents pre-Acquisition debt that remains outstanding subsequent to the Transactions, including \$600.0 million of pre-Acquisition ABS Notes, \$817.4 million of pre-Acquisition Euro medium term notes and pre-existing senior notes not tendered and \$69.0 million of pre-Acquisition capital lease obligations. The remaining balance represents commercial paper and other short term debt that was repaid with the proceeds of the Transactions upon maturity.

(2) Represents the adjustments to income for the following:

	Year Ended December 31,	Six Months Ended June 30,
	2005	2005
(Dollars in millions)		
<b>Direct Operating Expenses</b>		
Historical amortization expense of intangibles	\$ (2.8)	\$ (0.4)
Pro forma amortization expense of intangibles	61.2	30.6
Increased amortization expense	58.4	30.2
Increased property and equipment depreciation	10.6	5.3
Increased public liability and property damage accretion expense <sup>(a)</sup>	4.1	2.0
Increased workers' compensation accretion expense <sup>(a)</sup>	1.4	0.7
Pro forma increase in direct operating expenses	\$ 74.5	\$ 38.2
<b>Depreciation of Revenue Earning Equipment</b>		
Historical depreciation of revenue earning equipment	\$ (1,599.7)	\$ (756.4)
Pro forma depreciation of revenue earning equipment	1,612.5	762.8
Pro forma increase in depreciation of revenue earning equipment	\$ 12.8	\$ 6.4
<b>Selling, General and Administrative Expenses</b>		
Increased property and equipment depreciation	\$ 0.9	\$ 0.5
Pro forma increase in selling, general and administrative expenses	\$ 0.9	\$ 0.5

(a) As a result of the Acquisition, these liabilities were adjusted to their fair value. The pro forma adjustment represents the accretion of the liability based on the fair value.

(3) Represents the increase in net interest expense, reflecting the refinancing of pre-Acquisition debt, the notes and the other debt incurred in connection with the Transactions.

Year Ended December 31, 2005	Six Months Ended June 30, 2005
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	Year Ended December 31, 2005	Six Months Ended June 30, 2005
(Dollars in millions)		
Pro forma interest expense, net <sup>(a)</sup> :		
Pre-Acquisition ABS Notes <sup>(b)</sup>	\$ 19.6	\$ 9.8
Pre-Acquisition capital lease obligations <sup>(c)</sup>	3.0	1.3
U.S. Fleet Debt <sup>(d)</sup>	235.4	116.2
International Fleet Debt <sup>(e)</sup>	87.2	41.9
	<hr/>	<hr/>
Sub-total fleet debt	345.2	169.2
Pre-Acquisition senior notes and Euro medium term notes not tendered <sup>(f)</sup>	55.1	27.6
Senior Term Facility <sup>(g)</sup>	129.4	64.7
Senior ABL Facility <sup>(h)</sup>	33.1	16.5
Synthetic Letter of Credit	5.6	2.8
Senior and Senior Subordinated Notes <sup>(i)</sup>	244.8	122.8
	<hr/>	<hr/>
	813.2	403.6
Amortization of deferred financing fees and debt discount	109.8	54.9
Historical interest income <sup>(i)</sup>	(37.2)	(16.9)
	<hr/>	<hr/>
Pro forma interest expense, net of interest income	885.8	441.6
Historical interest expense, net of interest income	(500.0)	(212.1)
	<hr/>	<hr/>
Increased interest expense, net of interest income	\$ 385.8	\$ 229.5
	<hr/>	<hr/>

The significant terms and interest rate assumptions applied in determining the pro forma interest expense are summarized as follows:

- (a) Variable rate credit facilities are calculated using the U.S. Dollar LIBOR rate, the EURIBOR rate and the LIBOR rates in specific countries as of September 15, 2006. Assuming a hypothetical increase of one eighth of a percentage point in interest rates on our variable rate debt portfolio on a pro forma basis as of December 31, 2005, our net interest expense would increase by an estimated \$5.2 million over a twelve-month period without taking into account any potential required hedging under the instruments governing our debt.

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- (b) Of the \$600.0 million of pre-Acquisition ABS Notes, \$500.0 million has fixed interest rates ranging from 2.38% to 3.23% and maturities ranging from 2007 to 2009 and the remaining \$100.0 million has a variable interest rate based on LIBOR plus nine basis points and matures in 2007.
- (c) Represents the interest expense on capital lease obligations in the United Kingdom and Netherlands as historically reported.
- (d) Includes a mixture of fixed and variable rate U.S. medium term asset-backed debt and U.S. variable funding asset-backed debt. The annual interest rate for the fixed and variable rate U.S. medium term asset-backed debt is equal to (i) the applicable fixed rate benchmark or (ii) LIBOR, in each case, plus a margin. We have entered into floating to fixed interest rate swaps which have been reflected in pro forma interest expense. Giving effect to these swaps, the blended annual interest rates for the fixed and variable rate U.S. medium term asset-backed debt are 5.37% and 5.01%, respectively. The blended annual interest rate on the U.S. variable funding asset-backed debt is 5.94%. Both the U.S. medium term asset-backed debt and the U.S. variable funding asset-backed debt have associated fees paid to monoline insurers for credit enhancement and insurance, which have been included as a component of pro forma interest expense. The average monoline fee for each of the U.S. medium term asset-backed debt and U.S. variable funding asset-backed debt is 29 basis points.
- The U.S. variable funding asset-backed debt, which includes an unfunded amount of \$1,500 million, has a blended commitment fee of 16 basis points on the undrawn balance.
- (e) Based on a variable asset-based interim credit facility with interest rates equal to the anticipated EURIBOR or local currency LIBOR plus a weighted average margin of 104 basis points. This four tranche facility, which allows for borrowings in various currencies of up to a maximum amount equivalent to approximately \$3,124 million (using currency exchange rates in effect on September 15, 2006), also requires the payment of a weighted average commitment fee of 39 basis points on the undrawn balance.
- (f) Hertz received tenders from holders of approximately \$3,701 million of existing senior notes and approximately €192 million of existing Euro medium term notes pursuant to the Tender Offers. The table above reflects interest expense on the amount that remained untendered at the expiration of the Tender Offers.
- (g) Based on a \$1,707 million 7-year Senior Term Facility funded at closing with an interest rate of LIBOR plus a margin of 225 basis points. This facility included the \$293 million Delayed Draw Term Loan that was made available until August 2007 to refinance existing senior notes and a \$250 million synthetic letter of credit facility. On May 15, 2006, Hertz borrowed approximately \$84.9 million under the Delayed Draw Term Loan and used the proceeds thereof to repay its 6.5% Senior Notes due 2006. Hertz borrowed the remaining portion of the Delayed Draw Term Loan on July 10, 2006, and applied the proceeds thereof to repay borrowings outstanding under the Senior ABL Facility. As of December 31, 2005, on a pro forma basis, no amount would have been drawn against the letter of credit facility by the beneficiaries thereof and the delayed draw facility would have been undrawn.
- (h) Based on \$400 million drawn on a 5-year Senior ABL Facility with an interest rate of LIBOR plus a margin of 200 basis points. The Senior ABL Facility has a maximum borrowing capacity of \$1,600 million and a commitment fee of 50 basis points on the undrawn balance.
- (i) Based on \$2,668.9 million aggregate principal amount of notes, including (i) \$1,800 million aggregate principal amount of 8.875% Senior Notes due 2014, (ii) \$600 million aggregate principal amount of 10.5% Senior Subordinated Notes due 2016 and (iii) €225 million aggregate principal amount of 7.875% Senior Notes due 2014.
- (j) Represents interest income as historically reported.

(4) Represents the tax effect of the pro forma adjusted income (loss) before taxes and minority interest at an estimated statutory tax rate of 35% for the period presented. We expect our tax payments in future years, however, to vary from this amount. In January 2006, we implemented a like-kind exchange program for our U.S. car rental business. The program is expected to result in a material deferral of federal and state income taxes. A similar plan for HERC has been in place for several years. We cannot, however, offer assurance that the expected tax deferral will be achieved or that the relevant law concerning the programs will remain in its current form. In addition, the benefit of deferral is subject to recapture, if, for example, there were a material downsizing of our fleet.

During the year ended December 31, 2004, we recorded a tax valuation allowance of \$35.0 million in respect of uncertainties regarding the future use of certain foreign tax credits. Subsequently, during the Predecessor period ended December 31, 2005, we reversed this allowance. In connection with the Acquisition, the deferred tax asset related to the foreign tax credits were settled with Ford and have been excluded from the pro forma balance sheet. Accordingly, the impact of the valuation allowance has also been excluded in the period presented.

As of December 31, 2005, we have U.S. Federal Net Operating Losses, or "NOLs," of \$126 million available to offset future taxable income and are therefore a "loss company" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended, or "Section 382." Additionally, we expect these NOLs to increase over the next few years, predominantly due to timing benefits of the like-kind

exchange program (as discussed above). Under Section 382, NOLs could be limited if Hertz Holdings undergoes an ownership change within the meaning of Section 382(g). We do not believe that the proposed offering will constitute an ownership change within the meaning of Section 382(g). We will continue to monitor cumulative ownership changes, as required by regulation, and the effect, if any, on the value of the NOLs. Future sales of our shares could result in an ownership change for purposes of Section 382 and, consequently, a limitation on the use of our NOLs.

(5) Pro forma basic earnings (loss) per common share is computed by dividing earnings (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Pro forma diluted earnings per common share is computed by dividing earnings (loss) available to common

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stockholders by the sum of weighted average common shares outstanding plus dilutive common shares for the period. Pro forma basic and diluted common shares also include the number of shares from this offering the proceeds of which are to be used for the repayment of debt and the special cash dividend to stockholders.

The following table sets forth the computation of pro forma basic and diluted net income (loss) per share (in millions, except per share amounts):

	Year Ended December 31, 2005	Six Month Ended June 30, 2005	Six Month Ended June 30, 2006
Basic and diluted pro forma net loss per common share:			
Numerator:			
Net income (loss)	\$ 3.3	\$ (60.2)	\$ (33.3)
Denominator:			
Weighted average common shares outstanding	229.5	229.5	230.1
Add:			
Shares from this offering whose proceeds will be used for the repayment of debt and the payment of a special cash dividend to stockholders	88.2	88.2	88.2
Pro forma weighted average common shares outstanding basic and diluted <sup>(a)</sup>	317.7	317.7	318.3
Pro forma net loss per share basic	\$ 0.01	\$ (0.19)	\$ (0.10)
Pro forma net loss per share diluted	\$ 0.01	\$ (0.19)	\$ (0.10)

(a) The pro forma diluted weighted average shares outstanding for the six months ended June 30, 2006 excludes the impact of approximately 14 million stock options because such impact would be anti-dilutive.

(6) On June 30, 2006, the proceeds from the Hertz Holdings Loan Facility were used to pay a special cash dividend of \$4.32 per share, or approximately \$999.2 million in the aggregate, to our common stockholders and to pay other fees and expenses related to the facility. In connection with the special cash dividend, our outstanding options were adjusted to preserve the intrinsic value of the options. This resulted in unrecognized compensation cost of approximately \$14.1 million related to the cost of modifying the exercise prices of the stock options for the special cash dividend. This cost is being recognized over the remainder of the requisite service period that began on the grant dates. The amortization of this unearned compensation cost has been reflected as an adjustment in Selling, general and administrative expenses.

(7) Represents the increase in interest expense reflecting the borrowings under the Hertz Holdings Loan Facility. On June 30, 2006, Hertz Holdings entered into a loan facility with Deutsche Bank AG, New York Branch, Lehman Commercial Paper Inc., Merrill Lynch Capital Corporation, Goldman Sachs Credit Partners L.P., JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc., or affiliates thereof, providing for a loan of \$1.0 billion with a maturity date of June 30, 2007. The borrowing margins applicable to the loans under the Hertz Holdings Loan Facility will increase by 1.5% per annum following the six-month anniversary of the closing date, and by 1.0% per annum during any period in which interest is deferred pursuant to the terms of the facility. Interest on the loan was calculated using the three-month LIBOR rate on September 15, 2006 plus 3.25% for the first six months of 2005 and the same LIBOR rate plus 4.75% for both the last six months of 2005 and the first six months of 2006 based on the assumption that no interest will be deferred. Additionally, a \$5 million fee was charged on the loan by the lenders and reflected as a debt discount. In addition, we incurred an estimated additional \$3.6 million in other fees and expenses related to the facility. We will amortize these costs over the life of the loan. However, since the amortization is only expected to be recorded for a short duration and will be eliminated upon repayment of the loan if the offering is completed, these charges were excluded from presentation in our pro forma statements of operations.

(8) In connection with the special cash dividend of approximately \$1.83 per share of our common stock, or \$426.8 million in the aggregate, to be paid upon completion of this offering to holders of record of our common stock on the dividend record date, our outstanding stock options will be adjusted to preserve the intrinsic value of the options, consistent with applicable tax law and the terms of the Hertz Global Holdings Inc. Stock Incentive Plan.

We will have an unrecognized stock-based compensation cost of approximately \$14.2 million related to the cost of modifying the exercise prices of the stock options for the special cash dividend. This cost has been estimated assuming that the mid-point of the estimated offering range, or \$17.00, is the fair value of the stock immediately after the payment of the dividend. This cost will be recognized over the remainder of the requisite service period that began on the grant dates. The amortization of this unearned compensation cost has been reflected as an adjustment in Selling, general and administrative expenses.



(9) Represents the decrease in interest expense as a result of the repayment of the borrowings under the Hertz Holdings Loan Facility from the proceeds of the offering.

(10) Represents the sale of 88,235,000 shares of common stock offered by this prospectus at an assumed initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of this prospectus and the use of the net sale proceeds to repay the \$1.0 billion borrowings under the Hertz Holdings Loan Facility and to pay a special cash dividend of \$426.8 million to holders of record of our common stock on the dividend record date that will be funded by the net proceeds to us in excess of the amounts required to repay borrowings outstanding under the Hertz Holdings Loan Facility.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share would increase (decrease) the net proceeds to us from this offering by \$84.3 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. Any increase (decrease) in the assumed initial public offering price will be reflected as an adjustment to the special cash dividend to stockholders.

(11) Represents the write-off of the debt discount on the Hertz Holdings Loan Facility of \$5.0 million upon repayment.

(12) Upon completion of this offering, we plan to terminate our consulting agreements with the Sponsors. Fees paid in the amount of \$2.25 million for the six months ended June 30, 2006, have been recorded in selling, general and administrative expenses in the historical June 30, 2006 statement of operations.

The proforma balance sheet reflects the accrual of the \$15.0 million fee and the related deferred tax asset of \$5.3 million at an estimated tax rate of 35%. In addition, the pro forma offering adjustments in the statement of operations exclude the \$15 million fee for the termination of the consulting agreements, as this payment is non-recurring in nature with no continuing impact on our operations.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated financial information and other data for our business. The summary consolidated statement of operations data presented below for the Predecessor period ended December 20, 2005 has been restated. For a discussion of the Restatement, see note (a) below and Note 1A to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data for the years ended December 31, 2003 and December 31, 2004, the Predecessor period ended December 20, 2005 (as restated), the Successor period ended December 31, 2005 and the selected consolidated balance sheet data as of December 31, 2004 and 2005 presented below were derived from our audited annual consolidated financial statements and the related notes thereto included elsewhere in this prospectus, and the unaudited selected condensed consolidated statement of operations data for the Predecessor six-month period ended June 30, 2005 and the Successor six-month period ended June 30, 2006 and the unaudited condensed consolidated balance sheet data as of June 30, 2006 were derived from our unaudited interim condensed consolidated financial statements and the related notes thereto included elsewhere in this prospectus. The selected consolidated statement of operations data for the years ended December 31, 2001 and December 31, 2002 and the selected consolidated balance sheet data as of December 31, 2001, 2002 and 2003 presented below were derived from our audited annual consolidated financial statements and related notes thereto, which are not included in this prospectus.

You should read the following information in conjunction with the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited annual consolidated financial statements and related notes thereto and our unaudited interim condensed consolidated financial statements and related notes thereto included elsewhere in this prospectus.

Predecessor				Predecessor	Successor	Predecessor	Successor
Years ended December 31,				For the Periods From		Six Months Ended, June 30,	
2001	2002	2003	2004	January 1, 2005 to December 20, 2005 Restated <sup>(a)</sup>	December 21, 2005 to December 31, 2005	2005	2006

(Dollars in millions except per share data)

## Statement of Operations Data

## Revenues:

Car rental	\$ 4,366.6	\$ 4,537.6	\$ 4,819.3	\$ 5,430.8	\$ 5,820.5	\$ 129.4	\$ 2,824.5	\$ 2,992.3
Equipment rental	1,128.7	1,018.7	1,037.8	1,162.0	1,392.4	22.5	630.1	783.3
Other <sup>(b)</sup>	101.6	82.1	76.6	83.2	101.8	2.6	48.3	51.6
Total revenues	5,596.9	5,638.4	5,933.7	6,676.0	7,314.7	154.5	3,502.9	3,827.2

## Expenses:

Direct operating	3,248.0	3,093.0	3,316.1	3,734.4	4,086.3	103.0	2,025.5	2,207.4
Depreciation of revenue earning equipment <sup>(c)</sup>	1,462.3	1,499.5	1,523.4	1,463.3	1,555.9	43.8	756.4	843.5
Selling, general and administrative	479.2	463.1	501.7	591.3	623.4	15.1	318.9	359.4
Interest, net of interest income <sup>(d)</sup>	404.7	366.4	355.0	384.4	474.2	25.8	212.1	422.9
Total expenses	5,594.2	5,422.0	5,696.2	6,173.4	6,739.8	187.7	3,312.9	3,833.2

Income (loss) before income taxes and minority interest	2.7	216.4	237.5	502.6	574.9	(33.2)	190.0	(6.0)
(Provision) benefit for taxes on income <sup>(e)</sup>	20.6	(72.4)	(78.9)	(133.9)	(191.3)	12.2	(64.9)	(18.1)
Minority interest				(3.2)	(12.3)	(0.3)	(5.0)	(7.3)
Income (loss) before cumulative effect of change in accounting principle	23.3	144.0	158.6	365.5	371.3	(21.3)	120.1	(31.4)

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	Predecessor			Predecessor			Successor	Predecessor	Successor
Cumulative effect of change in accounting principle <sup>(1)</sup>	(294.0)								
Net income (loss)	\$ 23.3	\$ (150.0)	\$ 158.6	\$ 365.5	\$ 371.3	\$ (21.3)	\$ 120.1	\$ (31.4)	

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Predecessor				Predecessor	Successor	Predecessor	Successor
Years ended December 31,				For the Periods From		Six Months Ended, June 30,	
2001	2002	2003	2004	January 1, 2005 to December 20, 2005 Restated <sup>(a)</sup>	December 21, 2005 to December 31, 2005	2005	2006

(Dollars in millions except per share data)

Weighted average shares outstanding (in millions) <sup>(g)</sup> :									
Basic	229.5	229.5	229.5	229.5	229.5	229.5	229.5	229.5	230.1
Diluted	229.5	229.5	229.5	229.5	229.5	229.5	229.5	229.5	230.1
Pro forma weighted average shares outstanding (in millions) (unaudited) <sup>(h)</sup>									
Basic					317.7	317.7			318.3
Diluted					317.7	317.7			318.3
Earnings (loss) per share <sup>(g)</sup> :									
Basic	\$ 0.10	\$ (0.65)	\$ 0.69	\$ 1.59	\$ 1.62	\$ (0.09)	\$ 0.52	\$ (0.14)	\$ (0.14)
Diluted	\$ 0.10	\$ (0.65)	\$ 0.69	\$ 1.59	\$ 1.62	\$ (0.09)	\$ 0.52	\$ (0.14)	\$ (0.14)
Pro forma earnings (loss) per share (unaudited) <sup>(h)</sup>									
Basic					\$ 1.17	\$ (0.07)			\$ (0.10)
Diluted					\$ 1.17	\$ (0.07)			\$ (0.10)
<b>Other Financial Data</b>									
Net non-fleet capital expenditures	\$ 230.9	\$ 189.2	\$ 172.1	\$ 227.1	\$ 261.9	\$ 7.3	\$ 156.5	\$ 102.1	
	Predecessor				Successor				

Years ended, or as of December 31,				Year Ended, or as of December 31,	Six Months Ended, or as of June 30,
2001	2002	2003	2004	2005	2006

(Dollars in millions)

<b>Balance Sheet Data</b>												
Cash and equivalents and short-term investments	\$	214.0	\$	601.3	\$	1,110.1	\$	1,235.0	\$	843.9	\$	512.4
Total assets <sup>(i)</sup>		10,158.4		11,128.9		12,579.0		14,096.4		18,580.9		19,753.4
Total debt		6,314.0		7,043.2		7,627.9		8,428.0		12,515.0		13,940.2
Stockholders' equity <sup>(i)</sup>		1,984.4		1,921.9		2,225.4		2,670.2		2,266.2		1,367.2

- (a) Hertz has restated its previously issued consolidated statement of operations for the Predecessor period ended December 20, 2005. An explanation of the Restatement appears in Note 1A to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus. The Restatement resulted in the previously reported provision for taxes on income to increase by \$27.5 million and net income to decrease by \$27.5 million, due to the recording of additional non-cash tax expense relating to dividends repatriated prior to the Acquisition.
- (b) Includes fees and certain cost reimbursements from our licensees and revenues from our car leasing operations, telecommunications services through 2001 and third-party claim management services.
- (c) For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Successor six months ended June 30, 2006, depreciation of revenue earning equipment was reduced by \$33.8 million, \$1.2 million and \$14.1 million, respectively, resulting from the net effects of changing depreciation rates to reflect changes in the estimated residual value of revenue earning equipment. For the years ended December 31, 2001, 2002, 2003 and 2004, the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the

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Predecessor and Successor six months ended June 30, 2005 and 2006, respectively, depreciation of revenue earning equipment includes a net loss of \$1.6 million, a net gain of \$10.8 million, a net loss of \$0.8 million and net gains of \$57.2 million, \$68.3 million, \$2.1 million, \$41.2 million and \$26.3 million, respectively, from the disposal of revenue earning equipment.

(d)

For the years ended December 31, 2001, 2002, 2003 and 2004, the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Predecessor and Successor six months ended June 30, 2005 and 2006, respectively, interest income was \$9.0 million, \$10.3 million, \$17.9 million, \$23.7 million, \$36.1 million, \$1.1 million, \$16.9 million and \$16.5 million, respectively.

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- (e) For the year ended December 31, 2001, includes benefits of \$30.2 million from certain foreign tax credits, for the year ended December 31, 2004, includes benefits of \$46.6 million relating to net adjustments to federal and foreign tax accruals and, for the Predecessor period ended December 20, 2005, includes the reversal of a valuation allowance on foreign tax credit carryforwards of \$35.0 million (established in 2004) and favorable foreign tax adjustments of \$5.3 million, partly offset by a \$31.3 million provision relating to the repatriation of foreign earnings. For the six months ended June 30, 2006, we established valuation allowances of \$11.1 million relating to the realization of deferred tax assets in certain European countries.
- (f) Cumulative effect of change in accounting principle represents a non-cash charge for the year ended December 31, 2002, related to impairment of goodwill in our equipment rental business, recognized in accordance with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."
- (g) Amounts for the Predecessor periods and the Successor period ended December 31, 2005 are computed based upon 229,500,000 shares of common stock outstanding immediately after the Acquisition applied to our historical net income (loss) amounts. Amounts for the Successor six months ended June 30, 2006 are computed based on the weighted average shares outstanding during the period applied to our historical net income (loss) amount. Due to the changes in our capital structure, historical share and per share data will not be comparable to, or meaningful in the context of, future periods.
- (h) Assuming an initial public offering price of \$17.00 per share, the midpoint of the range set forth on the cover page of the prospectus, the unaudited pro forma earnings (loss) per share has been computed to give effect to the issuance of 88,235,000 shares to be sold in this offering, the proceeds of which will be used to repay the Hertz Holdings Loan Facility and to pay a special cash dividend to stockholders.

	For the Periods from			
	January 1, 2005 to December 20, 2005	December 21, 2005 to December 31, 2005	Combined 2005	Six Months Ended June 30, 2006
<b>Numerator:</b>				
Net loss (as reported)	\$ 371.3	\$ (21.3)	\$ 350.0	\$ (31.4)
<b>Denominator:</b>				
Weighted average shares outstanding as reported	229.5	229.5	229.5	230.1
<b>Add:</b>				
Shares to be sold in this offering the proceeds of which will be used for the repayment of the Hertz Holdings Loan Facility and the payment of a special cash dividend to stockholders	88.2	88.2	88.2	88.2
<b>Pro forma weighted average shares outstanding basic and diluted<sup>(1)</sup></b>	<b>317.7</b>	<b>317.7</b>	<b>317.7</b>	<b>318.3</b>
Pro forma earnings (loss) per share basic	\$ 1.17	\$ (0.07)	\$ 1.10	\$ (0.10)
Pro forma earnings (loss) per share diluted	\$ 1.17	\$ (0.07)	\$ 1.10	\$ (0.10)

- (1) The pro forma diluted weighted average shares outstanding for the six months ended June 30, 2006, excludes the impact of approximately 14 million stock options, because such impact would be anti-dilutive.

(i)

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Substantially all of our revenue earning equipment, as well as certain related assets, are owned by special purpose entities, or are subject to liens in favor of our lenders. Substantially all our other assets in the United States are also subject to liens in favor of our lenders, and substantially all our other assets outside the United States are (with certain limited exceptions) subject to liens in favor of our lenders. None of such assets are available to satisfy the claims of our general creditors.

(j)

Includes equity contributions totaling \$2,295 million to Hertz Holdings from investment funds associated with or designated by the Sponsors on or prior to December 21, 2005 and the payment of special cash dividends of approximately \$999.2 million to our stockholders on June 30, 2006.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our results of operations and financial condition primarily covers periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of historical periods prior to the six months ended June 30, 2006 does not reflect the significant impact that the Transactions will have on us, including significantly increased leverage and liquidity requirements. The statements in the discussion and analysis regarding industry outlook, our expectations regarding the performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors." Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the sections entitled "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements," "Selected Historical Consolidated Financial Data" and our audited annual consolidated financial statements and related notes thereto and unaudited interim consolidated financial statements and related notes thereto included elsewhere in this prospectus.

**Overview**

We are engaged principally in the business of renting cars and renting equipment.

Our revenues primarily are derived from rental and related charges and consist of:

Car rental revenues (revenues from all company-operated car rental operations, including charges to customers for the reimbursement of costs incurred relating to airport concession fees and vehicle license fees, the fueling of vehicles and the sale of loss or collision damage waivers, liability insurance coverage and other products);

Equipment rental revenues (revenues from all company-operated equipment rental operations, including amounts charged to customers for the fueling and delivery of equipment and sale of loss damage waivers); and

Other revenues (fees and certain cost reimbursements from our licensees and revenues from our third-party claim management services).

Our equipment rental business also derives revenues from the sale of new equipment and consumables.

Our expenses primarily consist of:

Direct operating expenses (primarily wages and related benefits; commissions and concession fees paid to airport authorities, travel agents and others; facility, self-insurance and reservations costs; the cost of new equipment and consumables purchased for resale; and other costs relating to the operation and rental of revenue earning equipment, such as damage, maintenance and fuel costs);

Depreciation expense relating to revenue earning equipment (including net gains or losses on the disposal of such equipment). Revenue earning equipment includes cars and equipment;

Selling, general and administrative expenses (including advertising); and

Interest expense, net of interest income.

The car and equipment rental industries are significantly influenced by general economic conditions. The car rental industry is also significantly influenced by developments in the travel industry, and, particularly, in airline passenger traffic. Our profitability is primarily a function of the volume and pricing of rental transactions and the utilization of cars and equipment. Significant changes



in the purchase price of cars and equipment or interest rates can also have a significant effect on our profitability depending on our ability to adjust pricing for these changes. In the United States, increases of approximately 17% in monthly per-car depreciation costs for 2006 model year program cars began to adversely affect our results of operations in the fourth quarter of 2005, as those cars began to enter our fleet. On a comparable basis, we expect 2007 model year program vehicle depreciation costs to rise approximately 20% and per-car depreciation costs for 2007 model year U.S. risk cars to decline slightly. As a consequence of those changes in per-car costs, as well as the larger proportion of our U.S. fleet we expect to purchase as risk cars and other actions we expect to take to mitigate program car cost increases, we expect our net per-car depreciation costs for 2007 model year cars in the United States will increase by approximately 6% from our net per-car depreciation costs for 2006 model year U.S. cars. We will begin to experience the impact of those cost changes and mitigation actions in the fourth quarter of 2006, as substantial numbers of 2007 model year cars begin to enter our U.S. rental fleet. Our business requires significant expenditures for cars and equipment, and consequently we require substantial liquidity to finance such expenditures.

Our car rental and equipment rental operations are seasonal businesses, with decreased levels of business in the winter months and heightened activity during the spring and summer. We have the ability to dynamically manage fleet capacity, the most significant portion of our cost structure, to meet market demand. For instance, to accommodate increased demand, we increase our available fleet and staff during the second and third quarters of the year. As business demand declines, fleet and staff are decreased accordingly. A number of our other major operating costs, including airport fees, commissions and vehicle liability expenses, are directly related to revenues or transaction volumes. In addition, our management expects to utilize enhanced process improvements, including efficiency initiatives and use of our information systems, to help manage our variable costs. Approximately two-thirds of our typical annual operating costs represent variable costs, while the remaining one-third are fixed or semi-fixed. We also maintain a flexible workforce, with a significant number of part time and seasonal workers. However, certain operating expenses, including minimum concession fees, rent, insurance, and administrative overhead, remain fixed and cannot be adjusted for seasonal demand.

As part of our effort to implement our strategy of reducing operating costs, we are evaluating our workforce and operations and intend to make adjustments, including headcount reductions and process improvements to optimize work flow at rental locations and maintenance facilities as well as streamlining our back-office operations, that we believe are necessary and appropriate. When we make adjustments to our workforce and operations, we may incur incremental expenses that delay the benefit of a more efficient workforce and operating structure, but we believe that increasing our operating efficiency and reducing the costs associated with the operation of our business are important to our long-term competitiveness. We currently anticipate incurring future charges to earnings in connection with the implementation of this strategy; however, we have not yet developed detailed estimates of these expenses. We are currently developing a timeline for the implementation of this strategy and currently expect to complete our planning in late 2006 or early 2007 and begin its implementation at that time.

In the United States, industry revenues from airport rentals have only in 2004 returned to levels seen before the 2001 recession and the September 11, 2001 terrorist attacks. During the year ended December 31, 2005, we believe car rental pricing among the major U.S. car rental brands declined slightly, as measured by rental rates charged. During the latter part of the fourth quarter of 2005 and the first half of 2006, based on publicly available information, some U.S. car rental providers experienced transaction day growth and pricing increases compared to the comparable prior periods. We experienced higher car rental volumes and pricing in the U.S. for the year ended December 31, 2005 and the first half of 2006. During most of the third quarter of 2006, we experienced a low single digit volume decline versus the prior period, while pricing was positive. The volume decline was the result of running our fleet at a higher utilization level. It is not certain whether these trends will continue during the remainder of 2006. Also, we believe most European car rental companies' pricing

moved downward in 2005. During the six months ended June 30, 2006, we experienced moderate transaction day growth in our European operations and our car rental pricing was above the level of pricing during the six months ended June 30, 2005. During the third quarter of 2006, moderate transaction day growth continued while pricing was flat versus the prior period.

In the two years ended December 31, 2005, we increased the number of our off-airport rental locations in the United States by approximately 33% to approximately 1,400 locations. Revenues from our U.S. off-airport operations grew during the same period, representing \$576.9 million, \$697.4 million and \$843.7 million of our total car rental revenues in the years ended December 31, 2003, 2004 and 2005, respectively. Our expanding U.S. off-airport operations represented \$400.9 million and \$365.6 million of our total car rental revenues in the six months ended June 30, 2006 and 2005, respectively. In 2006 and subsequent years our strategy may include selected openings of new off-airport locations, the disciplined evaluation of existing locations and the pursuit of same-store sales growth. When we open a new off-airport location, we incur a number of costs, including those relating to site selection, lease negotiation, recruitment of employees, selection and development of managers, initial sales activities and integration of our systems with those of the companies who will reimburse the location's replacement renters for their rentals. A new off-airport location, once opened, takes time to generate its full potential revenues, and as a result revenues at new locations do not initially cover their start-up costs and often do not, for some time, cover the costs of their ongoing operation.

From 2001 to 2003, the equipment rental industry experienced downward pricing, measured by the rental rates charged by rental companies. For the years ended December 31, 2004 and 2005 and the first half of 2006, we believe industry pricing, measured in the same way, improved in the United States and Canada but only started to improve towards the end of 2005 in France and Spain. HERC also experienced higher equipment rental volumes worldwide for the year ended December 31, 2005 and the first half of 2006. During the third quarter of 2006, HERC's double-digit volume growth rate versus the prior year continued, albeit at a somewhat reduced pace from the first half of 2006, while pricing remained positive. HERC slightly contracted its network of equipment rental locations during the 2001 to 2003 downturn in construction activities. HERC added five new locations in the United States in 2004 and six new locations in 2005. During the first half of 2006, HERC added four new U.S. locations and two new Canadian locations, and expects to add eight additional new locations in the United States, during the remainder of the year. In its U.S. expansion, we expect HERC will incur non-fleet start-up costs of approximately \$600,000 per location and additional fleet acquisition costs over an initial twelve-month period of approximately \$5.5 million per location.

Property damage and business interruption from the 2005 hurricanes in Florida and other Gulf Coast states did not have a material effect on our results of operations for the year ended December 31, 2005.

Based upon early indications, our expectations for revenues in the fourth quarter of 2006, versus the comparable period last year, are for low- to mid-single-digit growth in our car rental segment, based on volume and pricing improvement, and low double-digit growth in our equipment rental segment, based on volume and pricing improvement. However, as discussed in the introductory paragraph to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Cautionary Note Regarding Forward-Looking Statements" above, there can be no assurance that our revenues, volume and pricing in the fourth quarter of 2006 will not be materially different from this estimate.

The following discussion and analysis provides information that management believes to be relevant to an understanding of our consolidated financial condition and results of operations. This discussion should be read in conjunction with the financial statements and the related notes thereto contained in our audited annual consolidated financial statements and unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

**Restatement of Predecessor Financial Statements**

Hertz has restated its previously issued consolidated statements of operations, stockholder's equity and cash flows for the Predecessor period ended December 20, 2005. The Restatement revises, in accordance with Accounting Principles Board Opinion No. 20, "Accounting Changes," Hertz's tax provision on repatriated foreign earnings.

Prior to the Acquisition, Hertz and its domestic subsidiaries filed consolidated Federal income tax returns with Ford. During December 2005, in connection with Ford pre-sale activities and to obtain the benefit of favorable one-time tax treatment of distributions offered by the American Jobs Creation Act of 2004, dividends of \$547.8 million were recognized, of which \$216.9 million were cash dividends and \$330.9 million were deemed dividends for tax purposes. The deemed dividends relate to undistributed foreign earnings which are no longer considered to be permanently reinvested. The provision for taxes on income for the Predecessor period ended December 20, 2005, as originally reported, included \$54.1 million of tax expense associated with that repatriation, of which \$50.3 million was offset by foreign tax credits, resulting in net tax expense of \$3.8 million. All Federal income taxes associated with the repatriation are to be reported and paid by Ford as part of their consolidated income tax return. In June 2006, it was determined that there was an error in estimating the amount of Hertz's tax expense for the December 2005 repatriation, which is payable by Ford and that it should be increased by \$27.5 million to \$31.3 million. This change resulted from a detailed study recently completed by Ford for the purpose of preparing their 2005 tax return.

As Ford is responsible for the payment of this tax, we have determined that this error has no impact subsequent to the Acquisition. Because the liability for this tax rests with Ford, there is no effect on our liquidity in either the Predecessor period ended December 20, 2005 or the Successor period ended December 31, 2005. A summary of the effects of the Restatement on the previously issued consolidated statement of operations for the Predecessor period ended December 20, 2005 is as follows (in thousands of dollars):

	Predecessor	
	January 1, 2005 to December 20, 2005	
	As Reported	As Restated
Provision for taxes on income	\$ (163,832)	\$ (191,332)
Net income	398,823	371,323
Earnings per share		
Basic	\$ 1.74	\$ 1.62
Diluted	\$ 1.74	\$ 1.62

The effect of the Restatement on the previously issued consolidated statement of cash flows for the Predecessor period ended December 20, 2005, is to decrease net income by \$27.5 million and to increase the change in accrued taxes by \$27.5 million.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of financial condition and results of operations are based upon our unaudited interim condensed consolidated and audited annual consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts in our financial statements and accompanying notes.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements and changes in these judgments and estimates may impact our future results of operations and financial condition. For additional discussion

of our accounting policies, see Note 1 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

***Revenue Earning Equipment***

Our principal assets are revenue earning equipment, which represented 51% of total assets as of December 31, 2005. Revenue earning equipment consists of vehicles utilized in our car rental operations and equipment utilized in our equipment rental operations. For the year ended December 31, 2005, 77% of the vehicles purchased for our U.S. and international car rental fleet were subject to repurchase by automobile manufacturers under contractual repurchase and guaranteed depreciation programs, subject to certain manufacturers' car condition and mileage requirements, at a specific price during a specified time period. These programs limit our residual risk with respect to vehicles purchased under the programs. For all other vehicles, as well as equipment acquired by our equipment rental business, we use historical experience and monitor market conditions to set depreciation rates. When revenue earning equipment is acquired, we estimate the period that we will hold the asset. Depreciation is recorded on a straight-line basis over the estimated holding period, with the objective of minimizing gain or loss on the disposition of the revenue earning equipment. 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. Upon disposal of the revenue earning equipment, depreciation expense is adjusted for the difference between the net proceeds received and the remaining book value. As market conditions change, we adjust our depreciation rates prospectively, over the remaining holding period, to reflect these changes in market conditions. See Note 8 to the Notes to our audited annual consolidated financial statements and Note 6 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

***Public Liability and Property Damage***

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

***Pensions***

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

See Note 6 to the Notes to our audited annual consolidated financial statements and Note 8 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

### ***Goodwill and Other Intangible Assets***

We review goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable, and also review goodwill annually in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." Our annual review is conducted in the second quarter of each year. Under SFAS No. 142, goodwill impairment is deemed to exist if the carrying value of goodwill exceeds its fair value. In addition, SFAS No. 142 requires that goodwill be tested at least annually using a two-step process. The first step is to identify any potential impairment by comparing the carrying value of the reporting unit to its fair value. If a potential impairment is identified, the second step is to compare the implied fair value of goodwill with its carrying amount to measure the impairment loss. We estimate the fair value of our reporting units using a discounted cash flow methodology. A significant decline in the projected cash flows used to determine fair value could result in a goodwill impairment charge.

The Acquisition was recorded by allocating the cost of the assets acquired, including intangible assets and liabilities assumed, based on their estimated fair values at the Acquisition date. Consequently, as a result of the Acquisition, we have recognized significant intangible assets. In accordance with SFAS No. 142, we reevaluate the estimated useful lives of our intangible assets annually or as circumstances change. Those intangible assets considered to have indefinite useful lives are evaluated for impairment on an annual basis, by comparing the fair value of the intangible asset to its carrying value. In addition, whenever events or changes in circumstances indicate that the carrying value of intangible assets might not be recoverable, we will perform an impairment review. We estimate the fair value of our intangible assets using a discounted cash flow methodology. Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets."

Our estimates are based upon historical trends, management's knowledge and experience and overall economic factors. While we believe our estimates are reasonable, different assumptions regarding items such as future cash flows and volatility in the markets we serve could affect our evaluations and result in an impairment charge to the carrying amount of our goodwill and our intangible assets.

See Note 2 to the Notes to our audited annual consolidated financial statements and Note 4 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

### ***Income Taxes***

We recognize deferred tax assets and liabilities resulting from differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets to assess their potential realization and establish a valuation allowance if we believe the asset may not be realized. In performing these reviews, we make estimates about future profits and the realization of these deferred tax assets. A change in profit results could cause an increase or decrease in the valuation allowance that may impact our effective tax rate, and ultimately our results of operations. Our filed tax returns could be challenged by local tax authorities upon audit. Our practice is to review tax filing positions and appropriately record contingent tax liabilities, including interest if applicable. Changes to these tax reserves could increase or decrease our income tax expense, effective tax rate and results of operations.

See Note 9 to the Notes to our audited annual consolidated financial statements and Note 5 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

***Stock-Based Compensation***

In December 2004, the Financial Accounting Standards Board, or the "FASB," revised its Statement of Financial Accounting Standards, or "SFAS," No. 123, with SFAS No. 123R, "Accounting for Stock-Based Compensation." The revised statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is to be recognized over the period during which the employee is required to provide service in exchange for the award. We have accounted for our employee stock-based compensation awards in accordance with SFAS No. 123R. As disclosed in the notes to our financial statements included elsewhere in this prospectus, we estimated the fair value of options issued at the date of grant using a Black-Scholes option-pricing model, which includes assumptions related to volatility, expected life, dividend yield and risk-free interest rate.

As described under "Hertz Holdings Stock Incentive Plan," Hertz Holdings granted or modified options to purchase shares of its common stock and sold shares of its common stock to certain of its employees in May, June and August of 2006. Our management and the compensation committee of our Board of Directors determined that the fair value per share of our common stock was \$10.00 (\$5.68 after giving effect to the Hertz Holdings Dividend) as of May 15, 2006, \$12.00 per share (\$7.68 after giving effect to the Hertz Holdings Dividend) as of June 30, 2006 and \$7.68 as of August 15, 2006. Determining the fair value of our common stock as of each of these dates required making subjective judgments. Hertz engaged an independent valuation specialist to perform a valuation of the common stock of Hertz Holdings as of May 15, 2006, June 30, 2006 and August 15, 2006 to assist management and the compensation committee of our Board of Directors in connection with the determination of the fair market value of our common stock as of these dates.

Several events that occurred over the period from late August through September 2006, as well as the proximity of the offering contemplated by this prospectus, led us to reconsider the method used for estimating the fair value of our common stock under SFAS No. 123R as of August 15, 2006, and we have subsequently determined that the fair value of our common stock as of August 15 should be \$16.37 per share, rather than \$7.68 as had originally been determined at that time. In determining the fair value per share of our common stock as of the August 15, 2006 date, we placed significantly greater weight on these additional events than on the valuation report prepared by the independent valuation specialist as of August 15, 2006.

The events that led us to reconsider the fair value of our common stock as of August 15, 2006, in addition to the proximity of the offering, include the emergence of an actively traded car rental industry participant comparable in size to us, Avis Budget Group, Inc., or "ABG," and the related increase in analyst coverage of the car rental industry, with the associated emergence of coverage that includes fully developed, forward-looking income statement, balance sheet and revenue models and price targets and multiples for industry participants that utilize a more standardized valuation metric that utilizes measures similar to what Hertz Holdings refers to as "corporate EBITDA." Before ABG's emergence as a stand-alone public company and the industry research that has been associated with it, there was limited forward-looking industry trend information or valuation information available to provide forward-looking valuation benchmarks for companies in the car rental industry. This situation changed in August and September 2006 as analysts from major investment banking firms developed detailed projections models and provided their views of industry trends. Also in September 2006, analysts from two major investment banking firms each published their views with respect to trends in the car rental industry and of the appropriate valuation for ABG, including forward-looking price targets for ABG's stock. Each of these factors was also considered important when determining the price range set forth on the cover page of this prospectus.

We determined the fair value of our common stock as of August 15, 2006 for financial reporting purposes by applying a marketability discount, reflecting the likelihood and timing of the successful



completion of the offering contemplated by this prospectus as of August 15, 2006, to the price range set forth on the cover page of this prospectus.

The options granted on August 15, 2006 were issued at strike prices of \$7.68, \$10.68 and \$15.68 per share, and we will record compensation expense totaling \$19.0 million based on a fair value per share of \$16.37 that will be amortized over the service period that began on the grant date. We will also recognize compensation expense of \$13.2 million associated with the difference between the price of \$7.68 per share paid for the stock issued on August 15, 2006 and the reassessed fair value per share of \$16.37 in the third quarter of 2006.

Because the shares sold in May 2006 were issued at a price at least equal to the fair market value of our common stock on the date of the issuances, we were not required to recognize compensation expense associated with these issuances. The compensation expense for the stock options we issued in May and June 2006 was initially determined to be \$72.9 million, which we will recognize over the service period that began on the grant dates. As a result of a modification of these options made in June 2006 in connection with the Hertz Holdings Dividend, an additional \$14.1 million of compensation expense will also be recognized over the remaining service period of the options. In June 2006 we sold shares to Craig R. Koch, our former Chief Executive Officer, for less than their fair value as determined as of the date of issuance, and recognized compensation expense of \$0.2 million as a result. See "Management Hertz Holdings Stock Incentive Plan."

If the fair value of our common stock exceeded the May 2006 option strike price by \$1.00, we would have had to record additional compensation expense of \$10.8 million in the aggregate over the service period of those options beginning in the second quarter of 2006, as well as a charge of \$1.8 million in the aggregate as compensation expense associated with the May 2006 stock sales, the full amount of which would have been required to be recorded in the second quarter of 2006. If the fair value of our common stock had been \$1.00 higher at the time of the Hertz Holdings Dividend on June 30, we would have had to recognize additional expense, related to the modification of the exercise price of the options, of \$1.5 million, to be amortized over the service period of those options.

## Results of Operations

In the following discussion, comparisons are made between the years ended December 31, 2005 (combined, as restated) and December 31, 2004, notwithstanding the presentation in our consolidated statements of operations for the year ended December 31, 2005, the Successor period ended December 31, 2005 and the Predecessor period ended December 20, 2005 (as restated). A split presentation of an annual period is required under GAAP when a change in accounting basis occurs. Consequently, the combined presentation for 2005 is not a recognized presentation under GAAP. Accounting for an acquisition requires that the historical carrying values of assets acquired and liabilities assumed be adjusted to fair value. A resulting higher cost basis associated with the allocation of the purchase price impacts post-acquisition period results, which impacts period-to-period comparisons. We believe a discussion of the separate periods presented for the year ended December 31, 2005 in our consolidated statements of operations may impede understanding of our operating performance. The impact of the Acquisition on the 11-day Successor period does not materially affect the comparison of the annual periods and, accordingly, we have prepared the discussion of our results of operations by comparing the year ended December 31, 2005 (combined, as restated) with the year ended December 31, 2004 without regard to the differentiation between

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Predecessor and Successor results of operations for the Predecessor period ended December 20, 2005 (as restated) and the Successor period ended December 31, 2005.

	Predecessor		Predecessor		Successor	Combined	Predecessor	Successor
	Years Ended December 31,		For the Periods from			Year Ended December 31,	Six Months Ended	
	2003	2004	January 1, 2005 to December 20, 2005 Restated	December 21, 2005 to December 31, 2005		2005 Restated	June 30, 2005	June 30, 2006
(Dollars in thousands)								
<b>Revenues:</b>								
Car rental	\$ 4,819,255	\$ 5,430,805	\$ 5,820,473	\$ 129,448	\$ 5,949,921	\$ 2,824,539	\$ 2,992,312	
Equipment rental	1,037,754	1,161,955	1,392,461	22,430	1,414,891	630,094	783,342	
Other	76,661	83,192	101,811	2,591	104,402	48,269	51,573	
<b>Total revenues</b>	<b>5,933,670</b>	<b>6,675,952</b>	<b>7,314,745</b>	<b>154,469</b>	<b>7,469,214</b>	<b>3,502,902</b>	<b>3,827,227</b>	
<b>Expenses:</b>								
Direct operating	3,316,101	3,734,361	4,086,344	102,958	4,189,302	2,025,483	2,207,369	
Depreciation of revenue earning equipment	1,523,391	1,463,258	1,555,862	43,827	1,599,689	756,437	843,474	
Selling, general and administrative	501,643	591,317	623,386	15,167	638,553	318,905	359,488	
Interest, net of interest income	355,043	384,464	474,247	25,735	499,982	212,044	422,923	
<b>Total expenses</b>	<b>5,696,178</b>	<b>6,173,400</b>	<b>6,739,839</b>	<b>187,687</b>	<b>6,927,526</b>	<b>3,312,869</b>	<b>3,833,254</b>	
Income (loss) before income taxes and minority interest	237,492	502,552	574,906	(33,218)	541,688	190,033	(6,027)	
(Provision) benefit for taxes on income	(78,877)	(133,870)	(191,332)	12,243	(179,089)	(64,937)	(18,094)	
Minority interest		(3,211)	(12,251)	(371)	(12,622)	(5,021)	(7,297)	
<b>Net income (loss)</b>	<b>\$ 158,615</b>	<b>\$ 365,471</b>	<b>\$ 371,323</b>	<b>\$ (21,346)</b>	<b>\$ 349,977</b>	<b>\$ 120,075</b>	<b>\$ (31,418)</b>	

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The following table sets forth, for each of the periods indicated, the percentage of total revenues represented by certain items in our consolidated statements of operations:

	Predecessor		Predecessor		Successor	Combined	Predecessor	Successor
	Years Ended December 31,		For the Periods from				Year Ended December 31,	Six Months Ended June 30,
	2003	2004	January 1, 2005 to December 20, 2005 Restated	December 21, 2005 to December 31, 2005		2005 Restated	2005	2006
<b>Revenues:</b>								
Car rental	81.2%	81.3%	79.6%	83.8%		79.7%	80.6%	78.2%
Equipment rental	17.5	17.4	19.0	14.5		18.9	18.0	20.5
Other	1.3	1.3	1.4	1.7		1.4	1.4	1.3
<b>Total revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Expenses:</b>								
Direct operating	55.9	55.9	55.9	66.6		56.1	57.8	57.7
Depreciation of revenue earning equipment	25.7	21.9	21.3	28.4		21.4	21.6	22.0
Selling, general and administrative	8.4	8.9	8.5	9.8		8.5	9.1	9.4
Interest, net of interest income	6.0	5.8	6.4	16.7		6.7	6.1	11.0
<b>Total expenses</b>	<b>96.0</b>	<b>92.5</b>	<b>92.1</b>	<b>121.5</b>		<b>92.7</b>	<b>94.6</b>	<b>100.1</b>
Income (loss) before income taxes and minority interest	4.0	7.5	7.9	(21.5)		7.3	5.4	(0.1)
(Provision) benefit for taxes on income	(1.3)	(2.0)	(2.6)	7.9		(2.4)	(1.9)	(0.5)
Minority interest			(0.2)	(0.2)		(0.2)	(0.1)	(0.2)
<b>Net income (loss)</b>	<b>2.7%</b>	<b>5.5%</b>	<b>5.1%</b>	<b>(13.8)%</b>		<b>4.7%</b>	<b>3.4%</b>	<b>(0.8)%</b>

### Six Months Ended June 30, 2006 Compared with Six Months Ended June 30, 2005

#### Revenues

Total revenues in the six months ended June 30, 2006 of \$3,827.2 million increased by 9.3% from \$3,502.9 million in the six months ended June 30, 2005.

Revenues from our car rental operations of \$2,992.3 million in the six months ended June 30, 2006 increased by \$167.8 million, or 5.9%, from \$2,824.5 million in the six months ended June 30, 2005. The increase was primarily the result of a 1.3% increase in car rental volume worldwide, a 3.9% increase in pricing worldwide (including a 4.7% increase in the U.S.), an increase in airport concession fees, refueling fees, and license and tax reimbursement fees, partially offset by the effects of foreign currency translation of approximately \$21.9 million.

Revenues from our equipment rental operations of \$783.3 million in the six months ended June 30, 2006 increased by \$153.2 million, or 24.3%, from \$630.1 million in the six months ended June 30, 2005. The increase was due to higher rental volume and improved pricing in the United States and Canada.

Revenues from all other sources of \$51.6 million in the six months ended June 30, 2006 increased by \$3.3 million, or 6.8%, from \$48.3 million in the six months ended June 30, 2005, primarily due to the increase in car rental licensee revenue.

*Expenses*

Total expenses of \$3,833.3 million in the six months ended June 30, 2006 increased by 15.7% from \$3,312.9 million in the six months ended June 30, 2005, and total expenses as a percentage of revenues

increased to 100.1% in the six months ended June 30, 2006 compared with 94.6% in the six months ended June 30, 2005.

Direct operating expenses of \$2,207.4 million for the six months ended June 30, 2006 increased by \$181.9 million (net of \$12.2 million related to the effects of foreign currency translation), or 9.0%, from \$2,025.5 million for the six months ended June 30, 2005. The increase was the result of increases in personnel related expenses, fleet related expenses and other direct operating expenses.

Personnel related expenses increased \$17.6 million, or 2.3%. The increase primarily related to increases in wages and related benefits.

Fleet related expenses increased \$56.1 million, or 12.4%. These increases were primarily related to the increase in worldwide rental volume and included increases in self-insurance expenses of \$24.4 million, gasoline costs of \$18.1 million, which also reflects the higher price of gasoline, and vehicle damage and maintenance costs of \$9.0 million.

Other direct operating expenses increased \$108.2 million, or 13.7%. These increases were primarily related to the increase in worldwide rental volume and included increases in commission fees of \$15.7 million, concession fees in our car rental operations of \$13.0 million, facility expenses of \$12.9 million and guaranteed charge card fees of \$5.0 million. Additionally, there were increases in the amortization of other intangible assets of \$30.6 million and the cost of equipment sold of \$18.1 million.

Depreciation of revenue earning equipment for our car rental operations of \$716.6 million in the six months ended June 30, 2006 increased by 10.3% from \$649.7 million in the six months ended June 30, 2005. The increase was primarily due to the higher cost of vehicles in the United States and lower net proceeds received in excess of book value on the disposal of used cars. This increase was partly offset by a \$3.6 million net reduction in depreciation for our domestic car rental operations resulting from a decrease in depreciation rates effective January 1, 2006 to reflect changes in the estimated residual values of vehicles. Depreciation of revenue earning equipment for our equipment rental operations of \$126.9 million in the six months ended June 30, 2006 increased by 18.9% from \$106.7 million in the six months ended June 30, 2005 due to an increase in the quantity of equipment operated and lower net proceeds received in excess of book value on the disposal of used equipment in the United States. This increase was partly offset by a \$10.5 million net reduction in depreciation for our United States and Canadian equipment rental operations resulting from a decrease in depreciation rates effective January 1, 2006 to reflect changes in the estimated residual values of equipment.

Selling, general and administrative expenses of \$359.5 million in the six months ended June 30, 2006 increased by 12.7% from \$318.9 million in the six months ended June 30, 2005. The increase was primarily due to increases in administrative and sales promotion expenses. The increase in administrative expenses was primarily the result of foreign currency transaction losses of \$21.5 million associated with foreign currency denominated debt. The increase in sales promotion expenses was primarily the result of increased salaries and sales commissions and incentive compensation. These increases were partly offset by the effects of foreign currency translation.

Interest expense, net of interest income, of \$422.9 million in the six months ended June 30, 2006 increased by 99.5% from \$212.0 million in the six months ended June 30, 2005, primarily due to increases in the weighted average interest rate and the weighted average debt outstanding (both related to the Transactions).

The provision for taxes on income of \$18.1 million in the six months ended June 30, 2006 decreased \$46.8 million from \$64.9 million in the six months ended June 30, 2005, primarily due to the decrease in pre-tax profits in the six months ended June 30, 2006 as compared to the six months ended June 30, 2005, partly offset by the establishment of valuation allowances of \$11.1 million during the six months ended June 30, 2006 relating to the realization of deferred tax assets in certain European countries. The effective tax rate in the six months ended June 30, 2006 was (300.2)% ((115.9)% prior to the additional valuation allowances) as compared to 34.2% in the six months ended June 30, 2005.

See Note 5 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

Minority interest of \$7.3 million in the six months ended June 30, 2006 increased \$2.3 million from \$5.0 million in the six months ended June 30, 2005. The increase was primarily due to an increase in our majority-owned subsidiary Navigation Solutions, L.L.C.'s, or "Navigation Solutions," net income in the six months ended June 30, 2006 as compared to the six months ended June 30, 2005.

**Net Income (Loss)**

We had a net loss of \$31.4 million in the six months ended June 30, 2006, representing a decrease of \$151.5 million from net income of \$120.1 million in the six months ended June 30, 2005. The decrease in net income was primarily due to the 99.5% increase in interest expense over the first six months of 2005, as well as the net effect of other contributing factors noted above.

**Effects of the Transactions**

Increased interest expense resulting from our higher debt levels and increased depreciation and amortization expense resulting from the revaluation of our assets and the recognition of certain identified intangible assets, all in connection with the Acquisition, are expected to have a significant adverse impact on full year 2006 income (loss) before income taxes and minority interest.

The following table summarizes the purchase accounting effects of the Acquisition on our results of operations for the six months ended June 30, 2006 (in millions of dollars):

Depreciation and amortization of tangible and intangible assets:	
Other intangible assets	\$ 30.6
Revenue earning equipment	2.8
Property and equipment	6.0
Accretion of revalued liabilities:	
Discount on debt	4.2
Workers' compensation and public liability and property damage	2.7
	<b>46.3</b>

**Year Ended December 31, 2005 Combined (as Restated) Compared with Year Ended December 31, 2004**

**Revenues**

Total revenues of \$7,469.2 million for the year ended December 31, 2005 increased by 11.9% from \$6,676.0 million for the year ended December 31, 2004.

Revenues from our car rental operations of \$5,949.9 million for the year ended December 31, 2005 increased by \$519.1 million, or 9.6%, from \$5,430.8 million for the year ended December 31, 2004. The increase was primarily the result of a 4.1% increase in car rental volume worldwide, a 0.2% increase in pricing worldwide, an increase in airport concession recovery and refueling fees and the effects of foreign currency translation of approximately \$23.1 million.

Revenues from our equipment rental operations of \$1,414.9 million for the year ended December 31, 2005 increased by \$252.9 million, or 21.8%, from \$1,162.0 million for the year ended December 31, 2004. The increase was primarily due to higher rental volume and improved pricing in the United States and Canada and the effects of foreign currency translation of approximately \$12.3 million.

Revenues from all other sources of \$104.4 million for the year ended December 31, 2005 increased by \$21.2 million, or 25.5%, from \$83.2 million for the year ended December 31, 2004, primarily due to the increase in car rental licensee revenue and the effects of foreign currency translation.

*Expenses*

Total expenses of \$6,927.5 million for the year ended December 31, 2005 increased by 12.2% from \$6,173.4 million for the year ended December 31, 2004, principally due to the increase in revenues. Total expenses as a percentage of revenues increased to 92.7% for the year ended December 31, 2005 compared with 92.5% for the year ended December 31, 2004.

Direct operating expenses of \$4,189.3 million for the year ended December 31, 2005 increased by \$454.9 million (inclusive of \$22.1 million related to the effects of foreign currency translation), or 12.2%, from \$3,734.4 million for the year ended December 31, 2004. The increase was the result of increases in personnel related expenses, fleet related expenses and other direct operating expenses.

Personnel related expenses increased \$139.8 million, or 9.7%. The increase primarily related to an increase in the number of employees and higher health care costs.

Fleet related expenses increased \$94.9 million, or 10.8%. The majority of the increase primarily related to the increase in worldwide rental volume and included increases in gasoline costs of \$49.3 million, which also reflects the higher price of gasoline, self-insurance of \$16.4 million and vehicle damage and maintenance expense of \$9.1 million.

Other direct operating expenses increased \$220.3 million, or 15.7%. The majority of the increase primarily related to the increase in worldwide rental volume and included increases in commission fees of \$51.0 million, facility expenses of \$49.1 million (which includes a gain in 2004 of \$7.5 million from the condemnation of a car rental and support facility in Florida), concession fees in our car rental operations of \$25.9 million, customer service costs of \$17.5 million and guaranteed charge card fees of \$10.9 million. Additionally, there were increases in the cost of equipment sold of \$18.7 million, equipment rental cost of \$10.0 million and the receipt in 2004 of \$7.0 million for claims made by us on our insurance policies for business interruption losses resulting from the terrorist attacks of September 11, 2001.

Depreciation of revenue earning equipment for our car rental operations of \$1,381.5 million for the year ended December 31, 2005 increased by 12.4% from \$1,228.6 million for the year ended December 31, 2004. The increase was primarily due to the increase in the average number of vehicles worldwide, higher cost of vehicles in the U.S., lower net proceeds received in excess of book value on the disposal of vehicles and the effects of foreign currency translation. This increase was partly offset by a \$21.8 million net reduction in depreciation for our domestic car rental operations resulting from a decrease in depreciation rates to reflect changes in the estimated residual values of vehicles. Depreciation of revenue earning equipment for our equipment rental operations of \$218.2 million for the year ended December 31, 2005 decreased by 7.0% from \$234.7 million for the year ended December 31, 2004 due to higher net proceeds received in excess of book value on the disposal of used equipment in the United States, and a \$13.2 million net reduction in depreciation resulting from the effects of changes in depreciation rates of equipment in the U.S. and Canada, partly offset by an increase in the quantity of equipment operated.

Selling, general and administrative expenses of \$638.5 million for the year ended December 31, 2005 increased by 8.0% from \$591.3 million for the year ended December 31, 2004. The increase was primarily due to increases in administrative and sales promotion expenses and the effects of foreign currency translation. The increases in administrative and sales promotion expenses were primarily due to increases in salaries, commissions and benefits relating to the improvement in earnings for the year ended December 31, 2005.

Interest expense, net of interest income, of \$500.0 million for the year ended December 31, 2005 increased by 30.0% from \$384.4 million for the year ended December 31, 2004, primarily due to increases in the weighted average debt outstanding, the weighted average interest rate and \$35.6 million of interest expense on the \$1,185.0 million Intercompany Note payable to Ford Holdings LLC relating

to a dividend declared and paid to Ford Holdings LLC on June 10, 2005. The increase was partly offset by an increase in interest income.

The provision for taxes on income of \$179.1 million for the year ended December 31, 2005 (restated) increased by 33.8% from \$133.9 million for the year ended December 31, 2004, primarily due to an increase in income before income taxes and minority interest and a \$31.3 million provision relating to the repatriation of foreign earnings for the year ended December 31, 2005, and net favorable tax adjustments in 2004 totaling \$46.6 million, principally relating to the evaluation of certain federal and foreign tax accruals and foreign tax credits. The increase was partly offset by the reversal of a valuation allowance on foreign tax credit carryforwards of \$35.0 million and favorable foreign tax adjustments of \$5.3 million. The effective tax rate for the year ended December 31, 2005 (restated) was 33.1% as compared to 26.6% for the year ended December 31, 2004. See Notes 1, 1A and 9 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

Minority interest of \$12.6 million for the year ended December 31, 2005 increased \$9.4 million from \$3.2 million for the year ended December 31, 2004. The increase was due to only two quarters of earnings being included in 2004 as we increased our ownership interest in Navigation Solutions beginning in July 2004. See Note 5 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

### ***Net Income***

We had net income of \$350.0 million for the year ended December 31, 2005 (restated), representing a decrease of \$15.5 million, or 4.2%, from \$365.5 million for the year ended December 31, 2004. The decrease in net income was primarily due to the one-time \$31.3 million tax provision relating to the repatriation of foreign earnings, as well as the net effect of other contributing factors noted above. The impact of changes in exchange rates on net income was mitigated by the fact that not only foreign revenues but also most foreign expenses were incurred in local currencies.

### ***Effects of Acquisition***

The loss for the Successor period ended December 31, 2005 relates to lower rental demand due to the seasonality of the business and costs associated with the Transactions. Increased interest expense resulting from our higher debt levels and increased depreciation and amortization expense resulting from the revaluation of our assets and the recognition of certain identified intangible assets, all in connection with the Acquisition, are expected to have a significant adverse impact on full year 2006 income before income taxes and minority interest.

### **Year Ended December 31, 2004 Compared with Year Ended December 31, 2003**

#### ***Revenues***

Total revenues of \$6,676.0 million for the year ended December 31, 2004 increased by 12.5% from \$5,933.7 million for the year ended December 31, 2003.

Revenues from our car rental operations of \$5,430.8 million for the year ended December 31, 2004 increased by \$611.5 million, or 12.7%, from \$4,819.3 million for the year ended December 31, 2003. This increase was primarily the result of higher car rental volumes worldwide and the effects of foreign currency translation of approximately \$143.6 million, partly offset by a 2.7% decrease in pricing worldwide.

Revenues from our equipment rental operations of \$1,162.0 million for the year ended December 31, 2004 increased by 12.0% from \$1,037.8 million for the year ended December 31, 2003. This \$124.2 million increase was principally due to improved pricing in the United States, higher equipment rental volumes worldwide and the effects of foreign currency translation of approximately \$22.1 million.



Revenues from all other sources of \$83.2 million for the year ended December 31, 2004 increased by 8.5% from \$76.6 million for the year ended December 31, 2003, due to an increase in licensee revenues.

### *Expenses*

Total expenses of \$6,173.4 million for the year ended December 31, 2004 increased by 8.4% from \$5,696.2 million for the year ended December 31, 2003, principally due to the increase in revenues. Total expenses as a percentage of revenues decreased to 92.5% for the year ended December 31, 2004 compared to 96.0% for the year ended December 31, 2003.

Direct operating expenses of \$3,734.4 million for the year ended December 31, 2004 increased by \$418.3 million (inclusive of \$105.3 million related to the effects of foreign currency translation), or 12.6%, from \$3,316.1 million for the year ended December 31, 2003. The increase was the result of increases in personnel related expenses, fleet related expenses and other direct operating expenses.

Personnel related expenses increased \$193.9 million, or 15.5%. The increase primarily related to an increase in the number of employees and higher health care costs.

Fleet related expenses increased \$92.0 million, or 11.7%. The majority of the increase primarily related to the increase in worldwide rental volume and included increases in vehicle damage and maintenance expense (including higher parts costs) of \$55.4 million, gasoline costs of \$33.6 million, which also reflects the higher price of gasoline, and other fleet related costs, partly offset by favorable self-insurance claims experience.

Other direct operating expenses increased \$132.3 million, or 10.4%. The majority of the increase primarily related to the increase in worldwide rental volume and included increases in concession fees in our car rental operations of \$48.0 million, commission fees of \$30.5 million, facility expenses of \$34.2 million (which includes the initial gain of \$8.0 million in 2003 and a final gain of \$7.5 million in 2004 from the condemnation of a car rental and support facility in Florida) and guaranteed charge card fees of \$11.7 million. Current period expenses were further reduced by \$7.0 million received in 2004 for claims made by us on our insurance policies for business interruption losses resulting from the terrorist attacks of September 11, 2001

Depreciation of revenue earning equipment for our car rental operations of \$1,228.6 million for the year ended December 31, 2004 decreased by 2.4% from \$1,258.3 million for the year ended December 31, 2003. The decrease was primarily due to the decrease in the United States average cost per vehicle and higher net proceeds received in excess of book value on the disposal of used vehicles worldwide, partly offset by the effects of foreign currency translation, an increase in the average number of vehicles operated worldwide and a one-time refund of \$7.8 million for the year ended December 31, 2003. The refund resulted from a special transitional credit for car rental companies instituted by the Australian Taxation Office for Goods and Services Tax. Taxes paid were previously included in the capitalized cost of the vehicles in our Australian car rental fleet. Depreciation of revenue earning equipment for our equipment rental operations of \$234.7 million for the year ended December 31, 2004 decreased by 11.5% from \$265.1 million for the year ended December 31, 2003, primarily due to higher net proceeds received in excess of book value on the disposal of used equipment in the United States.

Selling, general and administrative expenses of \$591.3 million for the year ended December 31, 2004 increased by 17.9% from \$501.7 million for the year ended December 31, 2003. The increase was principally due to the effects of foreign currency translation and increases in administrative and advertising expenses. The increase in administrative expenses was attributable to increases in salaries and in incentive compensation expense relating to the improvement in earnings for the year ended December 31, 2004. The increase in advertising was due to expanded media advertising, primarily in television.

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Interest expense, net of interest income, of \$384.4 million for the year ended December 31, 2004 increased 8.3% from \$355.0 million for the year ended December 31, 2003, primarily due to an increase in the weighted average debt outstanding and foreign currency translation, partly offset by a decrease in the weighted average interest rate and higher interest income.

The provision for taxes on income of \$133.9 million for the year ended December 31, 2004 increased 69.7% from \$78.9 million for the year ended December 31, 2003. The increase in the provision for taxes on income was primarily the result of an increase in income before income taxes for the year ended December 31, 2004, partly offset by net favorable tax adjustments totaling \$46.6 million, principally relating to the evaluation of certain federal and foreign tax accruals and foreign tax credits. The effect of the net tax adjustments caused a decrease in the effective tax rate from 35.9% to 26.6% as compared to 33.2% for the year ended December 31, 2003. See Notes 1 and 9 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

On July 1, 2004, we increased our joint venture ownership interest in Navigation Solutions from 40% to 65%. Minority interest of \$3.2 million for the year ended December 31, 2004 represents the minority interest's share (35%) of Navigation Solutions' net income for the period July 1, 2004 through December 31, 2004. See Note 5 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

### ***Net Income***

We had net income of \$365.5 million for the year ended December 31, 2004, representing an increase of \$206.9 million from \$158.6 million for the year ended December 31, 2003. The increase reflects higher rental volume in our worldwide car and equipment rental businesses, lower fleet costs, higher net proceeds received in excess of book value on the disposal of used vehicles and equipment and net favorable tax adjustments, partly offset by lower pricing in our worldwide car rental business, as well as the net effect of other contributing factors noted above. The impact of changes in exchange rates on net income was mitigated by the fact that not only foreign revenues but also most foreign expenses were incurred in local currencies.

### **Liquidity and Capital Resources**

As of June 30, 2006, we had cash and equivalents of \$512.4 million, a decrease of \$331.5 million from December 31, 2005. As of June 30, 2006, we had \$220.6 million of restricted cash to be used for the purchase of revenue earning vehicles, the repayment of outstanding indebtedness primarily under our ABS Program and to satisfy certain of our self-insurance reserve requirements.

Our domestic and foreign operations are funded by cash provided by operating activities and by extensive financing arrangements maintained by us in the United States, Europe, Australia, New Zealand, Canada and Brazil. Net cash provided by operating activities during the six months ended June 30, 2006 was \$2,104.1 million, an increase of \$438.5 million from the six months ended June 30, 2005. This increase was primarily due to the decrease in receivables as of June 30, 2006 compared to December 31, 2005.

Our primary use of cash in investing activities is for the acquisition of revenue earning equipment, which consists of cars and equipment. Net cash used in investing activities during the six months ended June 30, 2006 was \$2,672.1 million, a decrease of \$257.1 million from the six months ended June 30, 2005. The decrease is primarily due to the increase in proceeds from disposal of revenue earning equipment, decreases in revenue earning equipment and property and equipment expenditures and an increase in restricted cash, partly offset by the proceeds from the sale of short term investments in 2005. For the six months ended June 30, 2006, our expenditures for revenue earning equipment were \$7,540.3 million, partially offset by proceeds from the disposal of such equipment of \$4,899.5 million. These assets are purchased by us in accordance with the terms of programs negotiated with the car and equipment manufacturers.

For the six months ended June 30, 2006, our capital expenditures for property and non-revenue earning equipment were \$130.6 million. For the six months ended June 30, 2006, we experienced a slightly decreased level of net expenditures for revenue earning equipment and property and equipment compared to the six months ended June 30, 2005. This decrease was primarily due to an increase in revenue earning equipment disposals, a decrease in revenue earning equipment expenditures and property and non-revenue earning equipment expenditures for the six months ended June 30, 2006. For the full year 2006, we expect the level of net expenditures for revenue earning equipment to be lower than 2005 and net expenditures for property and non-revenue earning equipment to be similar to that of 2005. See " Capital Expenditures" below.

Our car rental and equipment rental operations are seasonal businesses with decreased levels of business in the winter months and heightened activity during the spring and summer. This is particularly true of our airport car rental operations and our equipment rental operations. To accommodate increased demand, we maintain a larger fleet by holding vehicles and equipment and purchasing additional fleet which increases our financing requirements in the second and third quarters of the year. These seasonal financing needs are funded by increasing the utilization of our bank credit facilities and, in past years, our commercial paper program. As business demand moderates during the winter, we reduce our fleet accordingly and dispose of vehicles and equipment. The disposal proceeds are used to reduce debt.

We are highly leveraged and a substantial portion of our liquidity needs arise from debt service on indebtedness incurred in connection with the Transactions and from the funding of our costs of operations, working capital and capital expenditures.

As of June 30, 2006, we had approximately \$13,940.2 million of total indebtedness outstanding. Cash paid for interest during the six months ended June 30, 2006, was \$255.2 million, net of amounts capitalized.

We rely significantly on asset-backed financing to purchase cars for our domestic and international car rental fleets. For further information concerning our asset-backed financing programs, see "Description of Certain Indebtedness ABS Program U.S. Fleet Debt" and "Description of Certain Indebtedness ABS Program International Fleet Debt" below. For a discussion of risks related to our reliance on asset-backed financing to purchase cars, see "Risk Factors Risks Related to Our Business Our reliance on asset-backed financing to purchase cars subjects us to a number of risks, many of which are beyond 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. Substantially all our other assets in the United States are also subject to liens in favor of our lenders, and substantially all our other assets outside the United States are (with certain limited exceptions) subject to liens in favor of our lenders. None of such assets will be available to satisfy the claims of our general creditors.

We believe that cash generated from operations, together with amounts available under the Senior Credit Facilities, asset-backed financing and other available financing arrangements will be adequate to permit us to meet our debt service obligations, ongoing costs of operations, working capital needs and capital expenditure requirements for the foreseeable future. Our future financial and operating performance, ability to service or refinance our debt and ability to comply with covenants and restrictions contained in our debt agreements will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

## **Financing**

### *Hertz Holdings Financing*

On June 30, 2006, we incurred indebtedness of \$1,000 million pursuant to the Hertz Holdings Loan Facility, which we expect to repay with a portion of the net proceeds to us of this offering. For further information regarding the Hertz Holdings Loan Facility, see "Description of Certain Indebtedness Hertz Holdings Loan Facility."

On the Closing Date, Hertz entered into a series of financing and refinancing transactions. For a description of the Transactions, see "Recent Transactions The Transactions."

### *Senior Credit Facilities*

*Senior Term Facility.* In connection with the Acquisition, Hertz entered into a credit agreement with respect to its Senior Term Facility with Deutsche Bank AG, New York Branch as administrative agent and collateral agent, Lehman Commercial Paper Inc. as syndication agent, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated as documentation agent, and the other financial institutions party thereto from time to time. The facility consists of a \$2,000.0 million secured term loan facility providing for loans denominated in U.S. Dollars, including a delayed draw facility of \$293.0 million that may be drawn until August 2007 to refinance certain existing debt. In addition, there is a pre-funded synthetic letter of credit facility in an aggregate principal amount of \$250.0 million. On the Closing Date, Hertz utilized \$1,707.0 million of the Senior Term Facility. On May 15, 2006, Hertz borrowed approximately \$84.9 million under the delayed draw facility and used the proceeds thereof to repay its 6.5% Senior Notes due 2006. As of June 30, 2006, Hertz had \$1,741.8 million in borrowings outstanding under this facility, which is net of a discount of \$41.6 million. The term loan facility and the synthetic letter of credit facility will mature on December 21, 2012.

*Senior ABL Facility.* Hertz, Hertz Equipment Rental Corporation and certain other subsidiaries of Hertz also entered into a credit agreement with respect to the Senior ABL Facility with Deutsche Bank AG, New York Branch as administrative agent and collateral agent, Deutsche Bank AG, Canada Branch as Canadian Agent and Canadian collateral agent, Lehman Commercial Paper Inc. as syndication agent, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated as documentation agent and the financial institutions party thereto from time to time. This facility provides (subject to availability under a borrowing base) for aggregate maximum borrowings of \$1,600.0 million under a revolving loan facility providing for loans denominated in U.S. Dollars, Canadian Dollars, Euros and Pounds Sterling. Up to \$200.0 million of the revolving loan facility is available for the issuance of letters of credit. Hertz and Hertz Equipment Rental Corporation are the U.S. borrowers under the Senior ABL Facility and Matthews Equipment Limited and its subsidiary Western Shut-Down (1995) Ltd. are the Canadian borrowers under the Senior ABL Facility. At June 30, 2006, net of a discount of \$25.5 million, Hertz and Matthews Equipment Limited had \$368.1 million and the Canadian dollar equivalent of \$260.5 million, respectively, in borrowings outstanding under this facility. The Senior ABL Facility will mature on December 21, 2010.

The Senior Credit Facilities contain a number of covenants that, among other things, limit or restrict the ability of the borrowers and the guarantors to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, change the nature of their business, make capital expenditures, or engage in certain transactions with affiliates. Under the Senior Term Facility, the borrowers are subject to financial covenants, including a requirement to maintain a specified debt to Corporate EBITDA leverage ratio and a specified Corporate EBITDA to interest expense coverage ratio for specified periods (the requirements for both of these ratios vary throughout the term of the loan.) Also, under the Senior ABL Facility, if the borrowers fail to maintain a specified minimum level of borrowing capacity, they will then be subject to

financial covenants under such facility, including a specified debt to Corporate EBITDA leverage ratio (the ratio varies throughout the term of the loan) and a specified Corporate EBITDA to fixed charges coverage ratio of one to one. Failure to comply with the financial covenants under the Senior Credit Facilities would result in a default under the credit agreements governing our Senior Credit Facilities and, absent a waiver or an amendment from our lenders, permit the acceleration of all outstanding borrowings under the Senior Credit Facilities. Although we were not required to be in compliance with the above financial covenants as of June 30, 2006, we performed the calculations associated with them and determined that we would have been in compliance, if compliance had been necessary, both under the transition rule as set forth in the credit agreements governing the Senior Credit Facilities and as described in footnote (h) to "Summary Summary Historical and Unaudited Pro Forma Financial Data." For a description of this calculation and the transition rule, see "Summary Summary Historical and Unaudited Pro Forma Financial Data." The Senior Credit Facilities are subject to certain mandatory prepayment requirements and provide for customary events of default.

On June 30, 2006, Hertz entered into amendments to each of its Senior Term Facility and Senior ABL Facility. The amendments provide, among other things, for additional capacity under the covenants in these credit facilities to enter into certain sale and leaseback transactions, to pay dividends and, in the case of the amendment to the Senior Term Facility, to make investments. The amendment to the Senior Term Facility also permits Hertz to use proceeds of the unused portion of the \$293.0 million Delayed Draw Term Loan to repay borrowings outstanding under the Senior ABL Facility, in addition to repaying certain other outstanding indebtedness of Hertz. On July 10, 2006, Hertz drew down the remaining \$208.1 million of the Delayed Draw Term Loan to pay down the equivalent amount of borrowings outstanding under the Senior ABL Facility. For further information regarding the Senior Credit Facilities, see "Description of Certain Indebtedness Senior Credit Facilities."

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

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

As of June 30, 2006, \$2,087.6 million and \$600.0 million in borrowings were outstanding under the Senior Notes and Senior Subordinated Notes, respectively. The Senior Notes will mature on January 1, 2014, and the Senior Subordinated Notes will mature on January 1, 2016. The Senior Dollar Notes bear interest at a rate per annum of 8.875%, the Senior Euro Notes bear interest at a rate per annum of 7.875% and the Senior Subordinated Notes bear interest at a rate per annum of 10.5%. Hertz's obligations under the indentures are guaranteed by each of its direct and indirect domestic subsidiaries that is a guarantor under the Senior Credit Facilities.

Both the indenture for the Senior Notes and the indenture for the Senior Subordinated Notes contain covenants that, among other things, limit the ability of Hertz and its restricted subsidiaries, described in the respective indentures, to incur more debt, pay dividends, redeem stock or make other distributions, make investments, create liens, transfer or sell assets, merge or consolidate and enter into certain transactions with affiliates. The indenture for the Senior Subordinated Notes also contains subordination provisions and a limitation on the types of senior subordinated debt that may be incurred. The indentures also contain certain mandatory and optional prepayment or redemption provisions and provide for customary events of default. For further information regarding the Senior Notes and Senior Subordinated Notes, see "Description of Certain Indebtedness Senior Notes and Senior Subordinated Notes." We also have outstanding as of June 30, 2006 approximately

\$722.5 million of pre-acquisition senior notes and Euro-denominated medium-term notes, net of a \$5.4 million discount. See "Description of Certain Indebtedness Pre-Acquisition Senior Notes and Euro Medium Term Notes."

*Fleet Financing*

*U.S. Fleet Debt.* In connection with the Acquisition, Hertz Vehicle Financing LLC, or "HVF," a bankruptcy-remote special purpose entity wholly owned by Hertz, entered into an amended and restated base indenture, or the "ABS Indenture," dated as of the Closing Date, with BNY Midwest Trust Company as trustee, and a number of related supplements to the ABS Indenture, each dated as of the Closing Date, with BNY Midwest Trust Company as trustee and securities intermediary, or, collectively, the "ABS Supplement." On the Closing Date, HVF, as issuer, issued approximately \$4,300.0 million of new medium term asset-backed notes consisting of 11 classes of notes in two series under the ABS Supplement. HVF also issued approximately \$1,500.0 million of variable funding notes in two series, none of which were funded at closing. As of June 30, 2006, \$4,299.9 million (net of a \$0.1 million discount) and \$197.0 million in aggregate borrowings were outstanding in the form of these medium term notes and variable funding notes, respectively.

In connection with the Acquisition and the issuance of \$3,550.0 million of floating rate U.S. Fleet Debt, HVF and Hertz 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 SFAS 133. These agreements mature at various terms, in connection with the scheduled maturity of the associated debt obligations, through November 25, 2011. Under these agreements, we pay monthly interest at a fixed rate of 4.5% per annum in exchange for monthly amounts at one-month LIBOR, effectively transforming the floating rate U.S. Fleet Debt to fixed rate obligations. As of June 30, 2006 and December 31, 2005, the fair value of the HVF Swaps were \$119.2 million and \$37.0 million, respectively, which are reflected in the condensed consolidated balance sheet in "Prepaid expenses and other assets." For the six months ended June 30, 2006, we recorded a benefit of \$1.0 million in the consolidated statement of operations associated with previously recognized ineffectiveness of the HVF Swaps.

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

In addition, as of June 30, 2006, we had outstanding approximately \$584.9 million of pre-acquisition ABS Notes, net of a \$15.1 million discount. See "Description of Certain Indebtedness ABS Program Pre-Acquisition ABS Notes."

*International Fleet Debt.* In connection with the Acquisition, Hertz International, Ltd., or "HIL," a Delaware corporation organized as a foreign subsidiary holding company and a direct subsidiary of Hertz, and certain of its subsidiaries (all of which are organized outside the United States), together with certain bankruptcy-remote special purpose entities (whether organized as HIL's subsidiaries or as non-affiliated "orphan" companies), or "SPEs," entered into revolving bridge loan facilities providing commitments to lend, in various currencies, up to an aggregate amount equivalent to approximately \$3,093.1 million (calculated as of June 30, 2006), subject to borrowing bases comprised of rental vehicles and related assets of certain of HIL's subsidiaries (all of which are organized outside the United States) or one or more SPEs, as the case may be, and rental equipment and related assets of certain of HIL's subsidiaries organized outside North America or one or more SPEs, as the case may be. As of June 30, 2006, the foreign currency equivalent of \$1,858.0 million in borrowings was

outstanding under these facilities, net of a \$9.7 million discount. These facilities are referred to collectively as the "International Fleet Debt Facilities."

The International Fleet Debt Facilities contain a number of covenants (including, without limitation, covenants customary for transactions similar to the International Fleet Debt Facilities) that, among other things, limit or restrict the ability of HIL, the borrowers and the other subsidiaries of HIL to dispose of assets, incur additional indebtedness, incur guarantee obligations, create liens, make investments, make acquisitions, engage in mergers, make negative pledges, change the nature of their business or engage in certain transactions with affiliates. In addition, HIL is restricted from making dividends and other restricted payments (which may include payments of intercompany indebtedness) in an amount greater than €100 million plus a specified excess cash flow amount calculated by reference to excess cash flow in earlier periods. Subject to certain exceptions, until the later of one year from the Closing Date and such time as 50% of the commitments under the International Fleet Debt Facilities as of the closing of the Acquisition have been replaced by permanent take-out international asset-based facilities, the specified excess cash flow amount will be zero. Thereafter, this specified excess cash flow amount will be between 50% and 100% of cumulative excess cash flow based on the percentage of the International Fleet Debt Facilities that have been replaced by permanent take-out international asset-based facilities. As a result of the contractual restrictions on HIL's ability to pay dividends to us as of June 30, 2006, the restricted net assets of our consolidated subsidiaries exceeded 25% of our total consolidated net assets. For further information regarding the U.S. Fleet Debt Facilities and International Fleet Debt Facilities, see "Description of Certain Indebtedness ABS Program."

The subsidiaries conducting the car rental business in certain European jurisdictions may, at their option, continue to engage in capital lease financings relating to revenue earning equipment outside the International Fleet Debt Facilities. As of June 30, 2006, there were \$129.4 million of capital lease financings outside of the International Fleet Debt Facilities outstanding.

In May 2006, in connection with the forecasted issuance of the permanent take-out international asset-based facilities, HIL purchased two swaptions for €3.3 million, to protect itself from interest rate increases. These swaptions give HIL the right, but not the obligation, to enter into three year interest rate swaps, based on a total notional amount of €600 million at an interest rate of 4.155%. The swaptions mature on March 15, 2007. As of June 30, 2006, the fair value of the swaptions was \$3.8 million, which is reflected in the condensed consolidated balance sheet in "Prepaid expenses and other assets." During the second quarter of 2006, the fair value adjustment related to these swaps was a loss of \$0.4 million, which is recorded in the consolidated statement of operations in "Selling, general and administrative" expense.

#### *Credit Facilities*

As of June 30, 2006, the following credit facilities were available for the use of Hertz and its subsidiaries:

The Senior Term Facility had \$208.1 million available to refinance certain existing debt under the delayed draw facility and \$8.3 million available under the letter of credit facility. On July 10, 2006, \$208.1 million was drawn down to pay down the equivalent amount of borrowings under the Senior ABL Facility.

The Senior ABL Facility had the foreign currency equivalent of approximately \$945.9 million of remaining capacity, all of which was available under the borrowing base limitation. Additionally, \$184.1 million was available under the letter of credit facility.

The International Fleet Debt Facilities had the foreign currency equivalent of approximately \$1,217.0 million unused and \$293.0 million available under the borrowing base limitation.

The U.S. Fleet Debt had approximately \$1,303.0 million of remaining capacity and \$169.8 million available under the borrowing base limitation. No additional amounts were available under the letter of credit facility.

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As of June 30, 2006, substantially all of our assets are pledged under one or more of the facilities noted above. We are currently in compliance with all of the covenants contained in the various facilities noted above that are currently applicable to us.

For further information regarding these credit facilities, see "Description of Certain Indebtedness."

### **Contractual Obligations**

The following table details the contractual cash obligations for debt and related interest payable, operating leases and concession agreements and other purchase obligations as of December 31, 2005, without giving effect to this offering and the use of the proceeds to us thereof:

	Payments Due by Period				
	Total	Less than 1 Year	1 3 Years	3 5 Years	More than 5 Years
(In millions of dollars)					
Debt <sup>(1)</sup>	\$ 12,657.9	\$ 2,774.9	\$ 1,064.7	\$ 4,099.6	\$ 4,718.7
Interest on debt <sup>(2)</sup>	4,232.4	673.6	1,275.1	1,081.7	1,202.0
Operating leases and concession agreements <sup>(3)</sup>	1,552.8	328.3	467.0	244.3	513.2
Purchase obligations <sup>(4)</sup>	6,984.4	6,845.9	137.9	0.6	
<b>Total</b>	<b>\$ 25,427.5</b>	<b>\$ 10,622.7</b>	<b>\$ 2,944.7</b>	<b>\$ 5,426.2</b>	<b>\$ 6,433.9</b>

- (1) Amounts represent debt obligations included in "Debt" in our consolidated balance sheet and include \$2,555.3 million of commercial paper and other short-term borrowings. These amounts exclude estimated payments under interest rate swap agreements and aggregate borrowings of \$1.0 billion under the Hertz Holdings Loan Facility on June 30, 2006 which will mature on June 30, 2007. We expect to use the net proceeds to us from the sale of common stock in this offering to repay borrowings outstanding under this facility. See "Use of Proceeds." See Note 3 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.
- (2) Amounts represent the estimated interest payments based on the principal amounts, minimum non-cancelable maturity dates and applicable interest rates on the debt at December 31, 2005. The minimum non-cancelable obligations under the International Fleet Debt and Senior ABL Facility matured between January and March 2006. While there was no requirement to do so, these obligations were subsequently renewed.
- (3) Includes obligations under various concession agreements, which provide for payment of rents and a percentage of revenue with a guaranteed minimum, and lease agreements for real estate, revenue earning equipment and office and computer equipment. Such obligations are reflected to the extent of their minimum non-cancelable terms. See Note 10 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.
- (4) Purchase obligations represent agreements to purchase goods or services that are legally binding on us and that specify all significant terms, including fixed or minimum quantities; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Only the minimum non-cancelable portion of purchase agreements and related cancellation penalties are included as obligations. In the case of contracts, which state minimum quantities of goods or services, amounts reflect only the stipulated minimums; all other contracts reflect estimated amounts. Of the total purchase obligations as of December 31, 2005, \$6,687.3 million represent fleet purchases where contracts have been signed or are pending with committed orders under the terms of such arrangements. We do not regard our employment relationships with our employees as "agreements to purchase services" for these purposes.

### **Other Factors**

#### *Goodwill and Other Intangible Assets Following the Acquisition*

We have recognized a significant amount of goodwill and other intangible assets in connection with the Acquisition. We perform an impairment analysis with respect to our goodwill and indefinite-lived intangible assets at least annually, or more frequently if changes in circumstances indicate that the carrying amount of the goodwill or other intangible assets may not be recoverable. If we identify an impairment in goodwill or other intangible assets we may be required to take a charge that could negatively impact our future earnings.



*Foreign Currency*

Provisions are not made for U.S. income taxes on undistributed earnings of foreign subsidiaries that are intended to be indefinitely reinvested outside the United States or are expected to be remitted free of taxes. Foreign operations have been financed to a substantial extent through loans from local

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lending sources in the currency of the countries in which such operations are conducted. Car rental operations in foreign countries are, from time to time, subject to governmental regulations imposing varying degrees of currency restrictions. Currency restrictions and other regulations historically have not had a material impact on our operations as a whole.

**Capital Expenditures**

The table below shows revenue earning equipment and property and equipment capital expenditures and related disposal proceeds received by quarter for 2005, 2004 and 2003 and the first half of 2006.

	Revenue Earning Equipment			Property and Equipment		
	Capital Expenditures	Disposal Proceeds	Net Capital Expenditures (Proceeds)	Capital Expenditures	Disposal Proceeds	Net Capital Expenditures
(Dollars in millions)						
<b>2006</b>						
<b>Successor</b>						
First Quarter	\$ 3,862.1	\$ (2,591.3)	\$ 1,270.8	\$ 64.7	\$ (19.8)	\$ 44.9
Second Quarter	3,678.2	(2,308.2)	1,370.0	65.9	(8.7)	57.2
<b>Total</b>	<b>\$ 7,540.3</b>	<b>\$ (4,899.5)</b>	<b>\$ 2,640.8</b>	<b>\$ 130.6</b>	<b>\$ (28.5)</b>	<b>\$ 102.1</b>
<b>2005</b>						
<b>Predecessor</b>						
First Quarter	\$ 3,600.2	\$ (2,307.4)	\$ 1,292.8	\$ 81.3	\$ (9.0)	\$ 72.3
Second Quarter	4,040.4	(2,304.3)	1,736.1	105.5	(21.3)	84.2
Third Quarter	2,377.5	(2,579.5)	(202.0)	92.9	(19.0)	73.9
Fourth Quarter (Oct. 1 Dec. 20, 2005)	2,168.1	(2,915.1)	(747.0)	54.8	(23.3)	31.5
<b>Successor</b>						
Fourth Quarter (Dec. 21 Dec. 31, 2005)	234.8	(199.7)	35.1	8.5	(1.2)	7.3
<b>Total Year</b>	<b>\$ 12,421.0</b>	<b>\$ (10,306.0)</b>	<b>\$ 2,115.0</b>	<b>\$ 343.0</b>	<b>\$ (73.8)</b>	<b>\$ 269.2</b>
<b>2004</b>						
<b>Predecessor</b>						
First Quarter	\$ 2,916.1	\$ (1,860.7)	\$ 1,055.4	\$ 61.2	\$ (11.7)	\$ 49.5
Second Quarter	3,804.1	(1,921.2)	1,882.9	82.8	(20.9)	61.9
Third Quarter	2,179.0	(2,321.8)	(142.8)	74.6	(19.4)	55.2
Fourth Quarter	2,410.9	(2,637.2)	(226.3)	67.8	(7.3)	60.5
<b>Total Year</b>	<b>\$ 11,310.1</b>	<b>\$ (8,740.9)</b>	<b>\$ 2,569.2</b>	<b>\$ 286.4</b>	<b>\$ (59.3)</b>	<b>\$ 227.1</b>
<b>2003</b>						
<b>Predecessor</b>						
First Quarter	\$ 2,951.4	\$ (2,557.3)	\$ 394.1	\$ 51.3	\$ (9.0)	\$ 42.3
Second Quarter	2,338.3	(1,153.7)	1,184.6	56.6	(23.6)	33.0
Third Quarter	1,611.5	(1,656.2)	(44.7)	54.4	(13.1)	41.3
Fourth Quarter	2,535.4	(2,507.2)	28.2	64.4	(8.9)	55.5
<b>Total Year</b>	<b>\$ 9,436.6</b>	<b>\$ (7,874.4)</b>	<b>\$ 1,562.2</b>	<b>\$ 226.7</b>	<b>\$ (54.6)</b>	<b>\$ 172.1</b>

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Revenue earning equipment expenditures in our car rental operations were \$11,493.9 million, \$10,665.3 million and \$9,100.5 million for the years ended December 31, 2005, 2004 and 2003, respectively. Revenue earning equipment expenditures in our equipment rental operations were \$927.1 million, \$644.7 million and \$336.1 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Revenue earning equipment expenditures in our car rental operations were \$6,940.1 million and \$7,011.1 million for the six months ended June 30, 2006 and 2005, respectively. Revenue earning equipment expenditures in our equipment rental operations were \$600.2 million and \$629.5 million for the six months ended June 30, 2006 and 2005, respectively.

Revenue earning equipment expenditures in our car rental and equipment rental operations for the year ended December 31, 2005 increased by 7.8% and 43.8%, respectively, compared to the year ended December 31, 2004. The increase in equipment rental revenue earning equipment expenditures is primarily the result of higher rental volume.

Revenue earning equipment expenditures in our car rental and equipment rental operations for the six months ended June 30, 2006 decreased by 1.0% and 4.7%, respectively, compared to the six months ended June 30, 2005. The decrease in car rental and equipment rental revenue earning equipment expenditures is due to the timing of purchases during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005.

Property and equipment expenditures in our car rental operations were \$271.1 million, \$220.4 million and \$191.6 million for the years ended December 31, 2005, 2004 and 2003, respectively. Property and equipment expenditures in our equipment rental operations were \$69.0 million, \$63.1 million and \$32.2 million for the years ended December 31, 2005, 2004 and 2003, respectively. Property and equipment expenditures in our "corporate and other" activities were \$2.9 million, \$3.0 million and \$2.9 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Property and equipment expenditures in our car rental operations were \$95.3 million and \$148.1 million for the six months ended June 30, 2006 and 2005, respectively. Property and equipment expenditures in our equipment rental operations were \$34.1 million and \$37.8 million for the six months ended June 30, 2006 and 2005, respectively. Property and equipment expenditures in our "corporate and other" activities were \$1.2 million and \$0.9 million for the six months ended June 30, 2006 and 2005, respectively.

Property and equipment expenditures in our car rental, equipment rental and "corporate and other" operations for the year ended December 31, 2005 increased by 23.0%, 9.4% and decreased by 3.3%, respectively, compared to the year ended December 31, 2004.

Property and equipment expenditures in our car rental and equipment rental operations and "corporate and other" for the six months ended June 30, 2006 decreased by 35.7% and 9.8% and increased by 33.3%, respectively, compared to the six months ended June 30, 2005.

For the year ended December 31, 2005, we experienced a level of net expenditures for revenue earning equipment and property and equipment slightly lower than our net expenditures in 2004. The net capital expenditures decrease was due to increased disposals partly offset by increases in the prices of 2006 model year vehicles acquired beginning in the fourth quarter of 2005, together with capital expenditures relating to the expansion of our off-airport locations.

For the six months ended June 30, 2006, we experienced a level of net expenditures for revenue earning equipment and property and equipment slightly lower than our net expenditures in the six months ended June 30, 2005. The net capital expenditures decrease was due to increased disposals and a decrease in capital expenditures.

#### **Off-Balance Sheet Commitments**

As of June 30, 2006, December 31, 2005 and 2004, the following guarantees (including indemnification commitments) were issued and outstanding:

#### ***Indemnifications***

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

have accrued for expected losses that are probable and estimable. The types of indemnifications for which payments are possible include the following:

*Sponsors; Directors*

On the Closing Date, Hertz entered into customary indemnification agreements with Hertz Holdings, the Sponsors and Hertz Holdings' stockholders affiliated with the Sponsors, pursuant to which Hertz Holdings and Hertz will indemnify the Sponsors, Hertz Holdings' 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 do not believe that these indemnifications are reasonably likely to have a material impact on us. Prior to the completion of this offering, we will also enter into an indemnification agreement with each of our directors. See "Description of Capital Stock Limitation of Liability of Directors; Indemnification of Directors."

*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 losses that we expect to incur for such matters have been accrued, and those losses are reflected in our consolidated financial statements. As of June 30, 2006, December 31, 2005 and December 31, 2004, the aggregate amounts accrued for environmental liabilities, including liability for environmental indemnities, reflected in our consolidated balance sheet in "Other accrued liabilities" were \$4.0 million, \$3.9 million and \$5.4 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 ongoing 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 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).

**Risk Management**

For a discussion of additional risks arising from our operations, including vehicle liability, general liability and property damage insurable risks, see "Business Risk Management."

**Market Risks**

We are exposed to a variety of market risks, including the effects of changes in interest rates and foreign currency exchange rates. We manage our exposure to these market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Derivative financial instruments are viewed as risk management tools and historically have not been used for speculative or trading purposes. In addition, derivative financial instruments are entered into with a diversified group of major financial institutions in order to manage our exposure to counterparty nonperformance on such instruments. For more information on these exposures, see Note 14 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

***Interest Rate Risk***

From time to time, we enter into interest rate swap agreements to manage interest rate risk. Effective September 30, 2003, we entered into interest rate swap agreements relating to the issuance of our 4.7% notes due October 2, 2006. Effective June 3, 2004, we entered into interest rate swap agreements relating to the issuance of our 6.35% notes due June 15, 2010. Under these agreements, we pay interest at a variable rate in exchange for fixed rate receipts, effectively transforming these notes to floating rate obligations. As a result of the Acquisition, a significant portion of the underlying fixed rate debt was tendered, causing the interest rate swaps to be ineffective as of December 21, 2005. Consequently, any changes in the fair value of the derivatives are recognized in the statement of operations. Between December 21, 2005 (the date the hedge accounting was discontinued) and December 31, 2005, the fair value adjustment related to these interest rate swaps was a gain of \$2.7 million, which was recorded in our consolidated statement of operations in "Selling, general and administrative" expenses. During January 2006, we assigned these interest rate swaps to a third party in return for cash. As a result of the assignment of these interest rate swaps, we recorded a gain of \$6.6 million which is reflected in our unaudited interim condensed consolidated statement of operations in "Selling, general and administrative" expenses.

In connection with the Acquisition and the issuance of the \$3,550.0 million of floating rate U.S. Fleet Debt, HVF and Hertz entered into certain interest rate swap agreements, or the "HVF Swaps," effective December 21, 2005. These agreements mature at various terms, in connection with the scheduled maturity of the associated debt obligations, through November 25, 2011. Under these agreements, we pay monthly interest at a fixed rate of 4.5% per annum in exchange for monthly amounts at one-month LIBOR, effectively transforming the floating rate U.S. Fleet Debt to fixed rate obligations.

In connection with the remaining €7.6 million untendered balance of our Euro Medium Term Notes, we entered into an interest rate swap agreement on December 21, 2005, effective January 16, 2006, and maturing on July 16, 2007. The purpose of this interest rate swap is to lock in the interest cash outflows on the variable rate Euro Medium Term Notes at a fixed rate of 4.1%.

In May 2006, in connection with the forecasted issuance of the permanent take-out international asset-based facilities, HIL purchased two swaptions for €3.3 million, to protect itself from interest rate increases. These swaptions give HIL the right, but not the obligation, to enter into three year interest rate swaps based on a total notional amount of €600 million at an interest rate of 4.155%. The swaptions mature on March 15, 2007.

See Notes 3 and 14 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

We have a significant amount of debt (including under our U.S. and International Fleet Debt and Senior ABL Facility) with variable rates of interest based generally on LIBOR, EURIBOR or their equivalents for local currencies plus an applicable margin. Increases in interest rates could therefore significantly increase the associated interest payments that we are required to make on this debt.

We have assessed our exposure to changes in interest rates by analyzing the sensitivity to our earnings assuming various changes in market interest rates. Assuming a hypothetical increase of one percentage point in interest rates on our debt portfolio as of June 30, 2006, our net interest expense would increase by an estimated \$21.6 million over a twelve-month period.

Consistent with the terms of the agreements governing the respective debt obligations, we may hedge a portion of the floating rate interest exposure under the Senior Credit Facilities and the U.S. and International Fleet Debt to provide protection in respect of such exposure.

***Foreign Currency Risk***

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 currency option contracts 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, 2006, were approximately \$0.3 million, and we limit counterparties to financial institutions that have strong credit ratings.

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. The forward rate is reflected in the intercompany loan rate to the subsidiaries, and as a result, the forward contracts have no material impact on our results of operations.

In connection with the Transactions, we issued €225 million of Senior Euro Notes, which are currently not hedged. The foreign exchange transaction gains or losses resulting from the monthly translation of these Euro-denominated Notes into the U.S. Dollar, could have a material impact on our consolidated financial position, results of operations or cash flows.

#### **Like-Kind Exchange Program**

In January 2006, we implemented a like-kind exchange program for our U.S. car rental business. Pursuant to the program, we dispose of vehicles and acquire replacement vehicles in a form intended to allow such dispositions and replacements to qualify as tax-deferred "like-kind exchanges" pursuant to section 1031 of the Internal Revenue Code. The program is expected to result in a material deferral of federal and state income taxes. A similar plan for HERC has been in place for several years. We cannot, however, offer assurance that the expected tax deferral will be achieved or that the relevant law concerning the programs will remain in its current form. In addition, the benefit of deferral is subject to recapture, if, for example, there were a material downsizing of our fleet.

#### **Inflation**

The increased acquisition cost of vehicles is the primary inflationary factor affecting us. Many of our other operating expenses are also expected to increase with inflation, including health care costs. Management does not expect that the effect of inflation on our overall operating costs will be greater for us than for our competitors.

#### **Employee Retirement Benefits**

##### *Pension*

We sponsor defined benefit pension plans worldwide. Pension obligations give rise to significant expenses that are dependent on assumptions discussed in Note 6 of the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus. Our 2005 worldwide pre-tax pension expense was approximately \$37.5 million, which is an increase of \$6.8 million from 2004 primarily attributable to the decrease in the discount rate in the United States from 6.25% to 5.75% and in the United Kingdom from 5.50% to 5.25%, a pension settlement loss of \$1.1 million relating to our Supplemental Executive Retirement Plan, as well as the effects of foreign currency translation. Based on present assumptions, 2006 worldwide pre-tax pension expense is expected to be approximately \$34.8 million, which is a decrease of \$2.7 million from 2005. Effective with the Acquisition, the assignment of the purchase price to individual assets acquired and liabilities assumed included a liability for the projected benefit obligation in excess of plan assets, which eliminated any previously existing unrecognized net gain or loss, or unrecognized prior service cost. As a result, our expense for 2006 does not include any costs related to amortizing unrecognized losses or unrecognized prior service costs. Our pension expense for 2005 included \$6.0 million of amortization costs, as well as a settlement loss of \$1.1 million. This reduction in pension expense from 2005 to 2006 is partially offset by an

increase due to a decrease in the discount rate in the United States from 5.75% to 5.50% and in the United Kingdom from 5.25% to 4.70%.

The funded status (i.e., the amount by which the present value of projected benefit obligations exceeded the market value of pension plan assets) of our U.S. qualified plan, in which most domestic employees participate, declined as of December 31, 2005, compared with December 31, 2004. The primary factor that contributed to the change in the funded status was a decrease in the discount rate, partially offset by a discretionary contribution of \$28.0 million.

We review our pension assumptions regularly and from time to time make contributions beyond those legally required. For example, discretionary contributions of \$28.0 million, \$48.0 million and \$54.0 million were made to our U.S. qualified plan for the years ended December 31, 2005, 2004 and 2003, respectively. After giving effect to these contributions, based on current interest rates and on our return assumptions and assuming no additional contributions, we do not expect to be required to pay any variable-rate premiums to the Pension Benefit Guaranty Corporation before 2010. For the six months ended June 30, 2006, we contributed \$19.3 million to our worldwide pension plans, including a discretionary contribution of \$15.6 million to our U.K. defined benefit pension plan and benefit payments made through unfunded plans.

We participate in various "multiemployer" pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event that we withdrew 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 statement of operations and as a liability on our balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. We currently do not expect to incur any material withdrawal liability in the near future. However, 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.

#### ***Other Postretirement Benefits***

We provide limited postretirement health care and life insurance for employees of our domestic operations with hire dates prior to January 1, 1990. There are no plan assets associated with this plan. We provide for these postretirement costs through monthly accruals. The net periodic postretirement benefit cost for the year ended December 31, 2005 was \$1.6 million and the accumulated benefit obligation as of December 31, 2005 was \$18.2 million compared to a net periodic postretirement benefit cost of \$1.6 million for the year ended December 31, 2004 and an accumulated benefit obligation of \$17.3 million as of December 31, 2004. The increase in the accumulated benefit obligation was primarily attributable to the decrease in the discount rate from 5.75% as of December 31, 2004 to 5.50% as of December 31, 2005.

#### **Hertz Holdings Stock Incentive Plan**

On February 15, 2006, our Board of Directors and that of Hertz jointly approved the Hertz Global Holdings, Inc. Stock Incentive Plan, or the "Stock Incentive Plan." The Stock Incentive Plan provides for the sale of shares of stock of Hertz Holdings to our named executive officers, other key employees and directors as well as the grant of stock options to purchase shares of Hertz Holdings to those individuals.

During the second quarter of 2006, we made an equity offering to approximately 350 of Hertz's executives and key employees (not including Craig R. Koch, our former Chief Executive Officer). The shares sold and options granted to our employees in connection with this equity offering are subject to and governed by the terms of the Stock Incentive Plan. The offering closed on May 5, 2006. In



connection with this offering, we sold 1,757,354 shares at a purchase price of \$10.00 per share and granted options to purchase an additional 2,786,354 shares at an exercise price of \$10.00 per share (\$5.68 after adjustment for the Hertz Holdings Dividend). In addition, on May 18, 2006, we granted Hertz's key executives and employees (except for Mr. Koch) options to acquire an additional 9,515,000 shares of our common stock at \$10.00 per share (\$5.68 after adjustment for the Hertz Holdings Dividend), 800,000 shares at \$15.00 per share (\$10.68 after adjustment for the Hertz Holdings Dividend) and 800,000 shares at \$20.00 per share (\$15.68 after adjustment for the Hertz Holdings Dividend). These options are subject to and governed by the Stock Incentive Plan.

On June 12, 2006, Mr. Koch purchased 50,000 shares at a purchase price of \$10.00 per share and received options to purchase an additional 100,000 shares at a purchase price of \$10.00 per share (\$5.68 after adjustment for the Hertz Holdings Dividend). On August 15, 2006, the options issued to Mr. Koch in June 2006 were cancelled and he was issued 112,000 options with an exercise price of \$7.68 per share. Hertz Holdings will make a payment to Mr. Koch in connection with his share purchase equal to \$80,000. See "Management Hertz Holdings Stock Incentive Plan."

In order to assist management and the Compensation Committee of the Board of Directors in their determination of the value of the common stock of Hertz Holdings, Hertz engaged an independent valuation specialist to perform a valuation of the common stock of Hertz Holdings at May 15, 2006 and June 30, 2006. The May 15th date is close to the initial stock purchase and option grant date of May 5, 2006 and the second option grant date of May 18, 2006. The June 30th date coincides with the payment of the Hertz Holdings Dividend.

The independent valuation specialist weighted each of the income, market transaction and market comparable valuation approaches equally. Management and the Compensation Committee of the Board of Directors believe that the valuation approaches employed are appropriate for an enterprise such as Hertz, which has an established financial history of profitable operations and generation of positive cash flows. The results of the approaches were not significantly different from one another.

In connection with the authorization of the Hertz Holdings Dividend, the Board of Hertz Holdings authorized the modification of the option exercise prices downward by an amount equal to the per share amount of the Hertz Holdings Dividend, thereby preserving the intrinsic value of the options, consistent with applicable tax law. In order to assist management and the Compensation Committee of the Board of Directors in their determination of the value of the common stock of Hertz Holdings, an independent valuation was performed as of immediately before and after the modification. We have an unrecognized cost of approximately \$14.1 million related to the cost of modifying the exercise prices of the stock options for the special cash dividend. This cost is expected to be recognized over the remainder of the five-year requisite vesting period that began on the grant date.

In connection with the special cash dividend of approximately \$1.83 per share of our common stock, or \$426.8 million in the aggregate, to be paid upon completion of this offering to holders of record of our common stock on the dividend record date, our outstanding stock options will be adjusted to preserve the intrinsic value of the options, consistent with applicable tax law and the terms of the Stock Incentive Plan. We will have an unrecognized stock-based compensation cost of approximately \$14.2 million related to the cost of modifying the exercise prices of the stock options for the special cash dividend. The cost has been estimated assuming that the midpoint of the estimated offering range, or \$17.00, is the fair value of the stock immediately after the payment of the special cash dividend. This cost will be recognized over the remainder of the requisite service period that began on the grant dates.

#### **Recent Share Purchase by Our Chief Executive Officer**

On July 10, 2006, Mark P. Frissora accepted an offer of employment to serve as our Chief Executive Officer. On August 15, 2006, Mr. Frissora purchased 1,056,338 shares of our common stock at a price of \$5.68 per share, which was \$2.00 below the fair market value of \$7.68 on that date. As discussed under "Critical Accounting Policies Stock-Based Compensation," we have subsequently

determined that the fair value of our common stock as of August 15 should be \$16.37 per share, rather than \$7.68 as had originally been determined at that time. Consequently, we will recognize compensation expense of approximately \$13.0 million, including amounts for a tax gross-up on the initial \$2.00 discount to fair market value in accordance with Mr. Frissora's employment agreement, in the third quarter of 2006.

### **Recent Accounting Pronouncements**

In December 2004, the Financial Accounting Standards Board, or "FASB," issued FASB Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," or "FSP 109-2." FSP 109-2 provides accounting guidance for non-U.S. earnings that are repatriated under the American Jobs Creation Act of 2004. SFAS No. 109, "Accounting for Income Taxes," requires a company to reflect in the period of enactment the effect of a new tax law. During December 2005, in connection with Ford pre-sale activities and to obtain the benefit of favorable one-time tax treatment of distributions offered by the American Jobs Creation Act of 2004, dividends of \$547.8 million were recognized, of which \$216.9 million were cash dividends and \$330.9 million were deemed dividends for tax purposes. The deemed dividends relate to undistributed foreign earnings which are no longer considered to be permanently reinvested. These dividends generated \$168.2 million of tax expense, of which \$136.9 million was offset by foreign tax credits, resulting in a net tax expense of \$31.3 million.

In December 2004, the FASB revised its SFAS No. 123, with SFAS No. 123R, "Accounting for Stock-Based Compensation." The revision establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services, particularly transactions in which an entity obtains employee services in share-based payment transactions. The revised statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is to be recognized over the period during which the employee is required to provide service in exchange for the award. Changes in fair value during the requisite service period are to be recognized as compensation cost over that period. The provisions of the revised statement are effective for financial statements issued for the first annual reporting period beginning after June 15, 2005. In March 2005, the SEC issued Staff Accounting Bulletin No. 107, or "SAB No. 107," regarding the SEC Staff's interpretation of the revised statement. SAB No. 107 provides the Staff's views regarding interactions between the revised statement and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. We have accounted for our employee stock-based compensation awards in accordance with SFAS No. 123. Adoption of the revised statement did not have, nor is it expected to have, a significant effect on our financial position, results of operations or cash flows. Effective with the Acquisition, all unvested options granted to our employees under Ford's 1998 Long-Term Incentive Plan became vested and exercisable. In May, June and August 2006, we completed offerings of equity securities to our senior management. See "Management Hertz Holdings Stock Incentive Plan."

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," or "FIN 47." FIN 47 clarifies that liabilities associated with asset retirement obligations whose timing or settlement method are conditional upon future events should be recognized at fair value as soon as fair value is reasonably estimable. FIN 47 also provides guidance on the information required to reasonably estimate the fair value of the liability. FIN 47 was effective no later than December 31, 2005, and did not have a material impact on our financial position, results of operations or cash flows.

In May 2005, FASB issued SFAS No. 154, "Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3." Previously, APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" required the inclusion of the cumulative effect of changes in accounting principle in net income of the period of the change. SFAS No. 154 requires companies to recognize changes in

accounting principle, including changes required by a new accounting pronouncement when the pronouncement does not include specific transition provisions, retrospectively to prior periods' financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not currently anticipate making any accounting changes which would be governed by this statement.

In June 2006, the FASB issued FASB Interpretation No. 48, or "FIN 48," "Accounting for Uncertainty in Income Taxes." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for financial recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently reviewing FIN 48 to determine its impact, if any, on our financial position or results of operations.

In June 2006, the Emerging Issues Task Force, or "EITF," issued EITF No. 06-3, or "EITF 06-3," "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (i.e., Gross versus Net Presentation)," which relates to any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction. EITF 06-3 states that the presentation of the taxes, either on a gross or net basis, is an accounting policy decision that should be disclosed pursuant to Accounting Principles Board Opinion No. 22, "Disclosure of Accounting Policies," if those amounts are significant. EITF 06-3 should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006. The adoption of EITF 06-3 will not have any impact on our financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," or "SAB No. 108." SAB No. 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB No. 108 requires registrants to apply the new guidance for the first time that it identifies material errors in existence at the beginning of the first fiscal year ending after November 15, 2006 by correcting those errors through a one-time cumulative effect adjustment to beginning-of-year retained earnings. We are currently reviewing SAB No. 108 to determine its impact, if any, on our financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," or "SFAS No. 157." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for the fiscal year beginning January 1, 2008. We are currently reviewing SFAS No. 157 to determine its impact, if any, on our financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," or "SFAS No. 158." SFAS No. 158 requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. The provisions of SFAS No. 158 are effective as of the end of the fiscal year ending December 31, 2006. We are currently reviewing SFAS No. 158 to determine its impact, if any, on our financial position or results of operations.

## Controls and Procedures

### *Restatement of Predecessor Financial Statements and Impact on Internal Control over Financial Reporting*

As discussed in Note 1A to the Notes to our annual audited consolidated financial statements included elsewhere in this prospectus, Hertz has restated its previously issued consolidated financial statements for the Predecessor period ended December 20, 2005, or the "Restatement." The Restatement revises Hertz's tax provision on repatriated foreign earnings. These dividends, which were initiated by Ford, Hertz's previous parent, and occurred prior to the Acquisition, resulted in an estimated provision for taxes of \$54.1 million, net of foreign tax credits of \$50.3 million, or \$3.8 million. Upon Ford's completion of a detailed study in June 2006, for the purpose of preparing their 2005 tax return, it was determined that the amount of tax expense should be increased by \$27.5 million to \$31.3 million.

The dividends were originally completed as part of the Ford pre-sale activities and also to obtain the one-time favorable tax treatment of dividends offered by the American Jobs Creation Act of 2004. Otherwise, it is not our policy to repatriate undistributed earnings of our foreign subsidiaries, but rather to invest them within their operations. All Federal income taxes associated with this one-time repatriation are to be paid by Ford and, as such, have no impact on the Successor period ended December 31, 2005 or in 2006 and beyond.

Our management, who has responsibility for establishing and maintaining internal control over financial reporting, concluded that the Restatement is not an indication of a material weakness existing as of December 31, 2005 because management has assessed our controls as of that date and determined they were adequate to prevent or detect a material misstatement to our financial statements after the Acquisition. Accordingly, the Restatement did not have an impact on our management's conclusion that our internal control over financial reporting and disclosure controls and procedures as of December 31, 2005 were effective. Also, our management has concluded that no revisions to our controls over income tax accounting and reporting were required as a result of this matter.

### *Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. We are not, however, an accelerated filer and are therefore not yet required to report on our assessment of our internal control over financial reporting under Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005. The assessment was based on criteria established in the framework *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2005. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included elsewhere in this prospectus.

*Changes in Internal Control Over Financial Reporting*

An evaluation of our internal controls over financial reporting was performed under the supervision of, and with the participation of, management, including our Chief Executive Officer and Chief Financial Officer, to determine whether any changes have occurred during the six months ended June 30, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that no changes in our internal control over financial reporting have occurred during the six months ended June 30, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Accounting for Deferred Income Taxes*

During the preparation of our 2005 financial statements and the related testing of our internal controls over financial reporting, we identified a significant deficiency with respect to the reporting of our taxes, including deferred tax liabilities, which was reported to our Audit Committee. This significant deficiency was considered by management in its overall assessment of our internal control over financial reporting as of December 31, 2005. Our management concluded that there were mitigating controls and processes to prevent or detect a material misstatement of our financial statements. Deferred taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax return purposes. The deficiency resulted from our historical practice of determining our deferred tax balances using a "roll forward" approach rather than the "balance-sheet" approach required under SFAS 109, "Accounting for Income Taxes."

To facilitate the remediation of this deficiency we engaged a third party under our supervision to perform a comprehensive analysis of our deferred tax liabilities. The study is in process and is currently expected to be completed prior to the filing of our annual report on Form 10-K for the year ending December 31, 2006.

The preliminary results of the analysis as it relates to the Predecessor periods ended December 20, 2005 and fiscal years ended December 31, 2004, 2003, 2002 and 2001 indicate that no material adjustments are required to our previously issued financial statements for these Predecessor periods. However, it is possible that the analysis, once completed, will conclude that at December 20, 2005, prior to the Acquisition, certain amounts should have been classified as current tax liabilities rather than as deferred tax liabilities. With respect to the Successor period ended December 31, 2005 and subsequent completed quarterly periods, we currently do not expect that any material adjustment to our financial statements will be required because we utilized purchase accounting for the Acquisition at December 21, 2005. We do not believe, based on the preliminary results of the analysis, that any material adjustment to our previously issued balance sheets, statements of operations or statements of cash flows will be required, nor do we currently expect any final adjustment to be material at the end of or for the period in which the study and our analysis are finalized. Once the study is finalized, if the preliminary results of the analysis are confirmed, we would expect to record a reduction in our deferred tax liability, offset by an equivalent reduction in goodwill, at December 31, 2006. We do not currently expect the adjustment amount to exceed \$300 million.

Because the analysis is ongoing and the results are still preliminary and subject to change, the currently estimated amounts of the adjustments described above may increase or decrease. Also, because any final adjustments will not be known until the study is completed, there is a possibility that the final adjustments, once determined, could be material and could therefore result in a restatement of our previously issued financial statements.

## BUSINESS

### **Our Company**

We own what we believe is the largest worldwide general use car rental brand and one of the largest equipment rental businesses in the United States, both based on revenues. Our Hertz brand name is one of the most recognized in the world, signifying leadership in quality rental services and products. In our car rental business segment, we and our independent licensees and associates accept reservations for car rentals at approximately 7,600 locations in approximately 145 countries. We are the only car rental company that has an extensive network of company-operated rental locations both in the United States and in all major European markets. We maintain the leading airport car rental market share, by overall reported revenues, in the United States and at the 69 major airports in Europe where we have company-operated locations and data regarding car rental concessionaire activity is available. We believe that we also maintain the second largest market share, by revenues, in the off-airport car rental market in the United States. In our equipment rental business segment, we rent equipment through over 340 branches in the United States, Canada, France and Spain, as well as through our international licensees. We and our predecessors have been in the car rental business since 1918 and in the equipment rental business since 1965. We have a diversified revenue base and a highly variable cost structure and are able to dynamically manage fleet capacity, the most significant determinant of our costs. This has helped us to earn a pre-tax profit in each year since our incorporation in 1967. Our revenues have grown at a compound annual growth rate of 7.6% over the last 20 years, with year-over-year growth in 18 of those 20 years.

### **Corporate History**

Hertz Holdings was incorporated by the Sponsors in Delaware in 2005 to serve as the top-level holding company for the consolidated Hertz business. Hertz was incorporated in Delaware in 1967. Hertz is 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. Ford acquired an ownership interest in Hertz in 1987. Prior to this, Hertz was a subsidiary of UAL Corporation (formerly Allegis Corporation), which acquired Hertz's outstanding capital stock from RCA Corporation in 1985.

On December 21, 2005, investment funds associated with or designated by the Sponsors, through an indirect, wholly owned subsidiary of Hertz Holdings, acquired all of Hertz's common stock from Ford Holdings in the Acquisition. In connection with the Acquisition, Hertz entered into a series of financing and refinancing transactions. For a description of the Transactions, see "Recent Transactions The Transactions."

### **Our Strengths**

#### ***Premier Global Brand and Service Offerings***

We believe that our premier brand and service offerings have allowed us to create and maintain a loyal customer base and command premium pricing across our businesses.

*Car Rental.* The Hertz brand is one of the most recognized brands in the world. It has been the only travel company brand to be listed in *Business Week's* "100 Most Valuable Global Brands," and has been included in this list during each year that it was eligible for inclusion in the study since the study's inception in 2001. We understand that this study is limited to companies with public equity and their subsidiaries, and as a result, Hertz was not eligible for inclusion in 2006. Our customer surveys indicate that, in the United States, Hertz is the car rental brand most associated with the highest quality service, which is consistent with numerous published best-in-class car rental awards that we have won over many years. We have sought to support our reputation for quality and customer service in car rental through a variety of innovative service offerings, such as our global expedited rental program, Hertz #1

Club Gold, which accounted for approximately 40% of our car rental transactions worldwide for the twelve months ended June 30, 2006.

*Equipment Rental.* HERC, which is operated under the Hertz Equipment Rental brand, has long been a leader in equipment rental in the United States. We believe HERC was the first equipment rental company to develop an extensive national account program, which continues to be the source of substantial revenues. HERC's leadership position has recently been enhanced through a substantial investment in sales force automation and the operation of a high quality and diverse fleet. From January 1, 2004 through June 30, 2006, we invested \$1.4 billion, net of dispositions, in HERC's U.S. fleet, thereby reducing its average age to 25 months, which we believe is one of the youngest fleets in the industry.

***Clear and Sustained Market Leadership Position in Car Rental***

We believe that Hertz is the leading worldwide general use car rental system, based on revenues. In the United States, we maintain the overall leading market share of airport car rentals among both business and leisure customers. Based on reported industry revenues for 2005 and the four months ended April 30, 2006, our market share at the 180 largest U.S. airports where we operate was over 28%, and we had a margin of approximately nine percentage points over the closest competing brand. We have maintained a leadership position for more than 30 years. We also believe that we had the largest market share, by reported revenues on a collective basis in 2005, at the 69 major airports in Europe where we have company-operated locations and data regarding car rental concessionaire activity was available.

***Global, Diversified Business Mix***

We believe that our mix of businesses, customer types, end-markets, distribution channels and geographies provides us with a diverse revenue stream that positions us to capitalize on growth opportunities throughout our markets and makes us less vulnerable to economic cycles and events that might negatively affect either of our industries or any specific geography. Within our car rental business, we maintain a relatively balanced mix of leisure and business rentals (representing 53% and 47%, respectively, of our car rental revenues for the year ended December 31, 2005 and 51% and 49%, respectively, of our car rental revenues for the six months ended June 30, 2006), and utilize a broad range of distribution channels and partnerships. Within our equipment rental business, we serve a wide variety of industries and have a broad mix of end customers from local contractors to large national industrial accounts. During the year ended December 31, 2005, no single customer or location generated more than 1.3% or 2.0%, respectively, of our total revenues and no more than 1.3% and 1.8%, respectively, of our total revenues for the six months ended June 30, 2006.

***Affiliated Customer Strategy Drives Premium Pricing and Customer Loyalty***

Over 80% of our car rental revenues are derived from affiliated customer channels, such as corporate accounts, associations and travel industry partnerships. We believe that we are one of only two car rental brands that have the service offerings and market presence to consistently serve these affiliated customer channels on a global basis. Our corporate accounts, which account for approximately 40% of our car rental revenues, represent a predictable source of revenues and a customer base that values our premium customer service. We have a leading position with this type of customer and provide our car rental services to most Fortune 500 companies. Our distribution partnerships include over 60 airlines, railroads and hotel chains worldwide, as well as leading traditional and online travel agencies and affiliations with non-travel organizations and associations.

***Best-in-Class Fleet and Fleet Management***

***Car Rental.*** Our worldwide car rental fleet includes cars from over 30 manufacturers, and we believe our U.S. fleet mix is significantly more diversified than those of most of our major competitors. In the twelve months ended June 30, 2006, six manufacturers each supplied more than 5% of our U.S. fleet, while seven manufacturers each supplied more than 5% of our international fleet. We have longstanding relationships with leading American, European, Japanese and Korean automakers, enabling us to provide a wide variety of car models and brands to our customers. The diversity of our car fleet enables us to design innovative rental offerings, such as the Prestige, Fun and Green Collections, that help us maintain a competitive advantage over our competitors. In addition, we have substantial experience in the complex process of managing the mix of cars in our fleet. We maintain an extensive infrastructure that supports the efficient disposition of risk cars and enables us to be opportunistic when evaluating the relative merits of purchasing program and risk cars.

***Equipment Rental.*** We believe that our U.S. equipment rental fleet is one of the youngest in the industry, offering a value proposition to our customers in terms of productivity, safety and operator use enhancements while simultaneously reducing HERC's maintenance costs and fleet downtime. Our diverse U.S. equipment rental fleet enables us to meet the rental equipment needs of many customers; moreover, we are further diversifying our fleet through the addition of general rental and specialty equipment at many locations. Our over 40 years of experience in the procurement and disposition of equipment allows us to adjust our fleet size efficiently in light of market trends.

***Proprietary Strategic Information Systems***

We utilize information technology comprehensively in the areas of reservations, fleet and rate management, customer relations and sales and marketing, as well as aspects of billing, finance, accounting and other reporting systems. Since January 1, 2001, we have invested more than \$300 million in our proprietary information systems and computer equipment to permit us to conduct our business more efficiently and enhance our ability to offer innovative services. Our information systems, which we believe are unique in the car and equipment rental industries, permit us to provide superior end-to-end service to customers, maintain effective pricing structures in a rapidly changing environment, utilize our fleets efficiently and maintain a high level of control over our geographically dispersed operations.

***Experienced and Proven Management Team***

We have an experienced management team committed to maintaining operational excellence. Our management team has extensive knowledge of the car and equipment rental industries. While Craig R. Koch, our former Chief Executive Officer, relinquished the title of Chief Executive Officer and became Chairman of our Board of Directors effective July 19, 2006, we have employed our nine next most senior executive officers other than Mark P. Frissora, our current Chief Executive Officer, for an average of 26 years. Our regional and country managers also have a great deal of experience, having been employed by us for an average of 20 years and having been in their current positions for an average of seven years. Mr. Frissora, previously the Chairman and Chief Executive Officer of Tenneco Inc., replaced Mr. Koch as our Chief Executive Officer effective July 19, 2006. Mr. Frissora served in various management positions at Tenneco Inc. over the past 10 years, including as Chief Executive Officer since 1999 and Chairman since 2000. Prior to joining Tenneco Inc., Mr. Frissora served as a Vice President of Aeroquip Vickers Corporation for five years and, in the 15 years prior to joining Aeroquip Vickers, he served for 10 years with General Electric and five years with Philips Lighting Company in management roles focusing on product development and marketing. We believe our stock incentive plan closely aligns the interests of our management team and our stockholders.



*Our Strategy*

***Further Enhance Our Premier Car Rental Brand, Differentiated Service Offering and Affiliated Customer Base***

The Hertz brand is recognized for superior customer service and a differentiated, premium product. We intend to maintain our position as a premier company through an intense focus on service, quality and product innovation. We believe that consistent investments in our core business activities, particularly in the areas of brand, facilities, technology, training and customer loyalty initiatives, will improve customer satisfaction and further enhance our premium brand position and product offerings. Continuing to strengthen these attributes will allow us to build our affiliated customer base and increase our share of profitable business.

***Pursue Profitable Growth within Our Car Rental Business***

We believe that we have significant opportunities for growth within our global car rental business that will allow us to sustain growth rates in this business consistent with historical levels.

*U.S. Airport Market.* We intend to maintain or expand our leading market share in the U.S. airport rental business and to continue to build upon our brand positioning and service differentiation, allowing us to capitalize on opportunities in the business and leisure travel markets and further strengthen the advantages arising from our leading market share position.

*U.S. Off-Airport Market Opportunities.* We intend to leverage our significant recent investment in our U.S. off-airport network and to expand the network to enable us to further penetrate the large and growing insurance replacement rental market, as well as to increase our share of other off-airport business and leisure rentals. In the two years ended December 31, 2005, we increased the number of our off-airport rental locations in the United States by approximately 33% to approximately 1,400 locations. Through this investment, we believe we have achieved critical scale in the off-airport market and will continue to grow our revenue by increasing penetration in the insurance rental replacement market through new and existing insurance company customers as well with our traditional business and leisure customers as evidenced by our off-airport revenue growth of approximately 46% over the two years ended December 31, 2005. We believe our off-airport platform has significant future growth potential.

*European Markets.* We believe that the European market presents airport rental growth opportunities resulting from the growth of European air travel due in large part to the presence of high volume, low cost air carriers and increasing use of the Internet throughout the continent. We intend to continue to build on our affiliated relationships with travel providers and other associations in Europe to increase our penetration of the European market. We also intend to increase our participation in the off-airport portion of the car rental market in Europe, especially in leisure, replacement and light trucks.

***Increase Share of the Fragmented U.S. Equipment Rental Market***

We believe that our emphasis on customer service, large national account base, prominent brand name and diverse and comparatively young rental fleet will position HERC to continue to gain market share in the highly fragmented U.S. equipment rental market. HERC is pursuing growth through an expansion in a number of mid- to large-sized metropolitan areas, many of which will be in markets with high growth potential for HERC and adjacent to current operations, which will allow us to leverage existing infrastructure and customer relationships. We also plan to further increase our presence in the general rental, industrial and specialty equipment markets, many of which can be served from HERC's existing locations and provide incremental opportunities to increase revenues, margins and return on investment.

*Further Improve Profitability, Cash Flow and Return on Capital*

We believe that there are opportunities to further increase the productivity of our operations, thereby improving our profit margins and capital efficiency, as the profit margins that we have achieved in our car rental business during the twelve months ended June 30, 2006 are below our peak levels of profitability achieved in 2000. These opportunities include reducing our cost structure through process improvements and other reductions in operating costs. We also believe that we can improve our profitability by leveraging the investments we have made in building our off-airport business, in upgrading our airport facilities and through the use of our enhanced information systems to optimize our pricing, yield management and fleet utilization generally. In addition, we believe, based on our current business plan, capital structure, and the like-kind exchange programs implemented in connection with our car rental and equipment rental fleets, we will not be required to pay material U.S. federal income taxes for several years.

*Our Markets*

We operate in the global car rental industry and in the equipment rental industry, primarily in the United States.

*Worldwide Car Rental*

We believe that the global car rental industry exceeds \$30 billion in annual revenues. According to a 2006 report appearing in Auto Rental News, car rental revenues in the United States totaled approximately \$19 billion in 2005 and have grown at a 4.9% compound annual growth rate since 1990, including 7.2% growth in 2005. According to Euromonitor International, car rental revenues in Western Europe account for over \$12.5 billion in annual revenues, with the airport portion of the industry comprising approximately 40% of the total. Within Europe, the largest markets are Germany, the United Kingdom and France. Based on market data from Euromonitor International, total rental revenues for the car rental industry in Europe in 2005 were approximately \$10.5 billion in the nine countries France, Germany, Italy, the United Kingdom, Spain, the Netherlands, Switzerland, Belgium and Luxembourg where we have company-operated rental locations and approximately \$2 billion in eight other countries Greece, Ireland, Portugal, Sweden, Norway, Denmark, Austria and Finland where our brand is present through our licensees.

We estimate that airport rentals account for approximately one-half of the total market in the United States. This portion of the market is significantly influenced by developments in the travel industry and particularly in airline passenger traffic, or enplanements. According to the FAA, enplanements in the United States only completed their recovery and surpassed their pre-2001 levels in 2005. The FAA projected in the first half of 2006 that domestic enplanements will grow at a compound annual rate of 3.2% from 2006 to 2017, consistent with long-term historical trends. The IATA projected in October 2005 that annual international enplanements would grow at a compound annual rate of 5.6% from 2005 to 2009.

The off-airport part of the industry has rental volume primarily driven by local business use, leisure travel and the replacement of cars being repaired. Because Europe has generally demonstrated a lower historical reliance on air travel, the European off-airport car rental market is significantly more developed than it is in the United States. However, we believe that in recent years, industry revenues from off-airport car rentals in the United States have grown faster than revenues from airport rentals.

*Equipment Rental*

We estimate the size of the U.S. equipment rental industry, which is highly fragmented with few national competitors and many regional and local operators, to be approximately \$31 billion in annual revenues, but the part of the rental industry dealing with equipment of the type HERC rents is somewhat smaller than that. We believe that the industry grew at a 9.7% compound annual growth rate between 1991 and 2005. Other market data indicates that the equipment rental industries in France and Spain generate roughly \$4 billion and \$2 billion in annual revenues, respectively, although the portions of those markets in which HERC competes are smaller.

The equipment rental industry serves a broad range of customers from small local contractors to large industrial national accounts and encompasses a wide range of rental equipment from small tools to heavy earthmoving equipment. The industry is undergoing a strong recovery following the industrial recession and downturn in non-residential construction spending between 2001 and 2003. According to data from F. W. Dodge received during the first quarter of 2006, U.S. non-residential construction spending is projected to grow at an annual rate of 9% and 7% in 2006 and 2007, respectively. We also believe, based on an article in Rental Equipment Register published on February 1, 2006, that rental equipment accounted for approximately 30% to 40% of all equipment sold into the U.S. construction industry in 2005, up from approximately 5% to 10% in 1991. In addition, we believe that the trend toward rental instead of ownership of equipment in the U.S. construction industry will continue and that as much as 50% of the equipment used in the industry could be rental equipment within the next ten years.

***Our Business Segments***

Our business consists of two significant segments, car rental and equipment rental. In addition, "corporate and other" includes general corporate expenses, as well as other business activities, such as third-party claim management services.

*Car Rental:* Our "company-operated" rental locations are those through which we, or an agent of ours, rent cars that we own or lease. We maintain a substantial network of company-operated car rental locations both in the United States and internationally, and what we believe to be the largest number of company-operated airport car rental locations in the world, enabling us to provide consistent quality and service worldwide. For the year ended December 31, 2005, we derived approximately 72% of our worldwide car rental revenues from airport locations. Our licensees and associates also operate rental locations in over 140 countries and jurisdictions, including most of the countries in which we have company-operated rental locations.

*Equipment Rental:* HERC operates what we believe to be one of the largest equipment rental businesses in the United States and Canada combined and one of the largest general equipment rental businesses in each of France and Spain, in each case based upon revenues. HERC rents a broad range of earthmoving equipment, material handling equipment, aerial and electrical equipment, air compressors, generators, pumps, small tools, compaction equipment and construction-related trucks. HERC also derives revenues from the sale of new equipment and consumables.

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Set forth below are charts showing revenues and operating income (loss), by segment, and revenues by geographic area, all for the year ended December 31, 2005 on a combined basis, and revenue earning equipment at net book value, as of June 30, 2006 (the majority of our international operations are in Europe). See Note 11 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

**Revenues by Segment for  
Year Ended December 31, 2005<sup>(1)(3)</sup>**

**\$7.5 billion**

**Operating Income by Segment for  
Year Ended December 31, 2005<sup>(2)(3)</sup>**

**\$1.1 billion**

**Revenues by Geographic Area for  
Year Ended December 31, 2005<sup>(3)</sup>**

**\$7.5 billion**

**Revenue Earning Equipment, Net Book  
Value as of June 30, 2006**

**\$11.4 billion**

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- (1) Car rental segment revenue includes fees and certain cost reimbursements from licensees. See Note 11 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.
- (2) Operating income represents pre-tax income before interest expense and minority interest. The above chart excludes an operating loss of \$26.8 million attributable to our Corporate and Other activities.
- (3) For the Predecessor period ended December 20, 2005, we generated revenues of \$5,150.5 million and \$2,164.2 million in the United States and internationally, respectively, and operating income of \$1,049.1 million. For the Successor period ended December 31, 2005, we generated revenues of \$123.7 million and \$30.8 million in the United States and internationally, respectively, and an operating loss of \$7.4 million.

For further information on our business segments, including financial information for the first six months of 2006 and the Successor period ended December 31, 2005, and the Predecessor period ended December 20, 2005 (as restated), and the years ended December 31, 2004 and 2003, see Note 9 to the Notes to our unaudited interim condensed consolidated financial statements and Note 11 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus.

## Worldwide Car Rental

### *Operations*

We rent a wide variety of makes and models of cars, nearly all of which are the current or previous year's models. We generally accept reservations only for a class of vehicles, although we accept reservations for specific makes and models of vehicles in our Prestige Collection luxury rental program, our Fun Collection experiential rental program, our Green Collection environmentally friendly rental program and a limited number of models in high-volume, leisure-oriented destinations. We rent cars on a daily, weekend, weekly, monthly or multi-month basis, with rental charges computed on a limited or unlimited mileage rate, or on a time rate plus a mileage charge. Our rates vary at different locations depending on local market conditions and other competitive and cost factors. While cars are usually returned to the locations from which they are rented, we also allow one-way rentals from and to certain locations. In addition to car rentals and licensee fees, we generate revenues from reimbursements by customers of airport concession fees and vehicle licensing costs, fueling charges, and charges for ancillary customer products and services such as supplemental equipment (child seats and ski racks), loss or collision damage waiver, theft protection, liability and personal accident/effects insurance coverage, Hertz NeverLost navigation systems and satellite radio services. Several U.S. State Attorneys General have recently taken positions that car rental companies either may not pass through to customers, by means of separate charges, expenses such as vehicle licensing and concession fees or may do so only in certain limited circumstances. See "Risk Factors Risks Related to Our Business Changes in the U.S. and foreign legal and regulatory environment that impact our operations, including laws and regulations relating to the insurance products we sell, customer privacy, data security, insurance rates and expenses we pass through to customers by means of separate charges, could disrupt our business, increase our expenses or otherwise could have a material adverse effect on our results of operations."

We have company-operated rental locations both in the United States and internationally. The international car rental operations that generated the highest volumes of business from our company-operated locations for the year ended December 31, 2005 and the six months ended June 30, 2006 were, in descending order of revenues, those conducted in France, Germany, Italy, the United Kingdom, Australia, Spain and Canada. We also have company-operated rental locations in the Netherlands, Switzerland, Belgium, Luxembourg, New Zealand, Puerto Rico, Brazil and the U.S. Virgin Islands.

As of June 30, 2006, we had over 1,700 staffed rental locations in the United States, of which approximately one-third were airport locations and two-thirds were off-airport locations, and we regularly rented cars from over 900 other locations that were not staffed. As of June 30, 2006, we had approximately 1,100 staffed rental locations internationally, of which approximately one-fifth were airport locations and four-fifths were off-airport locations, and we regularly rent cars from approximately 80 other locations that were not staffed. We believe that our extensive U.S. and international network of company-operated locations contributes to the consistency of our service, cost control, fleet utilization, yield management, competitive pricing and ability to offer one-way rentals.

In order to operate airport rental locations, we have obtained concessions or similar leasing, licensing or permitting agreements or arrangements, or "concessions," granting us the right to conduct a car rental business at all major, and many other, airports with regularly scheduled passenger service in each country where we have company-operated rental locations, except for airports where our licensees operate rental locations and Orlando International Airport in Orlando, Florida. Our concessions were obtained from the airports' operators, which are typically governmental bodies or authorities, following either negotiation or bidding for the right to operate a car rental business there. The terms of an airport concession typically require us to pay the airport's operator concession fees based upon a specified percentage of the revenues we generate at the airport, subject to a minimum

annual guarantee. Under most concessions, we must also pay fixed rent for terminal counters or other leased properties and facilities. Most concessions are for a fixed length of time, while others create operating rights and payment obligations that are terminable at any time.

The terms of our concessions typically do not forbid, and in a few instances actually require, us to seek reimbursement from customers of concession fees we pay; however, in certain jurisdictions the law limits or forbids our doing so. Where we are required or permitted to seek such reimbursement, it is our general practice to do so. The number of car rental concessions available at airports varies considerably, but, except at small, regional airports, it is rarely less than four. At Orlando International Airport, where we do not have a car rental concession, we operate an airport rental location at a facility located near the airport's premises and pick up and drop off our customers at the airport under a permit from the airport's operator. Certain of our concession agreements require the consent of the airport's operator in connection with changes in ownership of us. We will seek those consents that are required in connection with this offering, except where not obtaining them will not, in our view, have a material adverse effect on our consolidated financial position or results of operations. See "Risk Factors Risks Related to Our Business We face risks related to changes in our ownership."

The Hertz brand is one of the most recognized brands in the world. It has been listed in *Business Week's* "100 Most Valuable Global Brands" in 2005 and every year that it was eligible for inclusion in the study since the study's inception in 2001. We understand that this study is limited to companies with public equity and their subsidiaries, and as a result, Hertz was not eligible for inclusion in 2006. The Hertz brand has been the only travel company brand to appear in the study. Moreover, our customer surveys indicate that in the United States, Hertz is the car rental brand most associated with the highest quality service. This is consistent with numerous published best-in class car rental awards that we have won, both in the United States and internationally, over many years. We have sought to support our reputation for quality and customer service in car rental through a variety of innovative service offerings, such as our customer loyalty program (Hertz #1 Club), our global expedited rental program (Hertz #1 Club Gold), our one-way rental program (Rent-it-Here/Leave-it-There), our national-scale luxury rental program (Prestige Collection), our national-scale experiential rental program (Hertz Fun Collection), our environmentally friendly rental program (Green Collection) and our in-car navigational services (Hertz NeverLost). We intend to maintain our position as a premier company through an intense focus on service, quality and product innovation.

In the United States, the Hertz brand had the highest market share, by revenues, both in 2004 and in 2005 at the 180 largest airports where we operated. Out of approximately 150 major European airports at which we have company-operated rental locations, data regarding car rental concessionaire activity for the year ended December 31, 2005 was available at 69 of these airports. Based upon this data, we believe that we were the largest airport car rental company, measured by aggregate airport rental revenues during that period, at those 69 airports taken together. In the United States, we intend to maintain or expand our market share in the airport rental business. For a further description of our competitors, market share and competitive position see " Competition" below.

At our major airport rental locations, as well as at some smaller airport and off-airport locations, customers participating in our Hertz #1 Club Gold program are able to rent vehicles in an expedited manner. In the United States, participants in Hertz #1 Club Gold often bypass the rental counter entirely and proceed directly to their vehicles upon arrival at our facility. For the twelve months ended June 30, 2006, rentals by Hertz #1 Club Gold members accounted for approximately 40% of our worldwide rental transactions. We believe the Hertz #1 Club Gold program provides a significant competitive advantage to us, particularly among frequent travelers, and we have, through travel industry relationships, targeted such travelers for participation in the program.

In addition to our airport locations, we operate off-airport locations offering car rental services to a variety of customers. Our off-airport rental customers include people wishing to rent cars closer to

home for business or leisure purposes, as well as those needing to travel to or from airports. Our off-airport customers also include people who have been referred by, or whose rental costs are being wholly or partially reimbursed by, insurance companies following accidents in which their cars were damaged, those expecting to lease cars that are not yet available from their leasing companies and those needing cars while theirs are being repaired or are temporarily unavailable for other reasons; we call these customers "replacement renters." At many of our off-airport locations we will provide pick-up and delivery services in connection with rentals.

When compared to our airport rental locations, an off-airport rental location typically services more types of customers, uses smaller rental facilities with fewer employees, conducts pick-up and delivery services and deals with replacement renters using specialized systems and processes. In addition, on average, off-airport locations generate fewer transactions per period than airport locations. At the same time, though, our airport and off-airport rental locations employ common car fleets, are supervised by common country, regional and local area management, use many common systems and rely on common maintenance and administrative centers. Moreover, airport and off-airport locations, outside the area of replacement rentals, are supported by a common commercial sales force, benefit from many common marketing activities and have many of the same customers. As a consequence, we regard both types of locations as aspects of a single, unitary, car rental business.

We believe that the off-airport portion of the car rental market offers opportunities for us on several levels. First, presence in the off-airport market can provide customers a more convenient and geographically extensive network of rental locations, thereby creating revenue opportunities from replacement renters, non-airline travel renters and airline travelers with local rental needs. Second, it can give us a more balanced revenue mix by reducing our reliance on airport travel and therefore limiting our risk exposure to external events that may disrupt airline travel trends. Third, it can produce higher fleet utilization as a result of the longer average rental periods associated with off-airport business, compared to those of airport rentals. Fourth, replacement rental volume is far less seasonal than that of other business and leisure rentals, which permits efficiencies in both fleet and labor planning. Finally, cross-selling opportunities exist for us to promote off-airport rentals among frequent airport Hertz #1 Club renters and, conversely, to promote airport rentals to off-airport renters. In view of those benefits, along with our belief that our market share for off-airport rentals is generally smaller than our market share for airport rentals, we intend to seek profitable growth in the off-airport rental market, both in the United States and internationally.

In the two years ended December 31, 2005, we increased the number of our off-airport rental locations in the United States by approximately 33% to approximately 1,400 locations. In 2006 and subsequent years, our strategy may include selected openings of new off-airport locations, the disciplined evaluation of existing locations and pursuit of same-store sales growth. We anticipate that same-store sales growth would be driven by our traditional leisure and business traveler customers and by increasing penetration of the insurance replacement market, of which we currently have a low market share. In the United States during the year ended December 31, 2005, approximately one-third of our rental revenues at off-airport locations were related to replacement rentals. We believe that if we successfully pursue our strategy of profitable off-airport growth, the proportion of replacement rental revenues will increase. As we move forward, our determination of whether to expand our U.S. off-airport network will be based upon a combination of factors, including the concentration of target insurance company policy holders, car dealerships, auto body shops and other clusters of retail, commercial activity and potential profitability. We also intend to increase the number of our staffed off-airport rental locations internationally on the basis of similar criteria.

In addition to renting cars, in Germany we also rent trucks of eight tons and over, including truck tractors. This truck rental fleet consists of approximately 3,000 vehicles, which have been either acquired under repurchase programs similar to those under which we purchase program cars or are under operating leases. We believe we are a market leader in heavy truck rental in Germany. Also, we

are engaged in a car leasing business in Brazil. Our truck rental activities in Germany and our car leasing activities in Brazil are treated as part of our international car rental business in our consolidated financial statements.

Our worldwide car rental operations generated \$6,046.8 million in revenues and \$374.6 million in income before income taxes and minority interest during the year ended December 31, 2005, which consisted of \$131.8 million in revenues, \$16.2 million in losses before income taxes and minority interest for the Successor period ended December 31, 2005 and \$5,915.0 million in revenues and \$390.8 million in income before income taxes and minority interest for the Predecessor period ended December 20, 2005, and \$3,039.8 million in revenues and \$78.4 million in income before income taxes and minority interest in the first six months of 2006.

We may also, from time to time, pursue profitable growth within our car rental business by pursuing opportunistic acquisitions that would expand our global car rental business.

**Customers and Business Mix**

We categorize our rental business based on two primary criteria the purpose for which customers rent from us (business or leisure) and the type of location from which they rent (airport or off-airport). The table below sets forth, for the year ended December 31, 2005 and the six months ended June 30, 2006, the percentages of rental revenues and rental transactions in our U.S. and international operations derived from business and leisure rentals and from airport and off-airport rentals.

	Year Ended December 31, 2005				Six Months Ended June 30, 2006			
	U.S.		International		U.S.		International	
	Revenues	Transactions	Revenues	Transactions	Revenues	Transactions	Revenues	Transactions
<b>Type of Car Rental</b>								
By Customer:								
Business	46%	50%	48%	53%	48%	52%	50%	54%
Leisure	54	50	52	47	52	48	50	46
	100%	100%	100%	100%	100%	100%	100%	100%
By Location:								
Airport	80%	80%	55%	57%	78%	80%	54%	57%
Off-airport	20	20	45	43	22	20	46	43
	100%	100%	100%	100%	100%	100%	100%	100%

Customers who rent from us for "business" purposes include those who require cars in connection with commercial activities, the activities of governments and other organizations or for temporary vehicle replacement purposes. Most business customers rent cars from us on terms that we have negotiated with their employers or other entities with which they are associated, and those terms can differ substantially from the terms on which we rent cars to the general public. We have negotiated arrangements relating to car rental with many large businesses, governments and other organizations, including most Fortune 500 companies.

Customers who rent from us for "leisure" purposes include not only individual travelers booking vacation travel rentals with us but also people renting to meet other personal needs. Leisure rentals, taken as a whole, are longer in duration and generate more revenue per transaction than do business rentals, although some types of business rentals, such as rentals to replace temporarily unavailable cars, have a long average duration. Business rentals and leisure rentals have different characteristics and place different types of demands on our operations. We believe that maintaining an appropriate balance between business and leisure rentals is important to the profitability of our business and the consistency of our operations.



Our business and leisure customers rent from both our airport and off-airport locations. Demand for airport rentals is correlated with airline travel patterns, and transaction volumes generally follow enplanement trends on a global basis. Customers often make reservations for airport rentals when they book their flight plans, which makes our strong relationships with travel agents, associations and other partners (e.g., airlines) a key competitive advantage in generating consistent and recurring revenue streams.

Off-airport rentals typically involve people wishing to rent cars closer to home for business or leisure purposes, as well as those needing to travel to or from airports. This category also includes people who have been referred by, or whose rental costs are being wholly or partially reimbursed by, insurance companies because their cars have been damaged. In order to attract these renters, we must establish agreements with the referring insurers establishing the relevant rental terms, including the arrangements made for billing and payment. While we estimate our share of the insurance replacement rental market was approximately 7% of the estimated rental revenue volume for the twelve months ended June 30, 2006, we have identified approximately 170 insurance companies, ranging from local or regional carriers to large, national companies, as our target insurance replacement market. Although Enterprise currently has the largest share of the insurance replacement market, we believe that many of these companies are receptive to our replacement rental offerings and prefer to have at least two national rental car suppliers. Enterprise has asserted that certain systems we use to conduct insurance replacement rentals would infringe on patent rights it would obtain if it were granted certain patents for which it has applied. See "Risk Factors Risks Related to Our Business Claims that the software products and information systems that we rely on are infringing on the intellectual property rights of others could increase our expenses or inhibit us from offering certain services, which could adversely affect our results of operations."

We conduct active sales and marketing programs to attract and retain customers. Our commercial and travel industry sales force calls on companies and other organizations whose employees and associates need to rent cars for business purposes, as well as on membership associations, tour operators, travel companies and other groups whose members, participants and customers rent cars for either business or leisure purposes. A specialized sales force calls on companies with replacement rental needs, including insurance and leasing companies and car dealers. We also advertise our car rental offerings through a variety of traditional media, such as television and newspapers, direct mail and the Internet. In addition to advertising, we also conduct a variety of other forms of marketing and promotion, including travel industry business partnerships and press and public relations activities.

In almost all cases, when we rent a car, we rent it directly to an individual who is identified in a written rental agreement that we prepare. Except when we are accommodating someone with a disability, the individual to whom we rent a car is required to have a valid driver's license and meet other rental criteria (including minimum age and creditworthiness requirements) that vary on the basis of location and type of rental. Our rental agreements permit only the individual renting the car, people signing additional authorized operator forms and certain defined categories of other individuals (such as fellow employees, parking attendants and in some cases spouses or domestic partners) to operate the car.

With rare exceptions, individuals renting cars from us are personally obligated to pay all amounts due under their rental agreements. They typically pay us with a charge, credit or debit card issued by a third party, although certain customers use a Hertz charge account that we have established for them, usually as part of an agreement between us and their employer. For the year ended December 31, 2005 and the six months ended June 30, 2006, all amounts charged to Hertz charge accounts established in the United States, and approximately 99% of amounts charged to Hertz charge accounts established by our international subsidiaries, are billed directly to a company or other organization or are guaranteed by a company. The remainder of the amounts charged to Hertz charge accounts established by our international subsidiaries are billed to individual account holders whose obligations are not guaranteed

by the holder's employer or any other organization associated with the account holder. We also issue rental vouchers and certificates that may be used to pay rental charges for mostly prepaid and tour-related rentals. In addition, where the law requires us to do so, we rent cars on a cash basis.

In the United States for the year ended December 31, 2005 and the six months ended June 30, 2006, 86% of our car rental revenues came from customers who paid us with third-party charge, credit or debit cards, while 8% came from customers using Hertz charge accounts, 4% came from customers using rental vouchers or another method of payment and 2% came from cash transactions. In our international operations for the year ended December 31, 2005 and the six months ended June 30, 2006, 48% and 52%, respectively, of our car rental revenues came from customers who paid us with third-party charge, credit or debit cards, while 31% and 29%, respectively, came from customers using Hertz charge accounts, 19% and 17%, respectively, came from customers using rental vouchers or another method of payment and 2% and 2%, respectively, came from cash transactions. For the year ended December 31, 2005 and the six months ended June 30, 2006, we had bad debt expense ratios of 0.1% and 0.2%, respectively, of car rental revenues for our U.S. operations and 0.3% and 0.2%, respectively, of car rental revenues for our international operations.

### ***Reservations***

When customers reserve cars for rental from us and our licensees, they may seek to do so through travel agents or third-party travel websites. In many of those cases, the travel agent or website will utilize a third-party operated computerized reservation system, also known as a global distribution system, or "GDS," to contact us and make the reservation. There are currently four principal GDSs, and we have contracts with all of them providing that we will process reservation requests made through the GDSs. Historically, GDSs were owned and operated by airlines and were subject to extensive regulation along with their airline owners. In recent years, however, airlines have greatly reduced their ownership interests in GDSs and the level of regulation to which GDSs are subject has substantially decreased.

In major countries, including the United States and all other countries with company-operated locations, customers may also reserve cars for rental from us and our licensees worldwide through local, national or toll-free telephone calls to our reservations centers, directly through our rental locations or, in the case of replacement rentals, through proprietary automated systems serving the insurance industry. Additionally, we accept reservations for rentals from us and our licensees worldwide through our websites. Our websites, which also allow customers to enroll in loyalty programs, obtain copies of bills for past transactions and obtain information about our rental offerings, have grown significantly in importance as a reservations channel in recent years. Third-party travel websites have also grown in importance to us as a reservations channel.

For the twelve months ended June 30, 2006, approximately 35% of the worldwide reservations we accepted came through travel agents using GDSs, while 32% came through phone calls to our reservations centers, 22% through our websites, 7% through third-party websites and 4% through local booking sources.

### ***Fleet***

We believe we are one of the largest private sector purchasers of new cars in the world. During the twelve months ended June 30, 2006, we operated a peak rental fleet in the United States of approximately 322,000 cars and a combined peak rental fleet in our international operations of approximately 163,000 cars, in each case exclusive of our licensees' fleet. During the twelve months ended June 30, 2006, our approximate average holding period for a rental car was ten months in the United States and nine months in our international operations.

We have historically acquired, subject to availability, over 70% of our cars pursuant to various fleet repurchase or guaranteed depreciation programs established by automobile manufacturers. Under these programs, the manufacturers agree to repurchase cars at a specified price or guarantee the depreciation rate on the cars during established repurchase or auction periods, subject to, among other things, certain car condition, mileage and holding period requirements. Repurchase prices under repurchase programs are based on either a predetermined percentage of original car cost and the month in which the car is returned or the original capitalized cost less a set daily depreciation amount. Guaranteed depreciation programs guarantee on an aggregate basis the residual value of the cars covered by the programs upon sale according to certain parameters which include the holding period, mileage and condition of the cars. These repurchase and guaranteed depreciation programs limit our residual risk with respect to cars purchased under the programs and allow us to determine depreciation expense in advance. For the twelve months ended June 30, 2006, program cars as a percentage of all cars purchased by our U.S. operations were 73% and as a percentage of all cars purchased by our international operations were approximately 71%, or 72% when calculated on an aggregate worldwide basis.

Over the five years ended December 31, 2005, approximately 50% of the cars acquired by us for our U.S. car rental fleet, and approximately 30% of the cars acquired by us for our international fleet, were manufactured by Ford and its subsidiaries. During the twelve months ended June 30, 2006, approximately 37% of the cars acquired by us domestically were manufactured by Ford and its subsidiaries and approximately 32% of the cars acquired by us for our international fleet were manufactured by Ford and its subsidiaries, which represented the largest percentage of any automobile manufacturer during that period. The percentage of the fleet which we purchase from Ford may decline as a result of recent changes to the vehicle supply arrangements between Ford and us. See "Relationship with Ford" and Note 15 to the Notes to our audited annual consolidated financial statements included elsewhere in this prospectus. Historically, we have also purchased a significant percentage of our car rental fleet from General Motors. Over the five years ended December 31, 2005, approximately 19% of the cars acquired by us for our U.S. car rental fleet, and approximately 16% of the cars acquired by us for our international fleet, were manufactured by General Motors. During the twelve months ended June 30, 2006, approximately 22% of the cars acquired by our U.S. car rental fleet, and approximately 13% of the cars acquired by us for our international fleet, were manufactured by General Motors.

Purchases of cars are financed through funds provided from operations and by active and ongoing global borrowing programs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

We maintain automobile maintenance centers at certain airports and in certain urban and off-airport areas, providing maintenance facilities for our car rental fleet. Many of these facilities, which include sophisticated car diagnostic and repair equipment, are accepted by automobile manufacturers as eligible to perform and receive reimbursement for warranty work. Collision damage and major repairs are generally performed by independent contractors.

We dispose of risk cars, as well as program cars that have for any reason become ineligible for manufacturer repurchase or guaranteed depreciation programs, through a variety of disposition channels, including auctions, brokered sales, sales to wholesalers and, to a lesser extent and primarily in the United States, sales at retail through a network of seven company-operated car sales locations dedicated exclusively to the sale of used cars from our rental fleet. During the twelve months ended June 30, 2006, of the cars that were not repurchased by manufacturers, we sold approximately 78% at auction or on a wholesale basis, while 14% were sold at retail and 8% through other channels. We closed 23 retail car sales locations in the United States in the first half of 2006. We do not expect these closures to have a significant impact on our results of operations.

### *Licenseses*

We believe that our extensive worldwide ownership of car rental operations contributes to the consistency of our high-quality service, cost control, fleet utilization, yield management, competitive pricing and our ability to offer one-way rentals. However, in certain predominantly smaller U.S. and international markets, we have found it more efficient to utilize independent licensees, which rent cars that they own. Our licensees operate locations in over 140 countries, including most of the countries where we have company-operated locations. As of June 30, 2006, we owned 95% of all the cars in the combined company-owned and licensee-owned fleets in the United States.

We believe that our licensee arrangements are important to our business because they enable us to offer expanded national and international service and a broader one-way rental program. Licenses are issued principally by our wholly owned subsidiaries, Hertz System, Inc., or "System," and HIL under franchise arrangements to independent licensees and affiliates who are engaged in the car rental business in the United States and in many foreign countries.

Licenseses generally pay fees based on a percentage of their revenues or the number of cars they operate. The operations of all licensees, including the purchase and ownership of vehicles, are financed independently by the licensees, and we do not have any investment interest in the licensees or their fleets. System licensees share in the cost of our U.S. advertising program, reservations system, sales force and certain other services. Our European and other international licensees also share in the cost of our reservations system, sales force and certain other services. In return, licensees are provided the use of the Hertz brand name, management and administrative assistance and training, reservations through our reservations channels, the Hertz #1 Club and #1 Club Gold programs, our one-way rental program and other services. In addition to car rental, certain licensees outside the United States engage in car leasing, chauffeur-driven rentals and renting camper vans under the Hertz name.

System licensees ordinarily are limited as to transferability without our consent and are terminable by us only for cause or after a fixed term. Licensees in the United States may generally terminate for any reason on 90 days' notice. In Europe and certain other international jurisdictions, licensees typically do not have early termination rights. Initial license fees or the price for the sale to a licensee of a company-owned location may be payable over a term of several years. We continue to issue new licenses and, from time to time, purchase licensee businesses.

### *Competition*

In the United States, our principal car rental industry competitors are ABG, which currently operates the Avis and Budget brands, Vanguard Car Rental USA Group, or "Vanguard," which operates the National Car Rental and Alamo brands, Dollar Thrifty Automotive Group, Inc., or "DTG," which operates the Dollar and Thrifty brands, and Enterprise, which operates the Enterprise brand.

The following table lists our estimated market share, and the estimated market shares of our principal competitors and their licensees, at the 180 largest U.S. airports at which we have company-operated locations, determined on the basis of revenues reported to the airports' operators on which

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concession or off-airport permit fees are determined for the indicated periods. Complete market share data is not available for any date later than for the four months ended April 30, 2006.

Brand Name	Years Ended December 31,					Four Months Ended April 30,
	2001	2002	2003	2004	2005	2006
Hertz	29.5%	29.2%	29.0%	29.6%	29.2%	28.7%
Avis	21.6	22.3	21.2	20.2	20.2	20.0
Budget	11.8	10.8	10.4	10.2	10.5	10.5
ABG Brands <sup>(1)</sup>	33.4	33.1	31.6	30.4	30.7	30.5
National/Alamo (Vanguard Brands) <sup>(2)</sup>	25.4	21.8	20.8	19.8	19.4	19.6
Dollar	7.1	7.2	7.4	7.7	7.1	6.8
Thrifty	1.8	3.2	4.4	4.5	4.3	4.3
DTG Brands	8.9	10.4	11.8	12.2	11.4	11.1
Enterprise	2.0	3.9	5.0	6.0	7.0	7.5
Other	0.8	1.6	1.8	2.0	2.3	2.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) ABG acquired all of the outstanding shares of Avis Group Holdings, Inc. on March 1, 2001 and acquired substantially all of the domestic assets of the vehicle rental business of Budget Group, Inc. on November 22, 2002.

(2) National and Alamo have been owned by Vanguard since October 2003.

The U.S. off-airport rental market has historically been dominated by Enterprise. We now have a significant presence in the off-airport market, and ABG's brands also are present. Many smaller companies also operate in the airport and off-airport rental markets.

In Europe, in addition to us, the principal pan-European participants in the car rental industry are Avis Europe plc (which is not an affiliate of ABG but is operating under a license from ABG), which operates the Avis and Budget brands, and Europcar, which was recently acquired from Volkswagen AG by Eurazeo. In certain European countries, there are also other companies and brands with substantial market shares, including Sixt AG (operating the Sixt brand), Vanguard (operating both the National Car Rental and Alamo brands) in the United Kingdom and Germany, and through franchises in Spain, Italy and France, and Enterprise (operating the Enterprise brand) in the United Kingdom, Ireland and Germany. In every European country, there are also national, regional or other, smaller companies operating in the airport and off-airport rentals markets. Apart from Enterprise-branded operations, all of which Enterprise owns, the other major car rental brands are present in European car rental markets through a combination of company-operated and franchisee- or licensee-operated locations.

Competition among car rental industry participants is intense and frequently takes the form of price competition. For the year ended December 31, 2005, we believe most U.S. and European car rental companies experienced downward pressure on pricing, as measured by the rental rates they charged. During the latter part of the fourth quarter of 2005 and first half of 2006, based on publicly available information, some U.S. car rental providers experienced transaction day growth and pricing increases compared to comparable prior periods. We experienced higher car rental volumes and pricing in the U.S. for the year ended December 31, 2005 and the first half of 2006. During most of the third quarter of 2006, we experienced a low single digit volume decline versus the prior period, while pricing was positive. The volume decline was the result of running our fleet at a higher utilization level. It is not certain whether these trends will continue during the remainder of 2006. Also, we believe most European car rental companies' pricing moved downward in 2005. During the six months ended June 30, 2006, we experienced moderate transaction day growth in our European operations and our car rental pricing was above the level of our pricing during the six months

ended June 30, 2005. During

the third quarter of 2006, moderate transaction day growth continued while pricing was flat versus the prior period.

Our competitors, some of which may have access to substantial capital or which may benefit from lower operating costs, may seek to compete aggressively on the basis of pricing. To the extent that we match downward competitor pricing without reducing our operating costs, it could have an adverse impact on our results of operations. To the extent that we are not willing to match or remain within a reasonable competitive margin of our competitors' pricing, it could also have an adverse impact on our results of operations, as we may lose market share. As a result of increased use of the Internet as a travel distribution channel, pricing transparency has increased. See "Risk Factors Risks Related to Our Business We face intense competition that may lead to downward pricing, or an inability to increase prices, which could have a material adverse impact on our results of operations." We believe, however, that the prominence and service reputation of the Hertz brand and our extensive worldwide ownership of car rental operations provides us with a competitive advantage.

## **Equipment Rental**

### *Operations*

We, through HERC, operate an equipment rental business in the United States, Canada, France and Spain. We believe HERC is one of the largest equipment rental companies in the United States and Canada combined and one of the largest general equipment rental companies in France and Spain, in each case based on revenues. HERC has operated in the United States since 1965.

HERC's principal business is the rental of equipment. HERC offers a broad range of equipment for rental; major categories include earthmoving equipment, material handling equipment, aerial and electrical equipment, air compressors, pumps, generators, small tools, compaction equipment and construction-related trucks.

HERC's comprehensive line of equipment enables it to supply equipment to a wide variety of customers from local contractors to large industrial plants. The fact that many larger companies, particularly those with industrial plant operations, now require single source vendors, not only for equipment rental, but also for management of their total equipment needs fits well with HERC's core competencies. Arrangements with such companies may include maintenance of the tools and equipment they own, supplies and rental tools for their labor force and custom management reports. HERC supports this through its dedicated in-plant operations, tool trailers and plant management systems.

As of June 30, 2006, HERC operated 350 equipment rental branches, of which 238 were in 40 states within the United States, 33 were in Canada, 71 were in France and 8 were in Spain. HERC generated same-store, year-over-year revenue growth for each of the last eleven quarters. HERC's rental locations generally are situated in industrial or commercial zones. A growing number of locations have highway or major thoroughfare visibility. The typical location is approximately three acres in size, though smaller in Europe, and includes a customer service center, an equipment service area and storage facilities for equipment. The branches are built or conform to the specifications of the HERC prototype branch, which stresses efficiency, safety and environmental compliance. Most branches have stand-alone maintenance and fueling facilities and showrooms.

HERC slightly contracted its network of equipment rental locations during the 2001 to 2003 downturn in construction activities. HERC added five new locations in the United States during 2004 and six during 2005. During the first half of 2006, HERC added four U.S. locations and two new Canadian locations, and we expect HERC to add eight additional locations in the United States during the remainder of 2006. In connection with its U.S. expansion, we expect HERC will incur non-fleet start-up costs of approximately \$600,000 per location and additional fleet acquisition costs over an initial twelve-month period of approximately \$5.5 million per location.

Starting in 2004, HERC began to broaden its equipment line in the United States to include more equipment with an acquisition cost of under \$10,000 per unit, ranging from air compressors and generators to small tools and accessories, in order to supply customers who are local contractors with a greater proportion of their overall equipment rental needs. As of June 30, 2006, these activities, referred to as "general rental activities," were conducted at approximately 35% of HERC's U.S. rental locations. Before it begins to conduct general rental activities at a location, HERC typically renovates the location to make it more appealing to walk-in customers and adds staff and equipment in anticipation of subsequent demand.

HERC's operations generated \$783.6 million in revenues and \$105.9 million in income before income taxes and minority interest during the six months ended June 30, 2006, \$1,415.3 million in revenues and \$239.1 million in income before income taxes and minority interest during the year ended December 31, 2005, which consisted of \$22.5 million in revenues and \$11.4 million in losses before income taxes and minority interest for the Successor period ended December 31, 2005 and \$1,392.8 million in revenues and \$250.5 million in income before income taxes and minority interest for the Predecessor period ended December 20, 2005.

### ***Customers***

HERC's customers consist predominantly of commercial accounts and represent a wide variety of industries, such as construction, petrochemical, automobile manufacturing, railroad, power generation and shipbuilding. Serving a number of different industries enables HERC to reduce its dependence on a single or limited number of customers in the same business and somewhat reduces the seasonality of HERC's revenues and its dependence on construction cycles. HERC primarily targets customers in medium to large metropolitan markets. For the year ended December 31, 2005 and the six months ended June 30, 2006, no customer of HERC's U.S. and Canadian operations accounted for more than 1.3% and 1.1%, respectively, of HERC's rental revenues. Of HERC's rental revenues for the year ended December 31, 2005 and the six months ended June 30, 2006, roughly half were derived from customers operating in the construction industry, while the remaining revenues were derived from rentals to industrial, governmental and other types of customers.

Unlike in our car rental business, where we enter into rental agreements with the people who will operate the cars being rented, HERC ordinarily enters into a rental agreement with the legal entity typically a company, governmental body or other organization seeking to rent HERC's equipment. Moreover, unlike in our car rental business, where our cars are normally picked up and dropped off by customers at our rental locations, HERC delivers much of its rental equipment to its customers' job sites and retrieves the equipment from the job sites when the rentals conclude. Finally, unlike in our car rental business, HERC extends credit terms to many of its customers to pay for rentals. Thus, for the year ended December 31, 2005 and the six months ended June 30, 2006, 94% and 95%, respectively, of HERC's revenues came from customers who were invoiced by HERC for rental charges, while 5% and 4%, respectively, came from customers paying with third-party charge, credit or debit cards and 1% and 1%, respectively, came from customers who paid with cash or used another method of payment. For the year ended December 31, 2005 and the six months ended June 30, 2006, HERC had a bad debt expense ratio of 0.4% and 0.3%, respectively, of its revenues.

### ***Fleet***

HERC acquires its equipment from a variety of manufacturers. The equipment is typically new at the time of acquisition and is not subject to any repurchase program. The per-unit acquisition cost of units of rental equipment in HERC's fleet vary from over \$200,000 to under \$100. As of June 30, 2006, the average per-unit acquisition cost (excluding small equipment purchased for less than \$5,000 per unit) for HERC's fleet in the United States was \$35,000. As of June 30, 2006, the average age of HERC's rental fleet in the United States was 25 months. We believe that this fleet is one of the youngest fleets in the industry. Having a younger fleet reduces maintenance expenses, which generally



escalate as equipment ages. As of June 30, 2006, the average age of HERC's international rental fleet was 32 months in Canada and in France and Spain, which we believe is roughly comparable to the average ages of the fleets of HERC's principal competitors in those countries.

HERC disposes of its used equipment through a variety of channels, including private sales to customers and other third parties, sales to wholesalers, brokered sales and auctions. Ancillary to its rental business, HERC is also a dealer of certain brands of new equipment in the United States and Canada, and sells consumables such as gloves and hardhats at many of its rental locations.

### ***Licensees***

HERC licenses the Hertz name to equipment rental businesses in seven countries in Europe and the Middle East. The terms of those licenses are broadly similar to those we grant to our international car rental licensees.

### ***Competition***

HERC's competitors in the equipment rental industry range from other large national companies to small regional and local businesses. In each of the four countries where HERC operates, the equipment rental industry is highly fragmented, with large numbers of companies operating on a regional or local scale. The number of industry participants operating on a national scale is, however, much smaller. HERC is one of the principal national-scale industry participants in each of the four countries where it operates. HERC's operations in the United States represented approximately 75% of our worldwide equipment rental revenues during the year ended December 31, 2005 and the six months ended June 30, 2006. In the United States and Canada, the other top six national-scale industry participants are United Rentals, Inc., RSC Equipment Rental, a division of the Atlas Copco Group, Sunbelt Rentals, Home Depot Rentals and NationsRent. In July 2006, Ashtead plc, the parent company of Sunbelt Rentals, announced it had entered into an agreement to purchase NationsRent. A number of individual Caterpillar dealers also participate in the equipment rental market in the United States and Canada. In France, the other principal national-scale industry participants are Loxam, Kiloutou and Laho, while in Spain, the other principal national-scale industry participants are GAM, Euroloc and Vilatel.

Competition in the equipment rental industry is intense, and it often takes the form of price competition. HERC's competitors, some of which may have access to substantial capital, may seek to compete aggressively on the basis of pricing. To the extent that HERC matches downward competitor pricing, it could have an adverse impact on our results of operations. To the extent that HERC is not willing to match competitor pricing, it could also have an adverse impact on our results of operations due to lower rental volume. From 2001 to 2003, the equipment rental industry experienced downward pricing, measured by the rental rates charged by rental companies. For the years ended December 31, 2004 and 2005 and the first half of 2006, we believe industry pricing, measured in the same way, improved in the United States and Canada, but only started to improve towards the end of 2005 in France and Spain. HERC also experienced higher equipment rental volumes worldwide for the year ended December 31, 2005 and the first half of 2006. During the third quarter of 2006, HERC's double-digit volume growth rate versus the prior year continued, albeit at a somewhat reduced pace from the first half of 2006, while pricing remained positive. We believe that HERC's competitive success has been primarily the product of its 40 years of experience in the equipment rental industry, its systems and procedures for monitoring, controlling and developing its branch network, its capacity to maintain a comprehensive rental fleet, the quality of its sales force and its established national accounts program.

### ***Other Operations***

Our wholly owned subsidiary, Hertz Claim Management Corporation, or "HCM," provides claim administration services to us and, to a lesser extent, to third parties. These services include

investigating, evaluating, negotiating and disposing of a wide variety of claims, including third-party, first-party, bodily injury, property damage, general liability and product liability, but not the underwriting of risks. HCM conducts business at nine regional offices in the United States. Separate subsidiaries of ours conduct similar operations in eight countries in Europe.

### **Seasonality**

Car rental and equipment rental are seasonal businesses, with decreased levels of business in the winter months and heightened activity during the spring and summer. To accommodate increased demand, we increase our available fleet and staff during the second and third quarters of the year. As business demand declines, fleet and staff are decreased accordingly. However, certain operating expenses, including minimum concession fees, rent, insurance and administrative overhead, remain fixed and cannot be adjusted for seasonal demand. See "Risk Factors Risks Related to Our Business Our business is highly seasonal, and a disruption in rental activity during our peak season could materially adversely affect our results of operations." The following tables set forth this seasonal effect by providing quarterly revenues and operating income for each of the quarters since the beginning of 2005:

### **Employees**

As of June 30, 2006, we employed approximately 32,400 persons, consisting of 22,800 persons in our U.S. operations and 9,600 persons in our international operations. Employee benefits in effect include group life insurance, hospitalization and surgical insurance, pension plans and a defined contribution plan. International employees are covered by a wide variety of union contracts and governmental regulations affecting, among other things, compensation, job retention rights and pensions. Labor contracts covering the terms of employment of approximately 7,350 employees in the United States are presently in effect under 136 active contracts with local unions, affiliated primarily with the International Brotherhood of Teamsters and the International Association of Machinists. Labor contracts covering approximately 880 of these employees will expire during 2006. We have had no material work stoppage as a result of labor problems during the last 10 years, and we believe our labor relations to be good. Nonetheless, we may be unable to negotiate new labor contracts on terms advantageous to us, or without labor interruptions.

In addition to the employees referred to above, we employ a substantial number of temporary workers, and engage outside services, as is customary in the industry, principally for the non-revenue movement of rental cars and equipment between rental locations and the movement of rental equipment to and from customers' job sites.