

HERTZ GLOBAL HOLDINGS INC
Form 10-Q
November 09, 2010

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

OR

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

Commission File Number 001-33139

HERTZ GLOBAL HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3530539

(I.R.S. Employer
Identification Number)

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

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

Not Applicable

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

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

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

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

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Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a

smaller

reporting company)

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

There were 412,516,648 shares of the Registrant's common stock, par value \$0.01 per share, issued and outstanding as of November 3, 2010.

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

ITEM I. Condensed Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Hertz Global Holdings, Inc. and its subsidiaries as of September 30, 2010, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2010 and September 30, 2009 and the consolidated statements of cash flows for the nine-month periods ended September 30, 2010 and September 30, 2009. These interim financial statements are the responsibility of the Company's management.

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

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, and the related consolidated statements of operations, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated February 26, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
November 9, 2010

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

	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 1,483,320	\$ 985,642
Restricted cash and cash equivalents	739,571	365,159
Receivables, less allowance for doubtful accounts of \$20,086 and \$21,268	1,674,946	1,325,332
Inventories, at lower of cost or market	87,615	93,415
Prepaid expenses and other assets	329,144	300,125
Revenue earning equipment, at cost:		
Cars	9,281,200	8,205,579
Less accumulated depreciation	(1,161,781)	(1,186,299)
Other equipment	2,724,937	2,582,029
Less accumulated depreciation	(1,043,576)	(749,724)
Total revenue earning equipment	9,800,780	8,851,585
Property and equipment, at cost:		
Land, buildings and leasehold improvements	1,062,154	1,023,891
Service equipment and other	880,550	838,906
	1,942,704	1,862,797
Less accumulated depreciation	(782,204)	(674,668)
Total property and equipment	1,160,500	1,188,129
Other intangible assets, net	2,554,929	2,597,682
Goodwill	295,825	295,350
Total assets	\$ 18,126,630	\$ 16,002,419

LIABILITIES AND EQUITY

Accounts payable	\$ 928,108	\$ 658,671
Accrued liabilities	1,123,922	1,024,822
Accrued taxes	192,460	108,356
Debt	12,046,930	10,364,367
Public liability and property damage	286,536	277,828
Deferred taxes on income	1,405,290	1,470,934
Total liabilities	15,983,246	13,904,978

Commitments and contingencies (Note 16)

Equity:

Hertz Global Holdings Inc. and Subsidiaries stockholders' equity

Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 412,310,646 and 410,245,225 shares issued and outstanding	4,123	4,102
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Preferred Stock, \$0.01 par value, 200,000,000 shares authorized, no shares issued and outstanding

Additional paid-in capital	3,170,761	3,141,695
Accumulated deficit	(1,081,203)	(1,062,318)
Accumulated other comprehensive income (loss)	32,094	(3,331)
Total Hertz Global Holdings, Inc. and Subsidiaries stockholders' equity	2,125,775	2,080,148
Noncontrolling interest	17,609	17,293
Total equity	2,143,384	2,097,441
Total liabilities and equity	\$ 18,126,630	\$ 16,002,419

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

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In Thousands of Dollars, except share and per share data)****Unaudited**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Car rental	\$ 1,862,600	\$ 1,724,887	\$ 4,842,154	\$ 4,436,691
Equipment rental	281,138	280,281	783,815	836,421
Other	42,566	36,247	100,809	87,673
Total revenues	2,186,304	2,041,415	5,726,778	5,360,785
Expenses:				
Direct operating	1,157,485	1,118,596	3,245,521	3,062,489
Depreciation of revenue earning equipment	501,009	499,050	1,416,902	1,468,228
Selling, general and administrative	168,717	179,778	508,445	488,012
Interest expense	202,158	169,294	572,129	498,238
Interest and other income, net	(1,355)	(1,066)	(10,424)	(52,598)
Total expenses	2,028,014	1,965,652	5,732,573	5,464,369
Income (loss) before income taxes	158,290	75,763	(5,795)	(103,584)
(Provision) benefit for taxes on income	3,014	(6,792)	(176)	19,873
Net income (loss)	161,304	68,971	(5,971)	(83,711)
Less: Net income attributable to noncontrolling interest	(4,664)	(4,443)	(12,915)	(11,408)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ 156,640	\$ 64,528	\$ (18,886)	\$ (95,119)
Weighted average shares outstanding (in thousands)				
Basic	412,179	407,364	411,590	358,452
Diluted	430,385	425,171	411,590	358,452
Earnings (loss) per share attributable to Hertz Global				

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Holdings, Inc. and
Subsidiaries' common
stockholders:

Basic	\$	0.38	\$	0.16	\$	(0.05)	\$	(0.27)
Diluted	\$	0.36	\$	0.15	\$	(0.05)	\$	(0.27)

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

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands of Dollars)****Unaudited****Nine Months Ended
September 30,
2010 2009**

Cash flows from operating activities:		
Net loss	\$ (5,971)	\$ (83,711)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of revenue earning equipment	1,416,902	1,468,228
Depreciation of property and equipment	116,238	119,712
Amortization of other intangible assets	48,990	50,161
Amortization and write-off of deferred financing costs	56,722	42,249
Amortization of debt discount	31,298	26,731
Stock-based compensation charges	28,011	26,603
Loss on derivatives	16,406	3,853
Amortization of cash flow hedges	56,836	52,227
Provision for losses on doubtful accounts	15,203	22,459
Asset writedowns	19,523	26,463
Deferred taxes on income	(29,621)	99,922
Gain on sale of property and equipment	(2,660)	(1,149)
Changes in assets and liabilities, net of effects of acquisition:		
Receivables	(97,820)	(25,118)
Inventories, prepaid expenses and other assets	(47,604)	2,077
Accounts payable	203,179	(188,137)
Accrued liabilities	(66,724)	(195,327)
Accrued taxes	14,952	(112,994)
Public liability and property damage	12,720	(27,047)
Net cash provided by operating activities	1,786,580	1,307,202
Cash flows from investing activities:		
Net change in restricted cash and cash equivalents	(378,796)	330,627
Revenue earning equipment expenditures	(7,144,387)	(5,194,514)
Proceeds from disposal of revenue earning equipment	5,089,044	4,162,671
Property and equipment expenditures	(134,269)	(68,970)
Proceeds from disposal of property and equipment	25,459	6,140
Acquisitions, net of cash acquired	(12,074)	(76,212)
(Purchase) sale of short-term investments, net	3,171	(4,169)
Other investing activities	1,694	652
Net cash used in investing activities	\$ (2,550,158)	\$ (843,775)

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

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****(In Thousands of Dollars)****Unaudited****Nine Months Ended
September 30,
2010 2009**

Cash flows from financing activities:		
Proceeds from issuance of long-term debt	\$ 2,133,958	\$ 7,151
Proceeds from convertible debt offering		459,483
Payment of long-term debt	(2,074,930)	(814,099)
Short-term borrowings:		
Proceeds	422,896	324,576
Payments	(528,333)	(272,559)
Proceeds (payments) under the revolving lines of credit, net	1,406,666	(374,846)
Distributions to noncontrolling interest	(12,600)	(11,900)
Proceeds from sale of common stock		528,758
Proceeds from exercise of stock options	3,155	4,807
Proceeds from employee stock purchase plan	1,857	1,846
Proceeds from disgorgement of stockholder short-swing profits	111	15
Net settlement on vesting of restricted stock	(5,670)	
Payment of financing costs	(51,515)	(40,888)
 Net cash provided by (used in) financing activities	 1,295,595	 (187,656)
 Effect of foreign exchange rate changes on cash and cash equivalents	 (34,339)	 56,680
 Net increase in cash and cash equivalents during the period	 497,678	 332,451
Cash and cash equivalents at beginning of period	985,642	594,266
 Cash and cash equivalents at end of period	 \$ 1,483,320	 \$ 926,717
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 448,871	\$ 556,932
Income taxes	41,451	20,721
Supplemental disclosures of non-cash flow information:		
Purchases of revenue earning equipment included in accounts payable and accrued liabilities	\$ 439,218	\$ 207,720
Sales of revenue earning equipment included in receivables	755,097	358,013
Purchases of property and equipment included in accounts payable	26,251	12,629
Sales of property and equipment included in receivables	8,352	8,741

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

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Note 1 Background and Liquidity

Background

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

We are a successor to corporations that have been engaged in the car and truck rental and leasing business since 1918 and the equipment rental business since 1965. Hertz was incorporated in Delaware in 1967. Ford Motor Company, or "Ford," acquired an ownership interest in Hertz in 1987. Prior to this, Hertz was a subsidiary of UAL Corporation (formerly Allegis Corporation), which acquired Hertz's outstanding capital stock from RCA Corporation in 1985. Hertz Holdings was incorporated in Delaware in 2005 and had no operations prior to the Acquisition (as defined below).

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

Clayton, Dubilier & Rice, Inc., or "CD&R,"

The Carlyle Group, or "Carlyle," and

Merrill Lynch Global Private Equity, or "MLGPE" (now known as BAML Capital Partners),

or collectively the "Sponsors," acquired all of Hertz's common stock from Ford Holdings LLC. We refer to the acquisition of all of Hertz's common stock by the Sponsors as the "Acquisition." Following our initial public offering in November 2006 and subsequent offerings in June 2007, May 2009 and June 2009, the Sponsors currently own approximately 51% of the common stock of Hertz Holdings.

In January 2009, Bank of America Corporation, or "Bank of America," acquired Merrill Lynch & Co., Inc., the parent company of MLGPE. Accordingly, Bank of America is now an indirect beneficial owner of our common stock held by MLGPE and certain of its affiliates.

Liquidity

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

As of September 30, 2010, we had \$12,046.9 million of total indebtedness outstanding. Accordingly, we are highly leveraged and a substantial portion of our liquidity needs arise from debt service on our indebtedness and from the funding of our costs of operations and capital expenditures.

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

Based on our current availability under our various credit facilities and our business plan, we believe we have sufficient liquidity to meet our debt maturities over the next twelve months. See Note 8 Debt.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

For a description of 2010 financing activities, see Note 8 Debt.

As of September 30, 2010, we have approximately \$217.7 million of remaining international fleet debt outstanding that matures in December 2010. We are currently in discussions regarding our remaining refinancing options, and based on these discussions and our ability to access the capital markets, we expect to refinance the remaining debt maturing in December 2010 on or prior to maturity. In the event financing is not available or is not available on terms we deem acceptable, we would expect to utilize our corporate liquidity (availability under corporate debt facilities plus unrestricted cash) to repay these obligations.

The agreements governing our corporate indebtedness require us to comply with two key covenants based on a consolidated leverage ratio and a consolidated interest expense coverage ratio. Our failure to comply with the obligations contained in any agreements governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt becoming immediately due and payable and could further result in a cross default or cross acceleration of our debt issued under other instruments. As of September 30, 2010, we were in compliance with all of these financial covenants.

MBIA Insurance Corporation, or "MBIA," and Ambac Assurance Corporation, or "Ambac," provide credit enhancements in the form of financial guarantees for our Series 2005-1 and 2005-2 Rental Car Asset-Backed Notes, or the "2005 Notes," with each providing guarantees for approximately half of the \$875.0 million in principal amount of the 2005 Notes that was outstanding as of September 30, 2010, all of which matures during 2010.

An event of bankruptcy with respect to MBIA or Ambac between now and the maturities of the 2005 Notes in 2010 would result in an amortization event under the portion of the 2005 Notes guaranteed by the affected insurer. In addition, if an amortization event continues for 30 days or longer, the noteholders of the affected series of notes would have the right to require liquidation of a portion of the fleet sufficient to repay such notes, provided that the exercise of the right was exercised by a majority of the affected noteholders. Ambac has publicly stated that it has insufficient capital to finance its debt service and operating expense requirements beyond the second quarter of 2011 and may need to seek bankruptcy protection. Accordingly, if a bankruptcy of MBIA or Ambac were to occur prior to the 2005 Notes maturing, we expect that we would use our corporate liquidity and the borrowings under or proceeds from these recent financings to pay down the amounts owed under the affected series of 2005 Notes. The Series 2009-1 Notes, Series 2009-2 Notes, Series 2009-2 Class B Notes or the Series 2010-1 Notes are not guaranteed.

Note 2 Basis of Presentation

The significant accounting policies summarized in Note 1 to our audited consolidated financial statements contained in our Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended December 31, 2009, filed with the United States Securities and Exchange Commission, or "SEC," on February 26, 2010 and March 1, 2010, respectively, or collectively known as our "Annual Report," have been followed in preparing the accompanying condensed consolidated financial statements.

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

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

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

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

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

Note 3 Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board issued guidance, which contains amendments to Accounting Standards Codification 810, "Consolidation," relating to how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. These provisions became effective for us on January 1, 2010, but did not have a material impact on our financial position or results of operations.

Note 4 Cash and Cash Equivalents and Restricted Cash

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

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

Restricted cash and cash equivalents includes cash and cash equivalents that are not readily available for our normal disbursements. Restricted cash and cash equivalents are restricted for the purchase of revenue earning vehicles and other specified uses under our Fleet Debt facilities, for our Like-Kind Exchange Program, or "LKE Program," and to satisfy certain of our self-insurance regulatory reserve requirements. As of September 30, 2010 and December 31, 2009, the portion of total restricted cash and cash equivalents that was associated with our Fleet Debt facilities was \$663.4 million and \$295.0 million, respectively. The increase in restricted cash associated with our Fleet Debt of \$368.4 million from December 31, 2009 to September 30, 2010, was primarily related to the timing of purchases and sales of revenue earning vehicles.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited****Note 5 Goodwill and Other Intangible Assets**

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

	Car Rental	Equipment Rental	Total
Balance as of January 1, 2010			
Goodwill	\$ 335.8	\$ 654.5	\$ 990.3
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	292.8	2.6	295.4
Goodwill acquired during the period			
Other changes during the period ⁽¹⁾	(0.4)	0.8	0.8
			(0.4)
Balance as of September 30, 2010			
Goodwill	335.4	655.3	990.7
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	\$ 292.4	\$ 3.4	\$ 295.8
Balance as of January 1, 2009			
Goodwill	\$ 307.1	\$ 651.9	\$ 959.0
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	264.1		264.1
Goodwill acquired during the year			
Other changes during the year ⁽¹⁾	24.0	2.4	26.4
	4.7	0.2	4.9
Balance as of December 31, 2009			
Goodwill	335.8	654.5	990.3
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	\$ 292.8	\$ 2.6	\$ 295.4

(1)

Primarily consists of changes resulting from the translation of foreign currencies at different exchange rates from the beginning of the period to the end of the period.

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

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

September 30, 2010			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:			
Customer-related	\$ 601.6	\$ (290.1)	\$ 311.5
Other ⁽¹⁾	52.5	(17.3)	35.2
Total	654.1	(307.4)	346.7
Indefinite-lived intangible assets:			
Trade name	2,190.0		2,190.0
Other ⁽²⁾	18.2		18.2
Total	2,208.2		2,208.2
Total other intangible assets, net	\$ 2,862.3	\$ (307.4)	\$ 2,554.9

December 31, 2009			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:			
Customer-related	\$ 600.6	\$ (246.5)	\$ 354.1
Other ⁽¹⁾	50.0	(12.0)	38.0
Total	650.6	(258.5)	392.1
Indefinite-lived intangible assets:			
Trade name	2,190.0		2,190.0
Other ⁽²⁾	15.6		15.6
Total	2,205.6		2,205.6
Total other intangible assets, net	\$ 2,856.2	\$ (258.5)	\$ 2,597.7

(1)

Other amortizable intangible assets primarily consist of our Advantage trade name and concession rights, reacquired franchise rights, non-compete agreements and technology-related intangibles.

(2)

Other indefinite-lived intangible assets primarily consist of reacquired franchise rights.

Amortization of other intangible assets for the three months ended September 30, 2010 and 2009, was approximately \$16.3 million and \$17.0 million, respectively, and for the nine months ended September 30, 2010 and 2009, was approximately \$49.0 million and \$50.1 million, respectively. Based on our amortizable intangible assets as of September 30, 2010, we expect amortization expense to be approximately \$16.2 million for the remainder of 2010 and range from \$58.2 million to \$64.5 million for each of the next five fiscal years.

During the nine months ended September 30, 2010, we added eight car rental locations by acquiring former franchisees in our domestic car rental operations and four equipment rental locations related to external acquisitions done within our equipment rental operations. Total intangible assets acquired during the nine months ended September 30, 2010 was \$6.6 million, of which \$4.0 million and \$2.6 million was allocated to amortizable intangible assets and indefinite-lived intangible assets,

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

respectively. Each of these transactions has been accounted for using the acquisition method of accounting in accordance with GAAP and operating results of the acquired locations from the dates of acquisition are included in our Consolidated Statements of Operations.

Note 6 Taxes on Income

The effective tax rate for the three and nine months ended September 30, 2010 was (1.9)% and (3.0)%, respectively. The effective tax rate for the three and nine months ended September 30, 2009 was 9.0% and 19.2%, respectively. The benefit for taxes on income was \$3.0 million in the three months ended September 30, 2010, compared to a provision for taxes on income of \$6.9 million in the three months ended September 30, 2009. The change was primarily due to the mix of income before income taxes in various taxing jurisdictions and discrete benefits recorded in the three months ended September 30, 2010 compared to the three months ended September 30, 2009. The provision for taxes on income was \$0.2 million in the nine months ended September 30, 2010, compared to a benefit for taxes on income of \$19.9 million in the nine months ended September 30, 2009. The year-over-year increase in tax expense was primarily due to a lower loss before income taxes and a reduction in discrete benefits in the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009.

Note 7 Depreciation of Revenue Earning Equipment

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

**Three Months Ended
September 30,**