

MEMORANDUM

To: Commission File No. S7-08-10

From: Rolaine S. Bancroft
Attorney-Advisor
Office of Rulemaking
Division of Corporation Finance
U.S. Securities and Exchange Commission

Date: February 9, 2011

Re: Proposing Release on Asset-Backed Securities (Release Nos. 33-9117; 34-61858)

On February 3, 2011, Paula Dubberly, Katherine Hsu and Rolaine Bancroft of the Division of Corporation Finance met with certain representatives of the Hertz Corporation and the Carlyle Group. The topic discussed was the Commission's April 7, 2010 proposing release regarding asset-backed securities. Agenda, list of participants and handouts are attached.

Attachment

Agenda

- 1) Introduction to Hertz
- 2) Description of Hertz's ABS facility
- 3) Discussion of Reg AB and its economic impact
- 4) Potential ABS disclosure issues

Participants

R. Scott Massengill, VP & Treasurer, Hertz
Kirk Shryoc, Capital Markets, Senior Director, Hertz
Rich Broome, Sr VP Corporate Affairs and Communications
Bryan Corbett, Principal, The Carlyle Group

Rental Car Securitization Discussion Materials

February 3, 2011



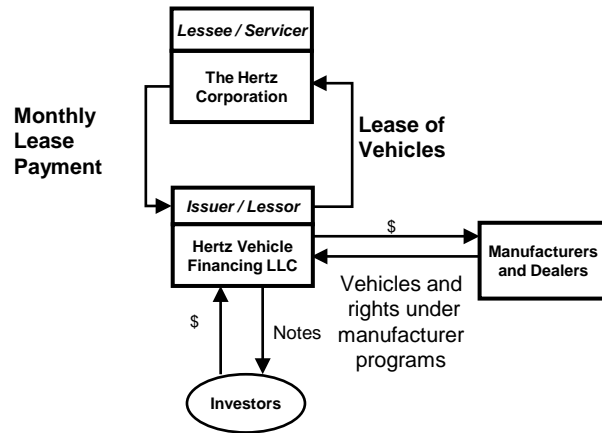
Importance of Rental Car ABS

- Hertz and other large non-investment grade car rental companies rely on the ABS market to finance their fleet
- As of September 30, 2010, approximately \$8.8 billion of term rental car ABS was outstanding and the large non-investment grade car rental companies maintain billions of dollars of securitized revolving credit facilities from bank conduits for fleet liquidity
- Rental car ABS securitizes vehicles, the primary operating asset of the car rental business
 - Fundamentally different from financial asset securitizations
 - Facilitates car rental companies purchasing billions of dollars of vehicles every year

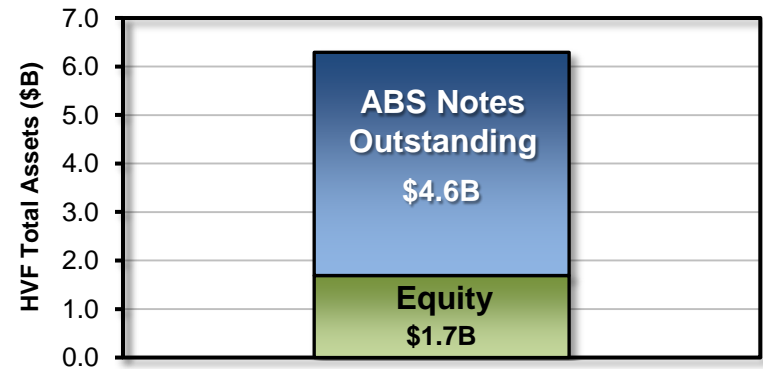
Car Rental Industry Relies on Continued Access to Capital from ABS Market

Rental Car ABS Considerations

Structure Diagram



Significant Risk Retention By Hertz*



* HVF Assets/Liabilities as of 9/30/10

Mark-to-Market Feature

- Monthly mark-to-market of all risk cars against NADA or certain other vehicle valuation services
- Required credit enhancement increases if market value < book value

Other “Operating Asset” ABS

- Cargo container
- Railcars
- Cell towers
- Timber and other natural resources
- Intellectual property
- Potentially project finance

Unique Structural Features and Incentives Suggest Different Treatment

Reg AB II and Rental Car ABS

- Proposing Release broad enough to apply to rental car ABS but did not specifically address required disclosure for rental car ABS
- Unclear how rental car ABS sponsors could comply with Reg AB II as proposed, resulting in potential for rental car ABS sponsors to be unable to access the ABS market
- “General Item Requirements” almost uniformly inapplicable to rental car ABS, for example:

Item (1)(a)(7)	Original Asset Term
Item (1)(a)(8)	Asset Maturity Date
Item (1)(a)(19)	Defined Underwriting Indicator
Item (1)(b)(1)	Cut-Off Date
Item (1)(b)(3)	Current Interest Rate
Item (1)(b)(5)	Current Delinquency Status

- No precedent for rental car ABS in the public market

Concerned Access to the ABS Market Might be Obstructed

Potential Approaches

- Exclude rental car ABS from Structured Finance Product definition in Reg AB II
 - Fundamentally different incentives than financial asset securitization sponsors
- Adopt ASF “SQIB” approach
 - Maintain public/private distinction that has been an historic feature of securities laws
- Accept existing rental car securitization disclosure regime
- Tailor disclosure to appropriately balance investor information against operational, competitive and economic costs of compliance

If Final Rule Requires Disclosure Changes, Need Lead Time

Tailored Disclosure

- Fundamental Question: Upon default, could investors generate sufficient proceeds to pay off outstanding debt by selling the fleet and collecting the outstanding manufacturer receivables?

Key Asset Characteristics	Current Disclosure	Potential Additional Disclosure
<ul style="list-style-type: none"> ■ Cars / Receivables ■ Risk / Program ■ Car Type ■ OEMs ■ Model Year ■ Mileage 	<ul style="list-style-type: none"> ■ Mix by OEM ■ Mix by Risk/Program ■ Receivable balances ■ Mark-to-Market Results 	<ul style="list-style-type: none"> ■ Mix by Car Type (SUV, etc.) ■ Mix by Model Year ■ Note – mileage not possible from a technical perspective

Assuming Reg AB II Applies to Rental Car ABS, Then SEC Should Allow For Tailored Disclosure Requirements

Asset-Level Disclosure Unnecessary & Overly Burdensome

- Hertz's securitized fleet size ranged from ~266,000 to ~316,000 vehicles during 2010
- Rental cars are relatively homogenous collateral, capable of being grouped into categories without losing fundamental information required for reasonable valuation
- Disclosing data on a car-by-car basis would:
 - Provide sensitive information to competitors and business customers;
 - Increase reporting costs substantially; and
 - Potentially overwhelm investors

Grouped Disclosure Approach Appropriate for Rental Car ABS

Conclusion

- Hertz believes that it would be appropriate to exclude rental car ABS or adopt the ASF “SQIB” approach
- If the SEC determines that enhanced disclosure is appropriate for rental car ABS, then the SEC should determine an appropriate grouped disclosure regime for rental car ABS

Thank You For Listening