



Major Securitization of Rental Vehicles Finances Portion of \$15 Billion Hertz Acquisition

\$2,150,000,000
Hertz Vehicle Financing LLC
Rental Car Asset-Backed Notes

Hertz, one of the world's premier brand names, has been recognized as a leader in the rental car industry since its founding in 1918. Owned by Ford Motor Company for nearly twenty years, Hertz has maintained its dominance in the industry primarily through leadership of on-airport rentals. As a result of experiencing significant financial stress in 2005, Ford sought to divest itself of Hertz and receive commensurate financial remuneration. Private equity firm Clayton, Dubilier & Rice (CDR) emerged as the leader of a consortium of private investors interested in acquiring the auto rental giant.

To finance a large portion of the multi-billion dollar transaction, CDR structured an innovative securitization backed by the Hertz auto rental fleet. Financial guarantee insurance was used in the securitization to improve financial ratings and lower overall transaction costs for CDR. Triple-A guarantors Ambac and MBIA, with extensive expertise in the asset-backed securities markets, were asked to insure a total of more than \$5 billion in notes. The valuable wraps raised ratings on the Notes to triple-A and helped ensure an enthusiastic reception from investors.

The landmark Hertz securitization included use of Hertz Vehicle Financing, a bankruptcy-remote special purpose entity. Proceeds from the HVF-issued notes were used to acquire vehicles in the Hertz U.S. fleet, and the structure allows for the acquisition of additional vehicles as new cars are acquired and old ones disposed of. At the completion of the transaction, Hertz's entire U.S. car fleet was financed through the asset-backed securities market.

Completed in December 2005, the deal marked the first time an asset-backed securitization was used as the major component of financing for a full company acquisition, and was the largest auto rental fleet securitization ever completed.

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