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UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE: Chapter 11
THE HERTZ CORPORATION, et al., Case No. 20-11218 (MFW)
824 North Market Street
Wilmington, Delaware 19801
Debtors. May 27, 2020
10:30 A.M.

TRANSCRIPT OF TELEPHONIC FIRST DAY HEARING
BEFORE THE HONORABLE MARY F. WALRATH
UNITED STATES BANKRUPTCY JUDGE

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1 FIRST DAY MOTIONS:

2 **Joint Administration.** Debtors' Motion for Entry of an Order
3 Directing Joint Administration of the Chapter 11 Cases [[Docket No. 14](#)]

4 **Ruling: Order Entered**

5 **Prime Clerk Retention Application.** Debtors' Application for Entry
6 of an Order Appointing Prime Clerk LLC as Claims and Noticing Agent
7 [[Docket No. 15](#)]

7 **Ruling: Order Entered**

8 **Creditor Matrix.** Debtors' Motion for Entry of Interim and Final
9 Orders (a) Authorizing Debtors to (i) File a Consolidated Creditor
10 Matrix, (ii) File a Consolidated List of 50 Largest Unsecured
11 Creditors, (iii) Waive Requirements to File a List of, and Provide
12 Notice to, All Equity Holders, (iv) Redact Certain Personal
13 Identification Information for Individual Creditors, and (b)
14 Granting Related Relief [[Docket No. 16](#)]

12 **Ruling: Order Entered on an Interim Basis**

13 **Worldwide Automatic Stay.** Debtors' Motion for Entry of an Order
14 (i) Confirming, Restating, and Enforcing the Worldwide Automatic
15 Stay, Anti-Discrimination Provisions, and *Ipsa Facto* Protections of
16 the Bankruptcy Code, (ii) Approving the Form and Manner of Notice,
17 and (iii) Granting Related Relief [[Docket No. 17](#)]

16 **Ruling: Order Entered**

17 **Utilities.** Debtors' Motion for Entry of Interim and Final Orders
18 (i) Approving the Debtors' Proposed Form of Adequate Assurance of
19 Payment to Utility Providers, (ii) Establishing Procedures for
20 Resolving Objections by Utility Providers, and (iii) Prohibiting
21 Utility
22 Providers from Altering, Refusing, or Discontinuing Utility
23 Services [[Docket No. 18](#)]

21 **Ruling: Order Entered**

22 **Cash Management.** Debtors' Motion for Entry of Interim and Final
23 Orders (i) Authorizing, But Not Directing, the Debtors to (a)
24 Continue Use of Their Existing Cash Management System, Bank
25 Accounts, Checks and Business Forms, (b) Pay Related Prepetition
Obligations, (c) Continue Performance of Intercompany Transactions,
and (d) Continue Hedging Practices; (ii) Waiving the Section 345(b)
Deposit and Investment Requirements; and (iii) Granting Related
Relief [[Docket No. 19](#)]

1 **Ruling: Order Entered**

2 **Employee Wages.** Debtors' Motion for Entry of Interim and Final
3 Orders (a) Authorizing, But Not Directing, the Debtors to: (i) Pay
4 Prepetition Wages and Compensation; (ii) Continue Certain Employee
5 Incentive and Expense Programs; (iii) Continue Certain Employee
6 Benefit Programs; (b) Authorizing All Banks to Honor Prepetition
7 Checks for Payment of Prepetition Employee Obligations; and (c)
8 Granting Other Related Relief [[Docket No. 20](#)]

6 **Ruling: Order Entered**

7 **Taxes.** Debtors' Motion for Entry of Interim and Final Orders (i)
8 Authorizing, But Not Directing, the Debtors to Pay Certain
9 Prepetition Taxes & Fees and (ii) Granting Related Relief [[Docket
10 No. 21](#)]

9 **Ruling: Order Entered**

10 **Critical Vendors.** Debtors' Motion for Entry of Interim and Final
11 Orders (i) Authorizing, But Not Directing, the Debtors to Pay
12 Prepetition Claims of Foreign and Critical Vendors, (ii) Confirming
13 Administrative Expense Priority Status for Outstanding Prepetition
14 Purchase Orders, and (iii) Granting Related Relief Thereto [[Docket
15 No. 22](#)]

14 **Ruling: Order Entered**

15 **Airport Authority Claims.** Debtors' Motion for Entry of Interim and
16 Final Orders (i) Authorizing, But Not Directing, the Debtors to Pay
17 Prepetition Claims of Airport Authorities and (ii) Granting Related
18 Relief Thereto [[Docket No. 23](#)]

17 **Ruling: Order Entered**

18 **Customer Programs.** Debtors' Motion for Entry of Interim and Final
19 Orders (i) Authorizing, But Not Directing, the Debtors to (a)
20 Maintain Their Existing Customer Programs and (b) Honor Certain
21 Prepetition Customer Obligations, and (ii) Granting Related Relief
22 Thereto [[Docket No. 24](#)]

21 **Ruling: Order Entered**

22 **Franchisees Motion.** Debtors' Motion for Entry of an Interim and
23 Final Order (i) Authorizing, But Not Directing, the Debtors to
24 Honor Prepetition Obligations to Non-Debtor Franchisees in the
25 Ordinary Course and (ii) Granting Related Relief [[Docket No. 25](#)]

24 **Ruling: Order Entered**

25 **Insurance.** Debtors' Motion for Entry of Interim and Final Orders
(a) Authorizing, But Not Directing, the Debtors to (i) Maintain

1 Existing Insurance Policies and Pay All Insurance Obligations
2 Arising Thereunder, (ii) Continue Insurance Premium Financing and
3 (iii) Renew, Revise, Extend, Supplement, Change or Enter Into New
4 Insurance Policies and Insurance Premium Financing Agreements and
5 (b) Modifying Automatic Stay with Respect to Workers' Compensation
6 Programs [Docket No. 26]

7 **Ruling: Order Entered**

8 **Notice and Hearing Procedures.** Debtors' Motion for Entry of (i)
9 Interim Order (a) Establishing Notice and Hearing Procedures for
10 Trading in Equity Securities in the Debtors, and (b) Setting Record
11 Date for Notice and Potential Sell-Down Procedures with Respect to
12 Trading in Claims Against the Debtors; and (ii) Final Order (a)
13 Establishing Notice and Hearing Procedures for Trading in Equity
14 Securities in the Debtors, and (b) Setting Record Date for Notice
15 and Potential Sell-Down Procedures and Establishing Procedures
16 Applicable to Trading in Claims Against the Debtors Following the
17 Occurrence of a Determination Date [Docket No. 27]

18 **Ruling: Order Entered**

<u>EXHIBITS</u>	<u>I.D.</u>	<u>REC'D</u>
19 Declaration of Jamere Jackson		30
20 Declaration of Benjamin Steele		35

1 (Telephonic proceedings commenced at 10:30 a.m.)

2 THE COURT: Good morning, this is Judge Walrath
3 from Delaware.

4 I want to first confirm that everybody who is
5 participating by Zoom has muted their Zoom microphone and is
6 also on CourtCall because CourtCall will be recording the
7 hearing and is the official court reporter for today.

8 This is the first day in the Hertz Corporation
9 bankruptcy case. So, I will turn it over to counsel for the
10 debtor. And, again, please identify yourself.

11 MR. COLLINS: Good morning, Your Honor. It's Mark
12 Collins from Richards, Layton & Finger. Good morning.

13 THE COURT: Good morning.

14 MR. COLLINS: Your Honor, I am trying to get on
15 Zoom. I am on CourtCall. I think I will try to continue to
16 get into Zoom as soon as I can.

17 Your Honor, it's a pleasure to be before you this
18 morning. I do hope everyone at the bankruptcy court and the
19 clerk's office is healthy and safe. And as always, I want to
20 thank Your Honor for scheduling today's hearing.

21 Your Honor, I have the pleasure of introducing our
22 co-counsel, Tom Lauria of White & Case, the company's lead
23 restructuring counsel to Hertz. And with Your Honor's
24 permission I would like to turn the presentation over to Mr.
25 Lauria to make some additional introductions and to turn to

1 today's agenda.

2 THE COURT: All right. Thank you, Mr. Collins.

3 Mr. Lauria?

4 MR. LAURIA: Good morning, Your Honor. Can you
5 hear me okay?

6 THE COURT: Yes, I can.

7 MR. LAURIA: Fantastic. Well, I want to start out
8 by thanking the court for setting this hearing on shortened
9 notice. It's of great importance to the company and we hope
10 to get this Chapter 11 case off to a good start.

11 I'm going to be joined today by my partners Chris
12 Shore, David Turetsky, Matt Brown and Ron Gorisch. In
13 addition, we are also going to be joined on the record today
14 by five of our associates who have been the people who have
15 really done the hard work to get us here and as a reward for
16 that they are each going to get an opportunity to speak to
17 the court today and present, at least, one motion. In that
18 regard I have assured them all that the court will be easier
19 on them than I was during the preparation.

20 So, with that said, today marks the first day in
21 the next chapter, I think it's fair to call it Chapter 11, of
22 the long history of the Hertz rent-a-car business. With a
23 little luck, a turnaround in the economy, a lot of hard work
24 and the court's guidance we are sure that it will not be the
25 last.

1 I would like to give a brief presentation.
2 Recognizing the size and complexity of the case I thought it
3 would be helpful to the court to provide some background
4 information regarding the company as we launch into the first
5 days.

6 (Off record discussion)

7 THE COURT: I have it.

8 MR. LAURIA: Okay. I think we're set. Your
9 Honor, do you have the deck?

10 THE COURT: I do. Thank you.

11 MR. LAURIA: Thank you.

12 So, there are thirty debtors before you. The top
13 holding company is called Hertz Global Holdings. It is the
14 ultimate parent. It is publicly traded and, at least, at this
15 moment still traded on the New York Stock Exchange. In
16 addition there are twenty-nine direct or indirect
17 subsidiaries including the Hertz Corporation that are either
18 issuers, or borrowers, or guarantors under the company's US
19 and Canadian debt, or have cross default provisions that were
20 triggered by the Chapter 11 filing of the Hertz Corporation
21 in this case, but what you have before you is, effectively,
22 the entire US operating business of Hertz.

23 As I will explain in a little bit of more detail
24 in a moment Hertz's businesses in the United Kingdom, in
25 Europe, in Australia and New Zealand are not included in

1 these filings because we were able to obtain waivers of cross
2 defaults in the various credit documents so that we did not
3 have to seek relief as to those entities and we have
4 everybody over there comfortable that this case does not
5 result in an insolvency that requires the directors or
6 officers of any of those companies to seek immediate
7 insolvency relief. That is something that we're, obviously,
8 going to keep an eye on as events unfold.

9 In addition, Hertz's businesses in Asia and Latin
10 America are also not before the court at this time because
11 that is largely a franchise business. So, as a technical
12 matter those legal entities are not part of the Hertz family;
13 although, they all have contractual relationships with one or
14 more of the debtors.

15 So, flipping to the next side in the deck Hertz
16 has four main businesses. Far and away the most important is
17 the vehicle rental business conducted through the Hertz,
18 Dollar Thrifty, and Firefly brands. This business is
19 conducted both off and on airports around the world. It
20 produces over 90 percent of the revenues and approximately 90
21 percent of the earnings of the business.

22 Hertz also has another business that is a little
23 bit hidden, that is its vehicle sales business. At any point
24 in time Hertz historically has over 500,000 vehicles in its
25 fleet around the US. Currently, about 730,000 vehicles. And

1 as you would expect, it regularly has to dispose of old
2 vehicles and make way for new ones. So, we have a massive
3 vehicle disposition business. We sell through three
4 channels. As you would expect, we have a business where we
5 sell direct through Hertz retail outfits, we sell through
6 auction houses, and we have a dealer direct business where we
7 sell in bulk to used car dealers around the United States and
8 in Europe.

9 We have a franchise program, as I mentioned. This
10 is basically how the Hertz international business is run
11 outside of the UK, Europe and Australia. And we have a
12 separate business, Donlen, which was acquired in 2012; that
13 is a fleet management and leasing business where Hertz,
14 basically through Donlen, provides servicing services to the
15 owners of the vehicles to lease them directly to large
16 corporate users. That is, effectively, a standalone
17 business.

18 Turning to the next slide, this is a snapshot of
19 the company's current debt obligations. As you can see at
20 the bottom of the page Hertz reports on a consolidated basis
21 from an accounting perspective just under \$20 billion dollars
22 of debt; however, about 14 of that, that's the bottom one-
23 third of this page, is non-recourse debtors. These are
24 obligations that are used -- that Hertz has used to finance
25 its fleet around the world, and in many cases this financing

1 has been done through SPV's that are not designed to be
2 debtors. The largest piece of that financing is about \$10.9
3 billion dollars of debt that is owned by the Hertz Vehicle
4 Finance entity, HVF.

5 You will see, Your Honor, there are a lot of
6 acronyms in this case and it's always difficult to keep them
7 straight.

8 HVF has a fleet today of about 500,000 vehicles,
9 and the debt associated with those vehicles is about 10.9.
10 The debt there is non-recourse to Hertz and the connection
11 between those vehicles and Hertz is through a lease pursuant
12 to which Hertz has the right to operate and maintain those
13 vehicles, and then turn them back when it determines it's no
14 longer going to use them.

15 In addition, about \$1.6 billion dollars of this
16 non-recourse debt is related to the Donlen business. This is
17 the financing for the fleet that Donlen services. And the
18 second largest piece is about 1.4 -- the third largest piece,
19 I'm sorry, is about \$1.4 billion dollars which takes the form
20 of the European vehicle notes and European ABS program.
21 Again, the vehicle notes are direct obligations of Hertz
22 Europe. The ABS debt is an obligation of an SPV that in turn
23 leases the vehicles to Hertz.

24 Going to the top of this slide there's about \$5.2
25 billion dollars of direct obligations owed by Hertz. That's

1 broken down into three components; first lien debt, second
2 lien debt, and unsecured debt.

3 The first lien debt has three pieces. In addition
4 to the 615 and 656 million respectively reflected by the RCF
5 facility, the revolver and the term loan there is also about
6 \$540 million dollars of outstanding LC's. That is about in
7 the middle of the page. You can see the letter of credit
8 facilities, the senior RCF and the LC facility. Those are
9 both secured. So, when we add those to the revolver and the
10 term loan we have a total of about \$1.93 billion dollars of
11 first lien debt.

12 In addition, we have a \$350 million dollar second
13 lien facility and about \$2.9 billion dollars of unsecured
14 debt and that, again, has two components. There are four
15 issues of notes -- I'm sorry, five issues of notes that total
16 about \$2.7 billion dollars. Then back to the middle of the
17 page under LC facilities you will notice the ALOC or ALOC
18 facility, this is an unsecured letter of credit facility
19 pursuant to which letters of credit have been issued to
20 secure the obligations of Hertz under the ABS facility. So,
21 grand total about 5.2 of direct obligations and a little over
22 \$14 billion dollars of indirect obligations through the
23 vehicle financings around the world.

24 I would have a slide for you that shows the
25 debtors and the corporate structure here, but there are so

1 many entities in the structure that we could not come up with
2 a slide that didn't look like a bowl of spaghetti for present
3 purposes. So, we'll have to save that for another time,
4 perhaps when we actually have a live in-person hearing.

5 So, flipping to the next slide I thought it would
6 be helpful to give just a brief summary of purchase history.
7 The company started in 1918, it's hard to believe that they
8 even had cars then, when a fellow named Walter Jacobs bought
9 and starting renting 12 Model-T's. In 1923 that business was
10 purchased from John D. Hertz. Thank God, can you imagine
11 where we would be if Mr. Hertz didn't get involved. And he
12 turned this into a national business by 1925.

13 He sold the business to General Motors in 1926 who
14 provided the capital to take the company, first, much wider
15 nationally and then global. The first international business
16 was started in France in 1950. And in 1953 GM sold the
17 business back to Mr. Hertz. At that time he took the company
18 public for its first time. It was a New York Stock Exchange
19 traded public company. It had a fleet comprised of about
20 14,000 trucks and 13,000 cars. And by 1955 had over 1,000
21 locations around the world.

22 In 1967 the company was taken private by Radio
23 Company of America. It was subsequently sold to a couple of
24 other private owners. The fleet grew to over 400,000
25 vehicles and in 1987, of all people, Ford bought Hertz. So,

1 we originally were with GM, now were with Ford. The business
2 expanded into China in 2002. It changed hands through a
3 couple of private equity firms. 2006 it went public again.
4 We acquired the Donlen business in 2011 and Dollar Thrifty in
5 2012.

6 This next slide shows some of the key business
7 metrics of the company as of 2019. So, we're up to 12,000
8 location, about 38,000 employees worldwide. The largest the
9 fleet got to in 2019 was about 770,000 cars with Hertz
10 locations in 160 countries. Annual revenue in 2019 was 9.8
11 billion and the company had \$650 million dollars of adjusted
12 corporate EBITDA.

13 As I previously mentioned, if you look over at the
14 two pie charts to the upper right; although we do have some
15 other business lines, by far the most important part of the
16 business from a revenue and EBITDA perspective is the rental
17 car business. Between US and international it's about 93
18 percent of revenue and about 86 percent of adjusted EBITDA.

19 I think also important on this slide is on the
20 bottom right that shows about two-thirds of the business is
21 run through airport locations. Stay tuned, this has a lot to
22 do with why we're here.

23 Flipping to the next slide our 2019 financial
24 performance really had the company moving in the right way.
25 Nine consecutive quarters of earnings growth and ten

1 consecutive quarters of revenue growth. Vehicle utilization
2 was maintained over the prior three year period of relatively
3 steady level of around 80 percent. As you can see, revenues
4 from 18 to 19 increased by 3 percent. EBITDA grew by 50
5 percent from 430 million to 650 million. And we were able to
6 maintain SGA and related expenses relatively steady.

7 So, the company felt that it was positioned for
8 strong success in 2020. Indeed, in the middle of 2019 the
9 company was able to raise \$750 million dollars of new equity
10 which it used to delever the balance sheet. And on the basis
11 of the strong performance, was projecting a significant
12 growth in the business going into 2020.

13 You can see on the bottom of the page there the
14 expectation was that we'd have revenues of over \$10 billion
15 dollars in 2020 and we would have EBITDA of over \$750 million
16 dollars. And, indeed, these expectations were borne out in
17 the first two months of the year as results were up about 6
18 percent year over year as compared to the same period of time
19 in 2019.

20 And then came COVID. And this was not a spider.
21 It was not a hurricane. No, it was more like an earthquake
22 and registered about 9.0 on the Richter scale. In a matter
23 of weeks, and without any kind of warning, the business went
24 from performing above prior year performance to performing
25 dramatically below prior year performance. The business was

1 off, in very short order, by approximately 75 percent.

2 This raised a number of difficult issues and
3 decisions for the company. In effect, the reaction was much
4 like being a firefighter. Management was putting out fires,
5 trying to figure out how to keep the company going. The
6 employee force was cut dramatically. Over 14,000 employees
7 have been terminated and another 7,000 have been furloughed.
8 That's largely in Europe where the ability to terminate
9 employees is much more complicated.

10 We canceled, substantially all new 2020 vehicle
11 orders. In that regard I want to point out the company had
12 anticipated building its fleet up in July and August to about
13 880,000 cars. It canceled every order that it could. It
14 returned every car that it could and it's begun carefully
15 moving out some of its existing inventory. Currently that
16 inventory stands at about 730,000 vehicles and we are
17 studying the appropriate way to reduce that number based on
18 the fact that, at least, in the near term we don't anticipate
19 the vehicle utilization will be anything close to what it was
20 in the past.

21 It's important to note, I guess, at this juncture,
22 the ABS lenders had made a file complaining that we haven't
23 done anything to help them to this point. I just want to
24 note that had we been unable to return and turn back the
25 substantial number of vehicles that we had on order it's

1 likely that we would have had 150,000 vehicles more than we
2 currently have. That could have increased the ABS exposure
3 another \$2 or \$3 billion dollars from the current level of
4 10.9. So, we've kind of been trying to deal with these
5 problems *seriatim*. The first thing we had to do is turn back
6 the cars that were already on the way and now we're focusing
7 on how to reduce the size of the fleet that we currently
8 have.

9 From an operational perspective we did not make
10 rental payments in April and May. We negotiated a deeply
11 discounted or free rights to store our surplus vehicles at
12 airport locations. You can imagine at any point in time we
13 generally have 75 to 80 percent of our fleet out on the road
14 being utilized. Today that number is more like 15 percent.
15 So, we have a lot of vehicles that we have to take care of.
16 We've made arrangements to do that and we've negotiated long
17 term rent abatements and deferrals with numerous landlords.

18 Also, importantly, the company drew down its
19 credit facilities. In the US it had access to about \$615
20 million dollars under its revolver which it drew down and it
21 had, in Europe, about \$118 million euro availability, it also
22 drew that down. I should mention that the company also
23 sought financing under the various government programs that
24 had been provided and unfortunately was unable to procure any
25 of that support.

1 So, as the crisis unfolded we found ourselves
2 facing what I think we can fairly call a triple witching
3 hour. We had a significant decrease in revenue that was
4 ongoing and when that was going to ease up became uncertain,
5 over the passage of time. At the same time we had increasing
6 ABS program costs. The base rent runs at about \$300 million
7 dollars a month. Added to that, in order to continue having
8 access to the fleet financing component of the ABS structure,
9 there is a mark to market component which was going to run us
10 about \$135 million dollars in the month of April alone and
11 was anticipated to increase going forward.

12 So, we have lower revenue and higher rent expenses
13 with respect to the fleet. And to make matters worse,
14 because of the lockup pursuant to COVID, it was basically a
15 shutdown of the used car market. So, we are unable to
16 relieve our lease liabilities by selling cars into the
17 market.

18 So, you know, we had a triple witching hour, as
19 I've been calling it, and I guess to convert that into a
20 grand slam we were also faced with a situation where all of
21 the predictive tools that we've come to rely on for planning
22 the business on a go forward basis became unreliable. The
23 uncertainty and uniqueness of the COVID crisis put the
24 company in a position where it could not reliably predict
25 what the business would be next week much less three months,

1 six months, nine months, a year from now.

2 So, what to do about the lease. Hertz had total
3 liquidity of about a billion-two in the US going into April.
4 It was operating at a negative cash-flow of over \$100 million
5 dollars per month, and it was looking at a \$400 million
6 dollar lease payment on April 27th. That amount was going to
7 be more in May and in June. It's not hard to do the math to
8 see that if there wasn't a change Hertz was going to
9 completely exhaust its liquidity in two or three months.

10 So, the very difficult decision was made not to
11 make the April 27th lease payment. That resulted in an
12 immediate occurrence of an amortization event under the lease
13 financing which means that Hertz could no longer borrow money
14 under the facility and the proceeds from the sale of any cars
15 would go only to pay down the debt. It would not become
16 available to Hertz and --

17 THE COURT: Excuse me, Mr. Lauria. Could I ask
18 all the parties to please mute their phones so we don't get
19 feedback. Thank you.

20 MR. LAURIA: So, the next event in the sequence
21 there is a liquidation event which would have entitled the
22 ABS lenders to begin seizing and selling the fleet. That was
23 going to happen on May 4th. So, we engaged with our lender
24 constituencies and were able to negotiate a short forbearance
25 with the ABS lenders and corresponding waivers from our

1 corporate lenders to buy us eighteen days, to May 22nd, to
2 try to figure out what to do.

3 Those waivers and forbearances also gave us more
4 time to try to address the issues in the UK, Europe, and
5 Australia which we were, otherwise, preparing to file
6 insolvency proceedings in the absence of some relief. So, we
7 had, basically, eighteen days. We engaged with our various
8 lender constituencies. We started working on potential
9 frameworks that focus principally on how we would deal with
10 the lease obligation and the management of our fleet and
11 tried to see if we could get to a further forbearance. We
12 also spent a lot of time with our non-US creditors working on
13 relief as to the cross defaults if we were forced to make US
14 filing.

15 So, with that period of time we were able to get
16 waivers of cross defaults in Australia, waivers of cross
17 default from our European noteholders and European ABS, and
18 our UK financing. I might add that we've been sitting on
19 pins and needles with respect to the European note financing.
20 I confirmed, really fifteen minutes before the commencement
21 of the hearing, that we had finally gotten over the required
22 50 percent waivers there, delivered in-hand, so that all of
23 the European waivers are now fully effective. And we have
24 been working with those lender groups to not take any action
25 pending getting delivery of the last -- it turned out to be

1 one and a half percent that had somehow gotten tied up in the
2 clearing house for the solicitation over there.

3 We were, however, unable to get to any kind of
4 resolution that would extend the timeline with respect to our
5 ABS lenders in the US or with our Canadian lenders who had
6 cross default provisions with respect to a US filing. So, on
7 Friday, about ten o'clock p.m., we commenced the Chapter 11
8 cases for the various US debt obligors and the Canadian
9 entities that had cross default provisions.

10 At the time of the filing the company was sitting
11 on just under \$900 million dollars of cash. We believe the
12 vast majority of that is unencumbered. Certain exceptions
13 that we have addressed in a proposed cash collateral and
14 adequate protection stipulated order that we will be
15 submitting for the court's consideration during the course of
16 the hearing.

17 I guess the most important aspect of that is that
18 we have the liquidity to continue operating at this point and
19 we will sort it out with our lenders over the next few weeks,
20 the extent to which there is agreement or disagreement on the
21 amount of that cash that's unencumbered either come back to
22 the court, hopefully, with further agreement and if not with
23 some degree of dispute.

24 In addition, the European entities are currently
25 positioned to fund themselves. There is over 200 million

1 euros of available cash liquidity in our European business
2 and we believe that that's going to get us through until the
3 end of September or October. As the dust settles on the
4 commencement of this case we will turn our attention to what
5 we will do about that liquidity issue that we have in Europe.

6 So, today we're focused on obtaining the usual
7 menu of first day relief in order to ensure a smooth
8 transition into Chapter 11 and to take care of the various
9 ministerial and administrative matters that the court is
10 familiar with. I think we have a total of 15 motions
11 pending; four of those relate to administration, joint
12 administration, the combined creditor matrix, retaining Prime
13 Clerk, and getting a global notice of stay approved so that
14 we can send that out around the world to make sure that
15 people know that there is a stay in place here.

16 The remaining motions with one exception all deal
17 with the business, employees, utilities, insurance, cash
18 management, surety taxes, critical vendors. We've got
19 probably one slightly unusual matter, that is some relief
20 we're seeking with respect to our airport concessions to make
21 sure that we don't have any interference with our ability to
22 continue using our airport locations. We also have a
23 customer program motion, a motion to protect our franchisees;
24 again, important because most of them are outside the United
25 States. And we have a motion seeking approval of two cash

1 collateral stipulated orders.

2 We also have, and I tend to put it in a separate
3 category, a motion to preserve value for the estate. That is
4 a trading order. As most of the parties know we have very
5 large NOL's here. I believe upwards of \$9 billion dollars.
6 We want to do what we need to, to preserve that asset to the
7 extent that it may become important or valuable to fund a
8 reorganization.

9 So, in the next sixty days we've got to focus on a
10 number of things. Number one, we've got to work on right
11 sizing our fleet. It's currently out of alignment with our
12 business from a used standpoint, from a value standpoint and
13 ultimately from a benefits standpoint. We just got cars that
14 we're not able to use and that really aren't providing
15 benefit to the estate.

16 During the brief forbearance period leading up to
17 the filing we engaged with our ABS lenders and sought a
18 consensual resolution, at least, on an interim basis of our
19 lease and fleet issues. Although we didn't get there, I
20 think we made some progress and we're hopeful that a platform
21 has been established for future discussions.

22 As the court is aware, 365(d)(5) provides us with
23 a sixty day breathing spell which we badly need here with
24 respect to making our lease payments. After that we're going
25 to have to return to making lease payments. We are likely to

1 seek relief from the court under the equities of the case
2 doctrine to address the lease obligation on a going forward
3 basis assuming that we can't get to some sort of a
4 combination or agreement with our ABS lenders that will
5 accommodate the company's realistic liquidity requirements.

6 So, extreme uncertainty remains. We can try to
7 address the things that are in our control, but we can't do
8 anything about what's not in our control. And as this page
9 summarizes we still face enormous uncertainty both near term,
10 immediate term and long term. We just don't know what's
11 going to happen with this COVID pandemic, when people are
12 going to be free to move around, when people are going to
13 return to traditional travel patterns, if ever, and what the
14 new normal is going to look like six months, nine months, a
15 year from now.

16 And without any certainty around those things it's
17 extraordinarily difficult to figure out how you're going to
18 reorganize a company like Hertz because the value of the
19 business is uncertain and its capacity to service debt is
20 less than uncertain. Right now it's effectively no.

21 Okay. So, what are we trying to accomplish?
22 We're focusing on three things here. We've got to reduce the
23 leverage at the corporate level, that is at \$5.2 billion
24 dollars. It's going to have to come way down. And whatever
25 debt we have will probably have to be pick type debt for some

1 period of time. We have to right-size our fleet and that
2 really includes two components. We have to have a fleet that
3 we can afford and we have to have a fleet that will allow us
4 to make money when and if the economy comes back. And it's
5 very clear that to keep this business going long term we're
6 going to have to raise a substantial amount of new capital.

7 So, we're going to work hard to stabilize the
8 business in the initial phase. We're going to have to focus
9 on the lease in the not too distant future and we're going to
10 have to try to work with our stakeholders to come up with a
11 workable capital structure for this business.

12 I guess I will conclude by referring to the Hertz
13 moto "We're here to get you there." It seems like that's
14 what we're going to do. We're going to get there.

15 So, Your Honor, unless the court has any questions
16 what I'd like to do is turn to the agenda. Pursuant to the
17 agenda letter that's been filed with the court I believe
18 there's an amended letter. I would like to hand the
19 microphone over to Mr. Shore who will introduce the first day
20 declarant which will set the evidentiary predicate for the
21 various matters that we would like the court to consider.

22 Thank you.

23 THE COURT: Thank you.

24 All right. Mr. Lauria, who have you turned the
25 mic over to and does he have it off mute?

1 MR. LAURIA: Mr. Shore is supposed to be speaking
2 here. I don't know where he is.

3 MR. SHORE: Sorry. I was on mute, Your Honor.

4 THE COURT: Thank you, Mr. Shore.

5 MR. SHORE: I would like to -- can you see me on
6 Zoom?

7 THE COURT: Not yet.

8 MR. SHORE: Okay.

9 THE COURT: Let me get Mr. McCarthy to do that.
10 There it is.

11 MR. SHORE: Thank you, Your Honor. Chris Shore
12 from White & Case, proposed counsel for Hertz Corporation and
13 its affiliated debtors. Again, I'd like to thank the court
14 for hearing us today especially under the present
15 circumstances.

16 As Mr. Lauria just said, I'll be handling joint
17 administration and moving some of the declarations into
18 evidence that are part of the first day motions today.

19 The joint administration motion is on the docket
20 at No. 14. As set forth therein joint administration is
21 warranted here under Bankruptcy Rule 1015(d) and Local Rule
22 1015-1. For administrative purposes each of the thirty
23 debtors is and keeping them all under one caption will ease
24 the administrative burden on the court and all parties in
25 interest given that motions, pleadings, hearings, claims and

1 orders will all generally (inaudible) multiple estates.

2 In addition, we sought the court's approval of the
3 official caption in the proposed order. We believe it meets
4 Section 342(c)(1) given the length of the Prime Clerk website
5 for all of the debtors' full names, addresses, and tax I.D.
6 information.

7 The facts underlying the motion are attested to in
8 the declaration of Mr. Jamere Jackson, Hertz's chief
9 financial officer, which is filed at Docket No. 28. Mr.
10 Jackson, I believe, is in the Zoom reading and if he could
11 get pulled up on the screen and introduce himself to the
12 court.

13 THE COURT: Mr. McCarthy?

14 There he is. Mr. Jackson?

15 MR. JACKSON: Good morning, Your Honor. I am
16 Jamere Jackson, executive vice president and chief financial
17 officer of the Hertz Corporation.

18 THE COURT: Good morning.

19 MR. SHORE: Okay. What I'd like to do today, Your
20 Honor, is provisionally move Mr. Jackson's declaration into
21 evidence for each of the motions on the agenda subject to
22 cross examination. Given that we can flip back and forth
23 between speaking parties more easily than in the courtroom
24 what I'd ask is that to the extent that anybody wants to,
25 including the court, question Mr. Jackson about facts

1 relating to a particular motion that will be upcoming we take
2 up that question and when the subject motion is being argued.
3 I think it will just be easier to keep the process moving
4 forward and efficiently rather than bring up the witness now
5 and have people question him about all sorts of motions that
6 aren't up yet, if that's okay with Your Honor.

7 THE COURT: I think that's a good procedure.
8 First, let me ask --

9 MR. SHORE: (Indiscernible) Mr. Jackson regarding
10 joint administration I'll proceed.

11 THE COURT: Let me ask, Mr. Jackson, first, have
12 you reviewed your declaration and does it accurately reflect
13 what you would testify on direct with respect to any and all
14 of the motions today?

15 MR. JACKSON: Yes, Your Honor.

16 THE COURT: All right. Any objections by anybody
17 to admission of the first day declaration?

18 (No verbal response)

19 THE COURT: All right. We will reserve cross
20 examination with respect to the motions until those motions
21 are called. The declaration will be admitted into the
22 record.

23 (Declaration of Jamere Jackson, admitted)

24 MR. SHORE: Thank you very much, Your Honor.

25 In addition, I'd like to draw Your Honor's

1 attention to Docket 139 which is the affidavit of service of
2 Sebastian Higgins which applies to each of today's motions
3 other than cash collateral, which Mr. Turetsky, my partner,
4 will be addressing. But as set forth in Mr. Higgins's
5 affidavit each of the first day motions listed, including the
6 joint administration motion, was served on the core 2002
7 service list and various other parties listed on Exhibits A
8 to J in the affidavit. All those pleadings were served on
9 May 25th via email or first class mail as indicated in the
10 declaration.

11 We have received no objections to the joint
12 administration motion. In addition, we provided the U.S.
13 Trustees Office with an advanced copy of the motion, and
14 order, and received no comment.

15 So, unless the court has any questions we'd
16 respectfully request that the court enter the proposed joint
17 administration order attached as Exhibit A to the motion on a
18 final basis.

19 THE COURT: All right. Does anybody wish to be
20 heard?

21 MR. HUEBNER: Your Honor, may I be heard?

22 THE COURT: Yes. Who is that?

23 MR. HUEBNER: Your Honor, this is Marshall Huebner
24 of David Polk on behalf of Deutsche Bank as ABS agent. Can
25 you both hear me and see me, Your Honor?

1 THE COURT: I can.

2 MR. HUEBNER: Your Honor, let me first begin with
3 an apology. As you can tell both from the fact that it looks
4 like I am in an attic (indiscernible) for which I am
5 extremely embarrassed. Like many Manhattan dwellers with
6 large families we actually had to decamp pretty quickly. So,
7 I am very embarrassed and apologetic not to be dressed
8 appropriately especially for a hearing of this magnitude. I
9 just did not have a (indiscernible).

10 Your Honor, we will be talking a little bit more
11 throughout the hearing. We've actually reached agreement
12 with White & Case on changes to several of the orders. With
13 respect to joint administration we certainly have no
14 objection.

15 I do want to emphasize something that Mr. Lauria
16 touched upon because it's actually critical, which is Hertz
17 does not actually own any of the 500,000 vehicles that
18 constitute its fleet. In other words, no debtor owns those.
19 They are owned by non-debtor entities to which we and other
20 noteholders are the lenders totaling the overwhelming
21 majority of the debt which Mr. Lauria went through a little
22 while ago.

23 So, for the avoidance of doubt, because this will
24 come up in other motions like cash management, the joint
25 administration motion the filing do not include the non-

1 debtor SPV's. Those are not (indiscernible) administered and
2 are entirely outside the bankruptcy system with respect to
3 the ownership of the fleet, et cetera.

4 So, I know that that sort of came and went in the
5 proceeding, but because it is a very unusual structure to
6 have a debtor not actually own virtually all of the assets
7 that it uses in its business, and instead of having them be
8 the non-debtor SPV's I thought that that was worth just very
9 quickly highlighting which is why the joint administration of
10 the actual debtors, who are not owner entities, is
11 (indiscernible).

12 THE COURT: All right. Thank you.

13 Anybody else wish to be heard with respect to
14 joint administration?

15 (No verbal response)

16 THE COURT: All right. I will enter the order
17 granting the motion.

18 MR. SHORE: Thank you very much, Your Honor.

19 At this point I will turn the virtual podium over
20 to Amanda Parra Criste to handle the Prime Clerk retention.

21 MS. PARRA-CRISTE: Good morning, Your Honor. Can
22 you hear me okay?

23 THE COURT: I can.

24 MS. PARRA-CRISTE: Great. As Mr. Shore mentioned,
25 I'll be addressing the Prime Clerk retention application this

1 morning.

2 By this application the debtors are requesting
3 entry of a final order appointing Prime Clerk as their claims
4 and noticing agent in these cases. As Mr. Jackson attested
5 to in his first day declaration, the debtors complied with
6 the local rules and the court's protocol for the employment
7 of claims and noticing agents and obtained, at least, three
8 other court approves claims agent proposals.

9 Based on these proposals the debtors determined
10 that Prime Clerk's rates are competitive and reasonable
11 especially in light of Prime Clerk's experience, and the
12 quality of its services. An experienced claims agent like
13 Prime Clerk is needed in these cases where there are easily
14 thousands of creditors and parties of interest listed on the
15 debtors' creditor matrix.

16 Additionally, Prime Clerk is a disinterested party
17 as defined in the code. And as evidenced by the declaration
18 of Mr. Benjamin Steele, who is the vice president of Prime
19 Clerk, and I understand is also present in the virtual
20 courtroom here today.

21 If there are no objections I would ask that his
22 declaration be admitted into evidence at this time.

23 THE COURT: All right. Any objections?

24 (No verbal response)

25 THE COURT: All right. It will be admitted.

1 (Declaration of Benjamin Steele, admitted)

2 MS. PARRA-CRISTE: Thank you, Your Honor.

3 Additionally, Your Honor, prior to filing the
4 applications we shared a draft with the U.S. Trustee who did
5 provide a few comments to the proposed form of retention
6 order. Those comments were addressed with language that was
7 added to the order that was attached as Exhibit A to the
8 application filed on Sunday.

9 There have been no other requested changes to the
10 proposed form of order; therefore, we believe the U.S.
11 Trustees comments have been resolved and we're not aware of
12 any other objections that have been filed in respect of the
13 application.

14 In sum, Your Honor, the relief that the debtors
15 are requesting is not only appropriate, but routinely granted
16 in Chapter 11 cases of this size and complexity. Unless the
17 court has any questions we respectfully request that Your
18 Honor enter the order approving the appointment of Prime
19 Clerk as the debtors' claims and noticing agent in these
20 cases which was attached as Exhibit A at Docket No. 15 to the
21 application.

22 THE COURT: All right. Let me ask, again, does
23 anybody wish to be heard with respect to the claims and
24 noticing agent motion?

25 (No verbal response)

1 THE COURT: All right. No objections having been
2 voiced I will enter the order then. Thank you.

3 MS. PARRA-CRISTE: Thank you, Your Honor.

4 I will now cede the screen to my colleague, Ms.
5 Kim, to continue with the next item on the agenda.

6 MS. KIM: Good morning, Your Honor. For the
7 record Doah Kim of White & Case for the debtors.

8 Agenda No. 4 is the matrix motion filed at Docket
9 No 16. By this motion the debtors seek authority to file a
10 consolidated creditor matrix, file a consolidated list of top
11 50 largest unsecured creditors, to waive certain requirements
12 relating to all equity holders of Hertz Global Holdings and
13 to redact certain personal identification information for
14 individual creditors.

15 With respect to the first point the debtors seek
16 to file a single consolidated matrix in lieu of a separate
17 one for each debtor. The debtors have received no objections
18 from the U.S.T. or any other party to this request. The
19 debtors have also received no objections to the request to
20 file a consolidated list of top 50, not top 20, unsecured
21 creditors.

22 I will note that Ms. Richenderfer has requested
23 some additional information to gain a better understanding of
24 the unsecured creditor universe for purposes of committee
25 selection. And the debtors' professionals are already

1 working on compiling the necessary information to get that to
2 the U.S. Trustee as soon as possible. And we will continue
3 to work with the U.S. Trustee to help this process.

4 With respect to the equity holders the U.S.
5 Trustee has raised some service concerns and I will let Ms.
6 Richenderfer speak to those. Before I do I want to emphasize
7 that Hertz Global Holdings is a public filing company with
8 thousands of shareholders. It would be impossible to locate
9 the addresses, much less identities, of each and every one of
10 these shareholders.

11 The company does make public filings with the U.S.
12 Securities Exchange Commission including the 8(k) that was
13 recently filed on May 26th to announce the commencement of
14 these cases, and here the debtors propose to limit the
15 service to those parties receiving the orders of the equity
16 and claim trading motion, and the debtors submit that this is
17 standard for companies of this size to limit service in such
18 a way.

19 Finally, the redaction of sealing issue. No party
20 has objected to this request. The U.S. Trustee has also not
21 objected. In fact, the U.S. Trustee has noted that this
22 order for this motion can be final. We are, however, aware
23 that Your Honor has expressed some concerns regarding this
24 issue in other cases. Here, we believe it's appropriate to
25 redact all personal identifiable information of individual

1 creditors. The debtors are not asking to redact the entire
2 creditor matrix, but just the personal identification
3 information such as home addresses of individuals such as
4 employees and customers. Not redacting can cause undue risk
5 of identity theft, harassment, violence by a former domestic
6 partner, or other types of unlawful injury.

7 Although the European entities are not debtors in
8 these cases the debtors still maintain international
9 connection and I understand that the debtors have individual
10 creditors who are citizens of the European Union Member
11 Countries. These individuals are protected by the European
12 General Data Protection Regulations, or the GDPR, which I
13 understand can apply extra territorially to entities doing
14 business with those in the EU. For these individuals the
15 debtors believe to be protected by the GDPR the debtors seek
16 to redact all personally identifiable information, and this
17 includes names and home addresses. And the creditor matrix
18 that has been uploaded with the court has been redacted in
19 such a way.

20 Unless Your Honor has any questions we
21 respectfully request that Your Honor enter the order granting
22 this motion.

23 THE COURT: Well, I do have some concerns about
24 this. Have there been any incidences where any of the
25 employees or customers are subject to threats of domestic

1 violence or identity theft that you can provide as an
2 evidential basis for your request?

3 MS. KIM: As of today I am not aware of specific
4 examples that I could provide for you, Your Honor, but we can
5 certainly look into that issue.

6 THE COURT: Because I am reluctant to give a
7 blanket waiver of the requirements of the bankruptcy code and
8 rules that do require that creditors' information, addresses,
9 be included in the matrix.

10 How many of the creditors are individuals that you
11 seek to redact?

12 MS. KIM: The number is in the hundreds, I
13 believe, Your Honor. Again, if Your Honor is not comfortable
14 with providing -- granting this relief on an interim basis we
15 could certainly come back at the second day hearing with
16 further evidence.

17 THE COURT: Let's do that. I won't approve it on
18 an interim basis. We'll deal with it on a final basis.

19 MS. KIM: Your Honor, how about the other request
20 in this motion?

21 THE COURT: Let's talk about that. I think that
22 you have stated in your trading motion that you will be
23 providing notice to all of holders of stock in excess of 5
24 percent, all transfer agents for Hertz stock, any person who
25 has filed a Schedule 13(d) or 13(g) with the SEC since

1 December 2016, and the States Attorney General for all states
2 in which you operate which I understand from your first day,
3 I think, you have 48 states where you operate. Is that
4 correct?

5 MS. KIM: That is correct, Your Honor.

6 THE COURT: All right. Well, on an interim basis
7 I will grant this relief, but, again, I want to address this
8 at the final hearing as to whether or not that is sufficient
9 notice for notifying all shareholders. And I understand,
10 again, you're going to make filings with the SEC regarding
11 your bankruptcy filing and also give public notice, but let's
12 talk about that at the final hearing as far as whether or not
13 I redact or waive the requirement to give notice to all
14 shareholders.

15 MS. KIM: Understood, Your Honor.

16 MS. RICHENDERFER: Your Honor?

17 THE COURT: Ms. Richenderfer?

18 MS. RICHENDERFER: Yes. Thank you, Your Honor.

19 Linda Richenderfer for the U.S. Trustees Office.

20 Your Honor, I think that you focused in on one of
21 my responses to the debtors' concern about how could they
22 possibly give specific notice to each and every shareholder.
23 It seemed to me that the way that it's usually done is the
24 notice is given to the transfer agent or the street name, and
25 then they are responsible for passing it on.

1 One thing we talked about was since the notices
2 are going to have to go out to the transfer agents, and
3 they're going to be asked to forward it onto anyone owning
4 4.5 percent or more, my question was why can't the notice of
5 commencement also be given to the transfer agents with the
6 direction that they send it not only to those owing 4.5
7 percent or more, but to all shareholders.

8 Believe me, I appreciate the idea that the debtors
9 do not have the ability, I think, even to list each and every
10 shareholder and their addresses. That is information that
11 resides in others and the request was made that they just
12 make -- that they pass the information on with the
13 instruction that the others who have that information pass it
14 onto the shareholders.

15 THE COURT: I thought that maybe I misread the
16 trading motion as well as this motion. I thought that they
17 were providing the transfer agents with the notice of the
18 commencement of the case.

19 MS. RICHENDERFER: Yes. They are, Your Honor. As
20 I read the transfer order -- I'm sorry, the NOL order is that
21 they're giving it to the transfer agents, but they are only
22 asking the transfer agents to pass it onto shareholders
23 owning 4.5 percent or more. My point just being that the
24 transfer agents would be in a position to send the notice of
25 commencement to all shareholders that they are aware of, not

1 just those holding 4.5 percent or more.

2 THE COURT: All right. Let me hear the debtors'
3 response to that.

4 MS. KIM: Your Honor, the equity of trade claiming
5 motion does say that it will be served to transfer agents for
6 Hertz stock, but the (indiscernible) registered holders with
7 known addresses (indiscernible). That is who will be served
8 with the case commencement notice.

9 THE COURT: So, all shareholders?

10 MS. KIM: Substantial shareholders, Your Honor.

11 THE COURT: Why not all shareholders?

12 MS. KIM: Not all shareholders, Your Honor,
13 because of the reasons I stated earlier. There are just
14 thousands of shareholders, Your Honor.

15 THE COURT: But is that not the transfer agent's
16 issue?

17 MS. KIM: Your Honor, I'd have to --

18 MR. TURETSKY: Your Honor, my apologies for
19 interrupting the colloquy. This is David Turetsky of White &
20 Case. Can you hear me?

21 THE COURT: I can.

22 MR. TURETSKY: Your Honor, we hear your concerns.
23 What we will do is work with the transfer agent to make sure
24 that it gets to all shareholders. I think our view had been
25 that it was customary to serve it out on the substantial

1 shareholders as well as rely on the public filings. That's
2 what companies tend to do, but we hear your concerns. If
3 it's Your Honor's preference we will work with the transfer
4 agent to make it more broad.

5 THE COURT: All right. Thank you.

6 I think that this may become an issue. Let's
7 eliminate it right up front.

8 MR. TURETSKY: Thank you, Your Honor.

9 THE COURT: Anything else, Ms. Richenderfer? Do
10 you have --

11 MS. RICHENDERFER: Your Honor, I think then that
12 perhaps the form of order that's been supplied to you will
13 need to be, in some way, have some slight changes in it
14 because according to this the requirements to file the equity
15 list is waived and the requirement to provide notice to the
16 equity holders is waived. I think what we've just discussed
17 is that there is a process by which the debtors will attempt
18 to make sure that it reaches all equity holders.

19 So, perhaps, Paragraphs 4 and 5 of the proposed
20 order or something debtors and I can speak of offline and
21 tweak them appropriately.

22 THE COURT: All right. Then I'll look for a
23 revised form of order to be submitted under certification of
24 counsel and uploaded after you've reached agreement with the
25 U.S. Trustee.

1 MS. KIM: Debtors will do that. Thank you, Your
2 Honor.

3 Moving onto Agenda Item No. 5 what is the
4 automatic stay motion. By this motion the debtors seek entry
5 of a final order confirming the application and enforcement
6 of key protection afforded to the debtors under the
7 bankruptcy code. These are the automatic stay provisions
8 under Section 362, the anti-termination and anti-modification
9 provisions of Section 365, and the anti-discrimination
10 provisions of Section 525, and to approve the form and manner
11 of notice attached as Exhibit 1 to the motion.

12 The factual allegations to this motion are being
13 attested to by Mr. Jackson, the company's CFO and his first
14 day declaration.

15 Your Honor, this is customary relief for debtors
16 to do business abroad such as the debtors here. The debtors
17 interact and have relations with vendors, counterparties, and
18 government entities located and operating in non-US
19 jurisdictions. Although the company did not end up filing
20 entities outside the US and Canada, the debtors are still
21 parties to agreements such as franchise agreements with
22 international parties. These foreign entities may not be
23 aware or may misapprehend scope and certain protections
24 afforded to the debtors under the bankruptcy code. Further,
25 such governmental entities may not engage with the debtors

1 without a court order or may even discriminate against them.

2 To be clear, the relief requested in this motion
3 does not seek to expand or rewrite and modify such
4 protections; rather, the debtors simply seek to confirm,
5 restate, enforce and help inform its non-US creditors of such
6 code provisions that they may be unfamiliar with. The notice
7 is appropriate and important for the debtors to help limit
8 disruptions to operations, and help advance efficient
9 administration of these cases.

10 I am aware of one limited objection that was filed
11 late last night, an objection by the Canadian Securitization
12 Noteholders. I believe they allege, among other things, that
13 the order requires additional clarification. The debtors
14 disagree. The notice and order do not (indiscernible) the
15 scope of the automatic stay. Counsel should be aware that
16 the purpose of this order is not for sophisticated entities
17 like his clients, but rather the notice is for trade vendors
18 and other parties in foreign countries who may not understand
19 the bankruptcy code or require a Federal Court order
20 explaining it. This is not meant to be a tricky order, Your
21 Honor. And parties should be aware of that.

22 We have received some comments from the parties
23 and the debtors have incorporated such comments. They are
24 reflected in the last sentence of Paragraph 4 of the order.
25 So, I believe its Page 3 of 11 in the PDF of the blackline.

1 THE COURT: Let me look at that.

2 MS. KIM: Sure.

3 THE COURT: Did you revise this order or is it the
4 original one?

5 MS. KIM: The order was slightly revised, Your
6 Honor.

7 THE COURT: I'm not seeing it on my zip drive.

8 MS. KIM: I think it's titled "Global Stay Order
9 Redline."

10 THE COURT: Okay. I do see it. Paragraph 4, you
11 say?

12 MS. KIM: Yes, Your Honor. Page 3 of 11.

13 THE COURT: All right. That is the only revision?

14 MS. KIM: Yes, Your Honor. The U.S. Trustee had
15 no comments or objections.

16 MR. HUEBNER: Your Honor, may I be heard for a
17 moment?

18 THE COURT: You may.

19 MR. HUEBNER: Your Honor, its Marshall Huebner
20 again.

21 Just because counsel did not actually read the
22 language out and there are many people on the phone
23 (indiscernible), these comments came in from us. While I
24 absolutely agree and accept that it is now intended to be, in
25 counsel's words, a "tricky" order this provision actually

1 was, in fact, inappropriate and quite mischievous because it
2 actually was a permanent injunction by the court as they
3 originally drafted it that all persons are required to
4 perform their obligations under the contracts which is, of
5 course, (indiscernible).

6 I don't think this court intended to issue an
7 affirmative injunction on no notice. So, the language for
8 the benefit of all, which is a very important change, is that
9 subject to the provisions of the bankruptcy code and
10 applicable law counterparties and executory contracts or
11 unexpired leases may be required to continue to perform...

12 Again, just because there are so many people on
13 the phone and they don't know what the changes are I actually
14 think it is important that for the sake of the record and the
15 benefit of many effected parties that we make clear the
16 changes that were agreed to very early this morning or
17 extremely late last night.

18 THE COURT: All right. I will ask counsel for the
19 debtor to read that change in Paragraph 4 for the record.

20 MS. KIM: Will do, Your Honor. The last sentence
21 of Paragraph 4 of the revised order now states,

22 "Accordingly, subject to the provisions of the
23 bankruptcy code and applicable law, counterparties --

24 (Phone interference)

25 -- executory contracts for unexpired leases may be

1 required to continue to perform their obligations --

2 THE COURT: Excuse me. Excuse me. Could the
3 party who is speaking on the phone with somebody else please
4 mute their CourtCall line. Thank you.

5 Go ahead, Ms. Kim.

6 MS. KIM: I will reread it just in case. The last
7 sentence of Paragraph 4 of the revised order states,

8 "Accordingly, subject to the provisions of the
9 bankruptcy code and applicable law, counterparties to such
10 executory contracts or unexpired leases may be required to
11 continue to perform their obligations under such leases and
12 contracts during the post-petition period."

13 MR. GALARDI: Your Honor, its Gregg Galardi on
14 behalf of the Canadian noteholders.

15 THE COURT: Yes.

16 MR. GALARDI: I or Mr. Huebner may have been the
17 "tricky" lawyer. We did file an objection. I think that
18 language helps our concerns and I did hear counsel refer to
19 that there was no intention to extend the order beyond non-
20 debtor -- to non-debtor property or non-debtor accounts.
21 That was our concern because of the reference to 105. I
22 don't think it's necessary to go beyond 362. I think I heard
23 that clarification with Mr. Huebner's language.

24 We were concerned, obviously, about the
25 implications. We have accounts, we have rights, and we

1 didn't want to be stayed from exercising those rights. We do
2 understand our contractual obligations to the Canadian
3 servicers to pay them their fees under their contracts, but
4 then we will be exercising certain remedies because of the
5 defaults to pay down certain of the notes from non-debtor
6 property. I just wanted to make that clear on the record,
7 Your Honor.

8 THE COURT: All right. So, as I understand it the
9 language is acceptable and the limited objection is not being
10 pressed.

11 MS. KIM: Yes, Your Honor. So, the debtors
12 respectfully request that Your Honor enter the revised order
13 on a final basis.

14 THE COURT: All right. Anybody else wish to be
15 heard on that?

16 (No verbal response)

17 THE COURT: All right. I will enter the order.

18 MS. KIM: Thank you, Your Honor.

19 Item No. 6 is the utility motion. This is a
20 routine motion. The debtors seek entry of an interim and
21 final order approving the proposed form of adequate assurance
22 of payments to utility providers establishing procedures for
23 resolving any objections and requests by utility providers
24 relating to the proposed adequate assurance, and prohibiting
25 utility providers from altering, refusing or discontinuing

1 service. The facts set forth in this motion have been
2 attested to by Mr. Jackson in his first day declaration.

3 To operate their business the debtors require
4 standard utility services such as water, electricity, gas and
5 telecommunications. The debtors maintain over 3,800 accounts
6 with utility providers for their locations throughout the US
7 and Canada which are reflected in Schedule 1 attached to the
8 motion. This list is, of course, not exhaustive.

9 Prior to the petition date the debtors' average
10 monthly cost of utility services was approximately \$5 million
11 dollars. The proposed adequate assurance deposits to be held
12 for utility providers is at 50 percent of the debtors'
13 estimated monthly costs which is calculated to approximately
14 \$2.5 million dollars. The deposits will be held in adequate
15 assurance deposits with the bank that is a party to a UDA
16 with the U.S. Trustee. And, although the debtors anticipate
17 that some utility providers may demand additional adequate
18 assurance that exceed the proposed deposits, we have proposed
19 the adequate assurance procedures set forth in the motion and
20 that we're asking Your Honor to approve today.

21 If we do receive any additional demands we will
22 review and proceed in line with such procedures. Again, we
23 did not receive any objections to this motion. And we would
24 request that Your Honor enter the order.

25 MS. RICHENDERFER: Your Honor, this is Linda

1 Richenderfer.

2 THE COURT: The revised -- I'm sorry. Ms.
3 Richenderfer, go ahead.

4 MS. RICHENDERFER: I'm sorry, Your Honor. One of
5 the things I just noticed in this order and we probably also
6 need it for the matrix order since they're both on an interim
7 basis, I don't think debtors have yet brought up the notion
8 of when they would like the second day hearing to occur and
9 what the objection deadline would be, and those are issues of
10 -- they're always an issue of importance to me, but in
11 addition with respect to getting the committee formed, as
12 Your Honor may know, it takes a little bit longer these days.
13 I am sure I am going to get an awful lot of responses.

14 One of the things that I had asked debtors to
15 provide for me that I don't have yet is the list of top 50
16 creditors. I think I only have email addresses that were
17 provided for ten of the 50 creditors. So, because the
18 creditors also tend to be under stay at home orders faxing it
19 to their offices or mailing it there is not going to do the
20 trick. I had no access, quite frankly, right now to a fax
21 machine unless I take my Pennsylvania registered car into
22 Delaware and risk being stopped by the State Police in
23 Delaware.

24 So, those are all just reasons why, Your Honor,
25 getting the email addresses is so important. Then that leads

1 us to what the dates of the second day hearing will be
2 because we will have to get the committee, of course, in
3 place as soon as possible so they have an opportunity to
4 review all of these.

5 THE COURT: Well, I can address that latter issue.
6 I think the request has been, and the court has cleared, June
7 25th at three p.m. for the second days. So, the objection
8 deadline would be the 18th.

9 I will ask, Ms. Kim, can you address the issue of
10 getting email addresses to the U.S. Trustees Office?

11 MS. KIM: Of course, Your Honor. The debtors have
12 received that request and we are in the process of collecting
13 that information. We will get that to Ms. Richenderfer as
14 soon as possible.

15 THE COURT: Okay.

16 MS. KIM: Your Honor has reminded me there are
17 some changed -- there is a revised order and there are some
18 changes. I do want to note those changes for the record. The
19 only change, and it's a minor one, is to Paragraph 5(ii)
20 found on Page 3 of the redline PDF. The change is at the
21 request of the prepetition secured parties, specifically
22 Barclay's, the ad hoc second lien group, and the ad hoc group
23 of term lenders, have requested to be part of the notice
24 parties.

25 Other than that there are no other changes and we

1 ask that Your Honor enter this order on an interim basis.

2 THE COURT: All right. Does anybody else wish to
3 be heard, then, on that motion?

4 (No verbal response)

5 THE COURT: All right. With those changes and
6 your agreement to provide the U.S. Trustee with email
7 addresses I will enter the order.

8 MS. KIM: Thank you, Your Honor.

9 With that I will now turn it over to my colleague,
10 Mr. Colodny.

11 THE COURT: And you will -- did you fill in the
12 final hearing -- excuse me, the second day hearing date on
13 that order.

14 MS. KIM: I believe it is in Paragraph 19, yes.
15 June 18th at four p.m.

16 THE COURT: All right. I will enter that order.

17 MS. KIM: Thank you, Your Honor.

18 MR. COLODNY: Good afternoon, Your Honor. Aaron
19 Colodny on behalf of the debtors with respect to the cash
20 management motion which is filed at Docket No. 19. Can you
21 hear me okay?

22 THE COURT: I can. Thank you.

23 MR. COLODNY: The factual allegations in the
24 motion have been attested by Mr. Jackson, the company's CFO,
25 in his first day affidavit and serve as the factual predicate

1 for this motion. By the cash management motion, pursuant to
2 Sections 105, 345, 363, 364, and 503 of the Bankruptcy Code
3 the debtors seek relief which I break into eight different
4 buckets.

5 The first is the authority to make intercompany
6 transfers to non-debtor affiliates in the ordinary course.
7 The second is the authority to continue using their cash
8 management system, the third is the authority to make certain
9 intercompany transfers between debtors in the ordinary course
10 of business pursuant to the cash management system. The
11 fourth is the authority to pay prepetition bank fees
12 necessary to operate the cash management system. The fifth
13 is the authority to pay certain credit card processing fees.
14 The sixth is an interim waiver of the Section 345(b)
15 investment and deposit requirements. The seventh is authority
16 to enter into certain post-petition hedging transactions in
17 the ordinary course of business. The eighth is to continue
18 using prepetition checks and business forms until they are
19 depleted in which time the debtors will replace the
20 designation as debtor-in-possession.

21 I would like to thank a lot of parties for staying
22 up late last night to work with us on this order. I believe
23 we lodged a revised interim order with Your Honor this
24 morning which includes certain changes to resolve informal
25 objections made by the United States Trustee and the debtors'

1 secured lenders, objections raised by the Donlen ABS facility
2 agent at Docket No. 112, other informal objections for the
3 debtors' secured lenders and the HVF trustee. We also
4 received, late last night, an objection by the Canadian
5 securitization lenders. We have included language in the
6 order which we believe addresses their concerns. However, I
7 will address those at the end of the presentation and point
8 Your Honor to that language.

9 I want to start off with what we consider to be
10 one of the key elements, and I know Your Honor is very
11 sensitive to this, which is the intercompany transfers to
12 non-debtors. We worked very hard with Ms. Richenderfer and I
13 commend her for staying up late with us last night and over
14 the weekend to reach an agreement as to an interim cap on
15 transfers to non-debtors. That cap is \$70 million dollars
16 which is at Paragraph 23 of the revised order.

17 While that cap was large, approximately \$60 of the
18 \$70 million dollars is not the type of transfer typically
19 before this court where a debtor funds a non-debtor entity
20 with estate proceeds. Rather, that \$60 million dollars is
21 comprised of customer receipts that two debtors, Donlen
22 Corp., and Dollar Thrifty Automotive Group Canada, which I'll
23 call DTAG Canada, will receive and are obligated to pass
24 along to the vehicle owning non-debtor counterparties
25 pursuant to servicing agreements.

1 In exchange, each of those entities earns a fee
2 under the relevant agreements. Put simply, those
3 transactions the debtors simply act as a task group where
4 they collect customer receipts and pass them along to the
5 lessee's of the vehicles. Making those transfers is
6 essential for each of those debtor entities to continue to
7 operate its business and to ensure its customers receive the
8 services they expect.

9 For instance, Donlen, as Mr. Lauria mentioned,
10 services a number of corporate clients who rent their
11 vehicles. They make a lease payment to Donlen Corp., who
12 then remits it to the servicer or the beneficial owner of the
13 lease. If those lease payments weren't made then there could
14 be interruption in Donlen's business because a backup
15 servicer would be appointed and the lease payments would have
16 to them be bifurcated with servicing agreements that Donlen
17 provides. Donlen's business is to provide a one stop shop for
18 its customers. And the debtors intend to continue that and
19 by passing along these will allow them to do it.

20 Accordingly, we believe that those transfers are
21 in the best interest of each debtors' estate. And I briefly
22 walked through Donlen. I'm happy to do DTAG Canada if you
23 would like or I can move along to the second smaller bucket
24 of debtor and non-debtor inter-company transactions.

25 THE COURT: But with respect to both, it's the

1 same?

2 MR. COLODNY: Correct. It's a pass-through to
3 those customers.

4 THE COURT: All right. Go ahead. The remainder
5 of it, then?

6 MR. COLODNY: Thank you.

7 The second bucket is of debtor-to-nondebtor
8 intercompany transactions, compromises of payments that The
9 Hertz Corporation makes to Hertz International, Ltd., a
10 nondebtor affiliate, to fund certain expenses that are
11 forwarded to Hertz's international franchisees through the
12 company's one-bill program. This bucket makes up
13 approximately eight to \$10 million of payments in the next 30
14 days; importantly, THC is compensated for substantially all
15 of these payment through the remittance of certainty royalty
16 payments by franchisees.

17 Accordingly, the net outflow of funds from the
18 debtors overtime is minimal, if any. These payments are
19 essential to provide the company's international franchisees
20 with the back office support they expect and require from the
21 debtors. This includes reservation bookings through the
22 debtors' central online system and other expense advantages.
23 The franchisees then remit royalties which are passed through
24 the THC through a netting process, which I described before.

25 The debtors -- you know, one of the debtors' key

1 differentiating factors is its global reach. A lot of
2 customers and companies rely on the debtors to get their
3 clients, their customers, their employees where they are
4 throughout the world and the debtors' franchise network is
5 extremely important to that. As Mr. Lauria mentioned, you
6 know, the franchise network is the only debtor presence in
7 Latin America and many other countries and we request that --
8 we believe that maintaining that and through these payments
9 is in the debtors' best interests. And, again, I would
10 stress that I believe that this would be a very limited net
11 outflow from debtors.

12 So, in sum, the company requests the ability to
13 continue intercompany transfers to nondebtors in an aggregate
14 amount not to exceed \$70 million during the interim payments
15 and we believe that all of these payments are in the best
16 interests of the debtors' estate, are a proper exercise of
17 the debtors' business judgment and should be approved.

18 MR. HUEBNER: Well, Your Honor, once again, this
19 is Marshall Huebner. I think that counsel said that he would
20 get at the end to the additions that were worked out and
21 negotiated, so I think it may take -- it may be useful to
22 take a minute and discuss those because they're actually
23 quite mission critical to those of us who had serious
24 concerns.

25 Number one, as may be discussed in the

1 (indiscernible) case, 75 percent of the, quote, debt of the
2 Hertz family is actually off balance sheet and is in -- you
3 know, they got very attractive terms and rates because of the
4 structure and so one of our two changes is that consistent --
5 and I'll just quote the language now to save the second
6 person from having to read it because it is agreed and it is
7 critical not only to my group, which, alone, is owed \$4.85
8 billion, that's in the other series and (indiscernible) of
9 ABS notes that are out there that total up to the 14.8:

10 "Consistent with prepetition practice, the
11 proceeds from the sale of any vehicles owned by HVF that
12 secure the financing issued by HVF II shall be remitted to
13 BNYM, which is Bank of New York, as trustee for HVF and
14 applied in accordance with the documents governing the THC
15 ABS facility."

16 And then the second issue, which is also very
17 important and important to resolve many people's objections,
18 the like of (indiscernible) but that for the avoidance of
19 doubt, bank accounts held solely in the name of one or more
20 nondebtor entities, including Hertz Vehicle Financing, LLC
21 are not bank accounts, subject to the terms of this interim
22 order.

23 And let me explain why that's so important, Your
24 Honor. The way the whole structure works is that because
25 they don't own the fleet, the vehicles -- the facility

1 vehicles, the structures do, it's all, you know, kind of
2 waterfall (indiscernible) automatically and among other
3 things, as vehicles are sold, the proceeds go into the
4 structure to pay down the structure because it's not Hertz's
5 property, it's someone else's property, and the bank accounts
6 matter a great deal and the routing of the money matters a
7 very great deal.

8 Because the debtors ask for, which is customary
9 and others that (indiscernible) issue, we had no objection to
10 the authority to open and close and change bank accounts in
11 their discretion, having it clear in this motion beyond
12 (indiscernible) that that authority most assuredly does not
13 extend to opening, closing, or changing in any way the bank
14 accounts and payment structures for nondebtor entities,
15 including all the HVF, Hertz Vehicle Financed-structured
16 entities, which is very important to us and many of the
17 party, as well, and I think we probably resolved a bunch of
18 people's objections in one sweep by adding that language.

19 So, hopefully, that's helpful to the Court and to
20 other people, we'll have a few more conceptual things to say
21 a little bit later, but this, actually, I think was probably
22 the -- it's the only other motion in which we added specific
23 language, which White & Case, again, graciously staying up
24 until very late in the night and starting very early this
25 morning, was able to work out, I think, for the benefit of

1 all parties.

2 THE COURT: Okay. Well, that deals with
3 Paragraphs 26 and 27 --

4 MR. GALARDI: And, again, Your Honor --

5 THE COURT: I'm sorry, Mr. Galardi?

6 MR. GALARDI: Yes, Your Honor. And, again, we
7 haven't gotten to see the order. I think it was just sent to
8 me by Mr. Collins -- I thanked him for that -- but as
9 Mr. Huebner had said and as we have the same concerns, in
10 Canada there's even a little bit more of a wrinkle. There
11 are no unencumbered assets in Canada that we're aware of and
12 we wanted to be clear about where the funding for a lot of
13 the first day relief was coming, if it wasn't coming from our
14 collateral.

15 So, this was a common issue. We'll look at the
16 order to see if it resolves it with respect to the cash
17 management, but I don't think I've heard a clarification as
18 to where the actual cash is coming for funding the Canadian
19 operations.

20 MR. COLODNY: Your Honor, this is Aaron Colodny.
21 I think we have someone writing on the screen.

22 But I intended to address those at the end of the
23 presentation and, again, having gotten through one of my
24 eight points, I can address them now or I can go and march
25 through my order and then come back to them at the end,

1 however Your Honor would like.

2 MR. GALARDI: Your Honor, I'm happy if he marches
3 through. I just wanted, while Mr. Huebner was on the line,
4 to raise the point.

5 THE COURT: All right. Mr. Colodny?

6 MS. RICHENDERFER: Your Honor, (indiscernible).
7 This is --

8 MR. COLODNY: Okay. (Indiscernible) Your Honor --

9 MS. RICHENDERFER: This is Linda Richenderfer,
10 again, from the U.S. Trustee's Office.

11 Paragraph 27 is something I'm just seeing now for
12 the first time and one of the things that's not clear to
13 me -- and, like, maybe just confirmation could be given to
14 us -- is that the list of bank accounts that is going to be
15 attached to this form of order, that none of the bank
16 accounts listed are accounts that are held solely in the name
17 of a nondebtor entity.

18 MR. COLODNY: That's correct, Your Honor. There
19 are no nondebtor bank accounts Exhibit C.

20 MS. RICHENDERFER: Okay. Thank you.

21 UNIDENTIFIED: Your Honor --

22 THE COURT: Excuse me. Before we go on, somebody
23 is asking that their audio be turned on, but I have no idea
24 who they are.

25 UNIDENTIFIED: Your Honor, because the audio is

1 through the clerk --

2 THE COURT: Yes, the audio is through CourtCall,
3 but I don't even know who this is sending the message.

4 UNIDENTIFIED: While it's actually sort of fun to
5 watch them writing and typing, they may just want to hang up
6 and call the CourtCall operator.

7 MR. COLODNY: Your Honor, is it okay if I proceed
8 with the request to continue the cash management system?

9 MR. TRUST: Your Honor, this is Brian Trust at
10 Mayer Brown for Barclays as the Donlen ABS facility agent. I
11 do have some comments and remarks that I'd like to make.
12 Would now be an appropriate time before debtors' counsel
13 continues?

14 THE COURT: No. Wait one second. I'm trying to
15 figure out who this person is.

16 MR. TRUST: Certainly. I will wait, Your Honor.

17 THE COURT: They have not signed in to CourtCall
18 and I have no idea, therefore, whom they represent.

19 UNIDENTIFIED: Your Honor, my team is telling me
20 it's someone named Jayden, J-A-Y-D-E-N.

21 THE COURT: Yes, and I don't have them on my
22 CourtCall list. I don't have them on my CourtCall list so
23 they are not being heard. All right.

24 MR. COLODNY: Shall I proceed with the cash and
25 request to continue the cash management system, Your Honor?

1 THE COURT: You may.

2 MR. COLODNY: So, the second item of eight is the
3 debtors' request to continue the cash management system in
4 the ordinary course of business and as I and my colleague,
5 Greg Warren, note, the debtors' cash management system is
6 extremely complicated. It is a web of 112 bank accounts that
7 is operated by the Central Treasury Department located in
8 Paramus, New Jersey. It's organized into two main regions,
9 the U.S. and Canada, and each of the debtors' business
10 segments within a region, those are what Mr. Lauria said
11 earlier, vehicle rental, Donlen car sales and franchise
12 licensing has a unique structure of accounts to collect
13 receipts from the debtors' millions of customers and disburse
14 payments to their numerous vendors throughout the day.

15 At the highest level, each of the debtors'
16 business segments and the customer receipts received from
17 them are collected in depository and lockbox accounts. Those
18 funds are then swept to operating accounts which ultimately
19 either concentrate in a master account for each region, or as
20 discussed previously in the case of Donlen and Dollar Thrifty
21 Group Automotive Canada, they're transferred to nondebtor
22 affiliates, pursuant to servicing agreements.

23 The master accounts for the U.S. and Canada also
24 disburse money to the various businesses to meet their daily
25 operating needs. For instance in the Hertz rental car

1 business throughout the day, the THC master account sends
2 money to the THC operating account and case-by-case, I mean
3 The Hertz Corporation, which subsequently funds control
4 disbursement accounts.

5 Overall, the cash management system is a highly
6 sophisticated system that allows the debtors to collect
7 receipts at their hundreds of locations throughout the United
8 States and Canada, track cash needs in real time, monitor the
9 debtors' cash position, accurately forecast the debtors'
10 operating requirements, and facilitate the payments of the
11 debtors' obligations as they come due.

12 If the debtors were required to fundamentally
13 change the cash management system, it would cause a
14 significant disruption to their business, cause them to be
15 unable to meet certain obligations, and destroy value for all
16 stakeholders; moreover, the cash collateral system allows the
17 debtors to identify prepetition expenses from post-petition
18 expenses. The debtors have worked with their advisors, both
19 White & Case and FTI Consulting to develop practices that
20 will ensure that no prepetition expenses are paid without
21 Court approval.

22 I am happy to walk Your Honor through any specific
23 flow of funds, with respect to any of the particular pots if
24 you would like; otherwise, the debtors request that the Court
25 authorize them to continue to operate their cash management

1 system in the ordinary course of business.

2 THE COURT: All right. Are there revisions to the
3 form of order, other than the two paragraphs that Mr. Huebner
4 and Mr. Galardi highlighted?

5 MR. COLODNY: There are, Your Honor. I'll keep on
6 going through my eight points and I will stop pausing at the
7 end of each of them so we can make our way through this.

8 So, my next point is the debtor-to-debtor
9 intercompany transactions. As I said, the cash management
10 system operates to move cash between the debtor entities; for
11 instance, the THC master account funds distributions to the
12 Dollar Thrifty. The Dollar Thrifty brand funds it back to
13 operating entities.

14 Now, the third item we'd request is the ability to
15 continue debtor-to-debtor transactions in the ordinary course
16 of business. We have worked with the company to segment
17 prepetition intercompany claims and post-petition
18 intercompany claims. We are not seeking to pay prepetition
19 intercompany claims; those will be frozen as of the petition
20 date. And we're requesting that post-petition intercompany
21 claims be afforded administrative expense priorities. We
22 believe this expense is -- this relief is necessary to the
23 operation of debtors' businesses and appropriate in complex
24 Chapter 11 cases.

25 The fourth item is the payment of prepetition bank

1 fees. In order to maintain the cash management system, the
2 debtors incur and must pay bank fees to keep their accounts
3 operating.

4 The debtors anticipate that approximately 2.7
5 million of prepetition bank fees will be due and payable in
6 the interim period and we believe that the payment of these
7 fees is an ordinary course transaction and an appropriate use
8 of the debtors' business judgment.

9 If the fees aren't paid, bank counterparties could
10 shut down accounts and fundamentally disrupt the cash
11 management system. Accordingly, we believe it's in the
12 debtors' best interests to pay these fees and to keep their
13 cash management system operating.

14 The fifth item is the payment of certain
15 prepetition credit card processing fees. Credit card
16 receipts are the debtors' primary source of payment from its
17 customers. Credit card companies charge the debtors certain
18 processing fees to continue processing these accounts. Those
19 amounts include up-front processing fees, refunds, back end
20 fees, and returns from receipts. The chargebacks or refunds
21 are generally netted regarding against pending payments owed
22 to the debtors.

23 The debtors estimate that approximately \$1 million
24 of prepetition credit card processing fees are outstanding
25 and request the ability to pay prepetition credit card

1 processing fees so that we can continue to operate and to
2 receive receipts as we do in the general course of business.

3 The sixth item of relief is an interim waiver of
4 the requirements to Section 345(b). Importantly, Local
5 Rule 2015-2(b) provides that if a motion for a waiver under
6 Section 345(b) of the Bankruptcy Code is filed on the first
7 day of the case and there are more than 200 creditors, which
8 there are in this case, the Court may grant an interim
9 waiver.

10 Here, we believe that cause also exists for a
11 waiver, due to the complexity of the debtors' business and
12 the cash management system and the Treasury Department's
13 guidelines to ensure the debtors' funds are protected;
14 moreover, the majority of banks that compromise this cash
15 management system are authorized depositories of the United
16 States Trustee.

17 We are going to continue to work with
18 Ms. Richenderfer to ensure that she has the information
19 necessary to confirm that all the debtors' accounts are held
20 in a responsible manner and that all the United States
21 Trustee's rights are reserved with respect to that matter;
22 accordingly, we submit that cause exists for an interim
23 waiver of the 345(b) period and request that the Court grant
24 that relief.

25 Seventh, we are requesting the ability to enter

1 into post-petition hedging transactions in the ordinary
2 course of business. In the ordinary course of the debtors'
3 business, it enters into certain (indiscernible) derivative
4 contracts which are primarily forward and swap contracts to
5 reduce the company's exposure to certain fluctuations caused
6 by issuing intercompany loans to otherwise making payments to
7 foreign vendors.

8 The debtors also enter into certain interest rate
9 derivative contracts. As Mr. Lauria said, you know, part of
10 the run-up to these Chapter 11 cases was to, for the benefit
11 of everybody, keep some of the European entities out. So, we
12 do not anticipate that there will be a lot of derivative
13 contracts entered into going forward because of the lack of a
14 need to transfer foreign currency. We do believe that these
15 are ordinary course transactions and are certainly seeking a
16 court order for some comfort to other parties that were able
17 to enter into them moving forward.

18 The eighth request and final request is the
19 debtors' ability to use their prepetition checks and business
20 forms. The debtors have existing checks and business forms
21 that don't bear the debtor designation, debtor in possession.
22 Requiring the debtors to change business forms would impose
23 undue delay. This relief is customary in large Chapter 11
24 cases. I believe that Your Honor has recently entered an
25 order similar to this in the VIP Cinema case and it is

1 routinely granted by this Court.

2 And I would like to turn now to the objections
3 that we received. We received two formal objections to the
4 cash management motion and several informal objections from
5 the United States Trustee and from various lender groups.

6 The first formal objection was raised by the
7 Donlen ABS facility agent where they requested that we
8 include language that makes clear that Donlen may only
9 terminate its bank accounts subject to the ABS facility if
10 permitted by the relevant agreements thereunder. If you turn
11 to Paragraph 11 of the order, which I circulated to Mr. Trust
12 prior that hearing, about halfway down that paragraph is a
13 provided further however section where we make clear that any
14 opening or closing of the bank accounts by Donlen Corp. have
15 to be made in agreement with the ABS facility documents, to
16 which Donlen is a party, to the extent those obligations are
17 still in existence.

18 We received comments from Mr. Trust yesterday,
19 either this resolves his objection, but I will pause to let
20 him raise his points.

21 MR. TRUST: Good afternoon, Your Honor. Brian
22 Trust of Mayer Brown, counsel to Barclays Bank PLC, as the
23 administrative agent under the Donlen ABS facility.

24 White & Case is correct, we have resolved that
25 limited objection, such that if and to the extent, given the

1 complexity of the account structure, which includes debtor,
2 nondebtor, and joint accounts with debtors and nondebtor
3 affiliates, that to the extent there's any opening or closing
4 of said bank accounts, it must be done in compliance with,
5 and not violate, any of what has been generally described in
6 the motion as the Donlen ABS facility documents.

7 I would also note briefly, Your Honor, just for
8 the record, that the ABS -- the Donlen ABS facility agent
9 does not have a (indiscernible) objection to the cash
10 management program, as described by proposed counsel to the
11 debtors; in fact, they made clear and I think it was
12 amplified today on the record, there's a current intent to
13 continue operating, pursuant to the various Donlen agreement,
14 servicing agreements remitting monies, lease payments in
15 accordance with all obligations under the facility documents
16 and consistent with prepetition practices. And, quite
17 importantly, the stated intent on the part of the proposed
18 debtors to continue servicing the leases, remitting lease
19 collections, et cetera, also consistent with the prior or the
20 prepetition bankruptcy practices.

21 I would just make one final note for the record,
22 this is an extraordinarily complex series of transactions
23 with multiple entities, including, importantly, nondebtor
24 affiliates. The Donlen servicer, you know, is acting as a
25 servicer, effectively, of this substantial financing program.

1 It is not an obligor, nor an issuer. It is not, effectively,
2 (indiscernible) point made prior (indiscernible) discussion
3 by Mr. Huebner.

4 So, based upon that, the administrative agent,
5 under the Donlen ABS facilities suggests (indiscernible)
6 rights. They will continue to work with (indiscernible)
7 structure funding mechanisms, intercompany debt flows, and
8 the implications of the like by and among the debtors and the
9 various is important nondebtors affiliates. And we certainly
10 expect to communicate and coordinate with Hertz's proposed
11 counsel and advisors in that regard.

12 Thank you, Your Honor.

13 MR. HUEBNER: Your Honor, if I could be heard for
14 just a second? It's Marshall Huebner.

15 Two quick things. One, I realize we're testing.
16 We keep telling the people who keep trying to take over the
17 screen that they can't get audio this way. So, this is
18 probably the way that we can do it, to have people stopping
19 to continue their right note saying turn on audio, because
20 they're not hearing us when we tell them you can't get audio
21 this way.

22 Does this -- can people see this so that we can
23 tell them, Your Honor?

24 THE COURT: I have instructed the ECRO to bar
25 those who keep trying to take over the screen share. He's

1 barred a few, but more keep showing up, so ...

2 MR. HUEBNER: Okay. Well, hopefully
3 (indiscernible) --

4 THE COURT: But I will -- now, let me unmute
5 myself.

6 For all of the parties who are seeking to take
7 over the share screen, we are going to exclude you from the
8 Zoom if you do that, all right. Thank you.

9 Back to Mr. Trust [sic].

10 MR. HUEBNER: So, it's Mr. Huebner, Your Honor.

11 So, as long as White & Case will confirm for the
12 benefit of all parties -- and I apologize to Mr. Colodny, I,
13 like others, I think after Point 1 thought he was turning to
14 the Court for a potential entry of the order -- as long as
15 the two provisions I read into the record, which were agreed
16 with White & Case are not objectionable to any other party
17 and were going in the order, I think we are resolved on this
18 one, as well, on behalf of the VFN facility.

19 MR. COLODNY: And, Your Honor, I can read those
20 into the record now so that everyone has them in front of
21 them. Paragraph 26 of the order says:

22 "Consistent with prepetition practice, the
23 proceeds from the sale of any vehicles owned by HVF and
24 secured a financing issued by HVF II shall be remitted to
25 BNYM, Bank of New York Mellon, as trustee for HVF and applied

1 in accordance with the documents governing the PCH ABS
2 facility."

3 Paragraph 27 of the revised order provides:

4 "For the avoidance of doubt, bank accounts held
5 solely in the name of one or more debtor entities, including
6 Hertz Vehicle Financing, LLC, Hertz Canada Vehicle
7 Partnership, and DTGC Car Rental Limited Partnership are not
8 'bank accounts' subject to the terms of this interim order."

9 THE COURT: And is that acceptable?

10 MR. HUEBNER: It is, Your Honor.

11 THE COURT: I'll assume it is.

12 MR. COLODNY: Your Honor, I would like to next go
13 to the objection that we received late last night from the
14 Hertz's Canada ABS facility agent, and that is located at
15 Docket Number 138.

16 With respect to the cash management motion, the
17 Hertz Canada lenders asserted that the interim cash
18 management order does not apply to nondebtor bank accounts,
19 as we just discussed, it does not. Additionally, we have
20 some concerns that the Canadian lenders do not have standing
21 because they do not have a claim against the estate;
22 nevertheless, we included the language that I just read and
23 included specific references to the two nondebtor entities.

24 And we submit and would ask Mr. Galardi if that
25 resolves his concern now that he's had a chance to review it.

1 MR. GALARDI: Your Honor, I guess the only concern
2 that we would have is, as you've seen, Mr. Huebner has added
3 Paragraph 26 to make sure that it's consistent with the
4 prepetition practice that the proceeds from the sale of any
5 vehicles are deposited into the account.

6 In Canada, as we set forth in our papers, it's the
7 sale and rental of any vehicles, we had expressed a concern.
8 If we could have similar language agreed to, I think that
9 would resolve our objection, along with the affirmation in
10 Paragraph 27, that they're nondebtor accounts.

11 THE COURT: Okay.

12 MR. GALARDI: And let me -- Your Honor, just to
13 give some explanation and, again, we -- I'm going to try to
14 avoid talking later on in the hearing -- to the extent they
15 are using funds from those accounts, which is their cash
16 collateral, they're not seeking approval, so we are presuming
17 that they're using the unencumbered assets and cash that they
18 described. Earlier, I think it was 866 million to make the
19 payments under the prepetition orders.

20 So, as long as they deposit funds and segregate
21 those funds into the nondebtor accounts as they would from
22 rentals or vehicle sales, which we hope they ultimately have,
23 I think we will be resolved on the cash management motion.

24 MR. COLODNY: I will reserve the cash collateral
25 questions for my colleague David Turetsky that will be

1 addressing those later on in connection with the cash
2 collateral and adequate protection order.

3 I believe we need to discuss with our clients
4 about the language that you have requested, but I, you know,
5 I believe we should be able to reach some sort of agreement
6 and we will be submitting a certification of counsel with the
7 revised order, providing that, if we are able to reach that
8 agreement, Your Honor.

9 MR. TRUST: Thank you, Your Honor. Brian Trust
10 from Mayer Brown on behalf of Barclays, as the Donlen
11 facility ABS agent.

12 It appears to me, having taken a look at this
13 language in Paragraph 26 which was just noted on the record,
14 that it should be expanded to the extent applicable to cover,
15 similarly, proceeds of sale and/or lease proceeds from the
16 Donlen facility that also shall be remitted to the relevant
17 trustee in accordance with the relevant Donlen ABS facility
18 documents.

19 So, my ask so that we have consistency among the
20 ABS facilities, including the nondebtor affiliates of the
21 transaction, is that we create that consistency for purposes
22 of this order across all said facilities. I believe it will
23 take a bit of drafting on the part of White & Case as
24 proposed counsel to the debtors, but I think as a substantive
25 matter, it makes good sense and I would, therefore, request

1 that the proposed counsel to the debtor undertake that
2 revision for consistency and substantive purposes.

3 THE COURT: All right. I'll ask counsel for the
4 debtor to work on a proposed form of order that is acceptable
5 to both, the Donlen and the Canadian noteholders, as well as
6 other parties who have given you comments.

7 MR. ZAKIA: Your Honor, I apologize, this is Jake
8 Zakia from White & Case. I don't mean to interrupt, but can
9 I just raise one point?

10 THE COURT: Yes.

11 MR. ZAKIA: On the Canadian -- I just want to make
12 sure I understood counsel right because if what I heard on
13 the Canadian front was that it's the lender's position that
14 the revenue generated by the Canadian operation post-
15 petition, which just so, you know, to ex play how this works,
16 Your Honor, unlike in the United States, in Canada, Hertz
17 arranges for the lease from the SPV to ultimate customers and
18 it earns a fee -- I don't know if you call it a commission --
19 but a fee under its contract for providing that service.

20 If what I heard counsel say is that they believe
21 that those fees that are collected by the Canadian debtors
22 should be segregated in some way or preserved, I think I just
23 wanted to make it clear so that everybody's not mislead, I do
24 not think the debtors agree with that it is not our position
25 that the Canadian lenders who are lenders to nondebtor SPVs,

1 would have a lien on the revenue generated by the Canadian
2 debtors.

3 If it was something else he was talking about, I
4 apologize, I just didn't want to have a miscommunication that
5 blew up later.

6 MR. GALARDI: Your Honor, it's actually not a
7 lien. It is actually our property by way of proceeds under
8 the documents. Those proceeds are held in trust and they are
9 then circulated and put into the bank accounts.

10 So, we do believe it's our property and, yes, we
11 do have a pay a servicing fee, but the generation of whether
12 it's rentals or dispositions is to be held in trust for our
13 benefit and then put into the accounts.

14 MR. ZAKIA: I'm sorry, Your Honor. If I could
15 just respond, and, again, I think maybe we're talking past
16 each other.

17 As previously discussed by Mr. Colodny, I think
18 the pass-through portion of it where we collect receipts that
19 are then passed through to the Canadian entities, we have
20 sought approval to continue to do that and would continue do
21 that.

22 And to the extent that money finds its way into
23 the nondebtor accounts, because we have complied with our
24 obligation to pass it through, then I think maybe counsel and
25 I are in agreement and we don't have an issue.

1 I just wanted to make clear that that revenue that
2 comes back, that servicing fee that comes back to the
3 Canadian debtors under those contracts and our position,
4 would not be encumbered and I just didn't want to
5 misunderstand any of that. I hope that that clarified what
6 we were talking about.

7 MR. GALARDI: I think it does clarify it and we
8 can take it offline to clarify it, but I believe that what
9 you're saying is that the servicing fees are owed and would
10 be paid pursuant to the contracts, and that's our
11 understanding.

12 MR. ZAKIA: Yes, and they would be unencumbered,
13 and I just didn't want any misunderstanding that there was a
14 position --

15 MR. GALARDI: That is --

16 MR. ZAKIA: -- (indiscernible) cash collateral.

17 MR. GALARDI: Yeah, that is my understanding.
18 They are unencumbered. They are your receipts under the
19 servicing agreements.

20 MR. ZAKIA: Okay. Thank you.

21 And I thank Your Honor. Sorry to interrupt. I
22 just didn't want a misunderstanding on that point.

23 THE COURT: All right.

24 MS. RICHENDERFER: Your Honor, this is Linda
25 Richenderfer from the Office of the United States Trustee.

1 I'm beginning to become concerned here. I
2 initially had concerns about Paragraph 26 and subsequent
3 dialogue here, I think, is highlighting my concerns.

4 We're getting into areas that I think don't
5 normally fall within the four corners of a cash management
6 order and we're really getting into issues that would be
7 covered by the cash collateral order, questions as to who has
8 control over what funds and liens and that would be in an
9 interim order for cash collateral; it wouldn't be in a final
10 cash management order.

11 I don't know, we'll wait and see how it gets
12 tweaks by the parties thereto, but I don't also think that we
13 have anything in the record right now that supports some of
14 these positions that I'm hearing about by the parties.

15 As to the basis by which certain money should go
16 to certain locations, I am glad that counsel from White &
17 Case jumped in. I would say that I know I have not had
18 sufficient time to understand all the nuances of the system,
19 the Canadian or the U.S. system.

20 So, I guess that's just the long way of saying
21 that I'm very concerned that we're getting into substantive
22 issues as to the rights of certain lenders, what they have a
23 right to, what is part of the debtors' assets that they have
24 liens on, what is part of the nondebtors' assets, and, again,
25 I think that these are things that normally would be in a

1 cash collateral motion, so we'd have an interim order so that
2 the committee could investigate and become comfortable with
3 the manner in which the cash is being handled.

4 MR. COLODNY: Your Honor, if I could just address
5 that very directly, you know, Paragraph 5 of the interim
6 order contains an explicit reservation with respect to any
7 liens or adequate protection on cash. By this motion, we are
8 not seeking to say who has a lien and what cash, in any way,
9 shape or form. We are simply seeking to maintain and move
10 our cash collateral -- and move our cash management, get
11 these ordinary course transactions approved and the necessary
12 relief to continue that.

13 We included a couple provisions at the request of
14 the HVF lenders to clarify certain concerns that they had.
15 If my mind, they were comfort language more than anything,
16 because, as I said at the beginning, you know, none of those
17 nondebtor bank accounts are included on Exhibit C. This
18 motion sought no relief with respect to nondebtors, except
19 for the limited intercompany transactions that I mentioned
20 earlier.

21 And, you know, it is essential to the debtors to
22 be able to move, to exercise, and to operate their cash
23 management system immediately. We have, you know, thousands
24 of people around the country that are waiting to get paid,
25 whose bank accounts are currently frozen, and it is

1 imperative that we are able to turn that back on and that the
2 Court is able to authorize the cash management system and
3 move forward.

4 And, you know, I fear that we are getting a bit
5 off-track and I think Ms. Richenderfer really put her finger
6 on that and I want to, you know, bring the focus back to what
7 this motion is supposed to do, which is to authorize the
8 debtors to continue to use their cash management system to be
9 able to pay the debts that they need to pay to operate so
10 that there isn't a value destruction for the estate.

11 MS. RICHENDERFER: Your Honor, Linda Richenderfer.

12 Again, I appreciate Counsel pointing out
13 Paragraph 5 and maybe because I think we're going into a
14 third area here, where we're talking about something other
15 than whether or not something is subject to a lien or
16 adequate protection. Maybe after the language is put in that
17 certain of the Canadian-related lenders want, we may need to
18 tweak Paragraph 5 a little bit just to make clear that the
19 Court is not ruling on whether or not available cash is
20 subject to a lien or I should say that rights are reserved,
21 with respect to the foregoing and it seems to me that we're
22 now getting into an area as to whether or not cash does or
23 does not belong to a debtor from the conversation I just
24 heard concerning the Donlen portion of the business.

25 THE COURT: All right. Well, let me suggest this,

1 I'll ask the parties to work together to try and come up with
2 language for the cash management order that only deals with
3 cash management, but preserves parties' interests and then we
4 can deal with the security interests in the cash collateral
5 order.

6 MR. COLODNY: We'll do that, Your Honor.

7 THE COURT: All right. And I'll look for that
8 under certification of counsel, then.

9 Mr. Colodny, are you the next motion, also?

10 MR. COLODNY: No, I would like to pass this to Mr.
11 Mackintosh. I think you've heard enough of me. Eight points
12 is far too much.

13 Thank you very much, Your Honor.

14 (Laughter)

15 THE COURT: Thank you.

16 MR. MACKINTOSH: Your Honor, Andrew Mackintosh of
17 White & Case, proposed counsel to the debtors.

18 Can you hear me okay?

19 THE COURT: I can.

20 MR. MACKINTOSH: Great. So, the next motion up is
21 the employee motion; it's Docket Number 20. And the purpose
22 of this motion is to minimize the impact of this bankruptcy
23 filing to a workforce that's already seen significant
24 disruption over the last three months.

25 The debtors' CFO, Mr. Jamere Jackson, has attest

1 to the facts set forth in the motion in his first day
2 declaration at Docket 28.

3 The debtors' request for relief today is interim
4 only and the interim relief in the motion is limited to four
5 main categories. First is that the debtors seek authority to
6 make cash payments to employees for Section 507(a)(4)
7 obligations in the ordinary course of business up to the
8 statutory cap.

9 The debtors' only outstanding prepetition wages
10 are owed to their hourly workers. These workers are paid
11 weekly; one week in arrears and their next payroll date is
12 tomorrow. Bi-weekly payroll on May 21st paid salaried
13 employees current through May 24th in the ordinary course,
14 leaving them with no prepetition wage claims. Relating to
15 these payroll payments, the debtors seek customary relief to
16 satisfy all ancillary prepetition payroll obligations,
17 including the forward withholdings paid with the employer
18 component of payroll taxes, and to pay processing fees to
19 their payroll processors.

20 The second category of relief that the debtors
21 seek on an interim basis is to pay prepetition amounts owing
22 in respect to their various benefits plans. So, this
23 includes maintaining their self-insured employee health care
24 plan and dental plan, their other insurance plans, making
25 pension contributions, paying administrative fees or

1 (indiscernible) other retirement plans, and, otherwise,
2 complying with the requirements under union contracts. The
3 pension contributions, in particular, are limited to union
4 employees and are required under those agreements.

5 The third category that the debtors seek on an
6 interim basis is to honor a few other narrow items as
7 prepetition obligations that don't really fit neatly into the
8 last two categories. So, these are non-cash PTO obligations,
9 expense reimbursements, and relocation and moving expenses.

10 So, the PTO during the interim period, the debtors
11 proposed to pay employees for time they take off from work,
12 but not to honor requests to cash out the paid time off.

13 The reimbursements are customary relief. Most of
14 these obligations are balances on corporate credit cards that
15 are employee-named and are employee credit. So, failing to
16 pay would have an adverse effect on employees.

17 The last category is relocation expenses. This
18 relates to limited short-term housing for employees and
19 certain moving expenses who have been willing to continue
20 their employment by the debtors.

21 The fourth and final relief sought on an interim
22 basis is simply to continue their prepetition employment
23 practices on a post-petition basis, subject to limitations
24 imposed by Section 503(c) of the Bankruptcy Code.

25 And the debtors also seek customary relief

1 authorizing banks to honor payments relating to the payments
2 authorized by this motion.

3 The Office of the United States Trustee has
4 requested and the debtors have agreed to make one
5 modification to the interim order, as filed as Exhibit A to
6 the motion, and that request relates to what was referred to
7 in the motion as the "fiduciary exception." That fiduciary
8 exception, as described in the motion, will allow debtors to
9 pay amounts otherwise not payable as a result of the order
10 for relief in this case in the event that the debtors'
11 managers would incur personal liability as a result of that
12 nonpayment or if there would be some adverse impact on the
13 debtors' ability to operate.

14 Now, as the Court has heard a few times already
15 today, the debtor group that's before the Court is a bit
16 smaller than it might have been and the fiduciary exception
17 was drafted with international entities in mind where the
18 debtors could face issues of international law or actions by
19 a non-U.S. Government that would be difficult to deal with in
20 this court. The debtors, accordingly, agreed to limit the
21 fiduciary exception to Canadian employees, which is now just
22 the only international debtor group before the Court, without
23 prejudice to their rights to exercise the fiduciary exception
24 with respect to the U.S. employees upon further court order.

25 I want to be clear on this and as is reflected in

1 the motion, the debtors don't believe that they have any
2 obligations in excess of the priority cap and that
3 obligations that would otherwise -- of any other wage
4 obligations in excess of the priority cap, that would trigger
5 this fiduciary exception in Canada; however, out of an
6 abundance of caution, it gives comfort to our Canadian
7 directors, the debtors' Canadian directors and other
8 employees, that we asked that this be included.

9 And that change appears on Paragraph 2 of the
10 proposed interim order and I can read that into the record if
11 the Court desires. Ms. Richenderfer has --

12 THE COURT: All right.

13 MR. MACKINTOSH: Yes?

14 THE COURT: Although I have it, you should read it
15 into the record so that those in the meeting also can hear
16 it.

17 MR. MACKINTOSH: Yes. So, Paragraph 2 of the
18 interim order, as attached to the motion, and with the words
19 "pursuant to the fiduciary exception." So, before that
20 period, we've inserted, "With respect to Canadian employees
21 only."

22 And it continues, "The limitation on the fiduciary
23 exception --" the immediately preceding sentence is:

24 "Without prejudice to the rights of the debtors to
25 seek further order of the Court to exercise a fiduciary

1 exception with respect to U.S. employees."

2 So, again, this one modification resolves all the
3 U.S. Trustee's comments to the interim order. The debtors
4 received one additional comment to the interim order, which
5 was resolved without change.

6 We had one limited objection which has already
7 been referenced on a few occasions this morning. The Bank of
8 Montreal and Nova Scotia Bank made an objection to the extent
9 that Canadian employees are being paid from cash collateral,
10 I believe that they have not identified any cash collateral
11 and the debtors now believe their contemplated payments would
12 be made from cash collateral. The debtors also further note
13 that the amount of the interim request for Canada is
14 relatively modest; less than \$780,000.

15 Moving on to just the amounts that we're talking
16 about here, the total prepetition amount that the debtors
17 seek to pay during the interim period is 29.4 million, of
18 which 28.7 million is on account of U.S. employee obligations
19 and, again, about 780,000 is on account of Canadian employee
20 obligations.

21 Page 4 of the motion has a breakdown by category
22 of the various U.S. amounts and Page 5 shows various Canadian
23 amounts in U.S. dollars with categories substantially similar
24 to the U.S. categories.

25 Now, if the Court has any questions about any of

1 these amounts or otherwise, I'm prepared to address them.

2 THE COURT: I do have one question. I just want
3 to confirm or have you confirm, this relates only to active
4 employees of the debtors, not to any of those terminated
5 employees?

6 MR. MACKINTOSH: So, Your Honor, there are two
7 categories that -- so, the short answer is, actually, it does
8 relate to some other employees that wouldn't be considered
9 active status. So, there are two categories of those other
10 employees; one is employees that are on furlough and these
11 are employees that the debtors hope to be able to call back
12 when business returns as this crisis subsides. And there are
13 1700 furloughed employees in the United States and 850
14 furloughed employees in Canada.

15 Now, these furloughed employees are not receiving
16 any -- they're not receiving any pay. They are receiving
17 benefits. The debtors have continued their benefits during
18 the furlough period and desire to continue to honor those
19 benefits obligations to those employees.

20 The second set of employees who are covered by the
21 request even on the interim basis are severed employees --
22 are terminated employees. And the debtors have unfortunately
23 had to terminate a fairly large number of employees over the
24 last two and a half months. So, just in the U.S. there are
25 about 14,000 employees who were terminated in a various set

1 of actions since April. And the terms of the severance
2 obligations to those employees are set by agreements, with
3 respect to salaried workers and are set by union contracts,
4 with respect to the hourly workers. These agreements, which
5 are all prepetition agreements, and all occurred within the
6 180 days prior to the petition date, in some cases, do
7 propose to pay these terminated employees in excess of
8 \$13,650.

9 The debtors have requested authority to pay them
10 only up to the statutory cap and this relief is the same
11 relief on an interim basis and on a final basis. And the
12 rationale for that request is twofold. First is that -- and,
13 again, these are, you know, undoubtedly entitled to priority
14 treatment as severance claims under the claim or
15 Section 507(a)(4), and the second reason is that these folks
16 have obviously suffered a very difficult disruption.

17 And the debtors, although, you know, are proposing
18 to pay them far in excess of the priority cap, obviously it
19 would be quite offensive to some of (indiscernible) to some
20 of the other parties' interests, paying them up to this
21 statutory cap only affects, again, the timing of the payment
22 and will hopefully ease the impact even on these terminated
23 employees, of these bankruptcy filings. These are
24 obligations that the debtors would need to meet under a plan
25 and the debtors submit that it's appropriate to avoid further

1 disruption in the lives of these folks who have,
2 unfortunately, had to be let go.

3 THE COURT: All right. Thank you for answering
4 that.

5 Let me see if anybody else has any questions or
6 objections to the motion or form of order?

7 (No verbal response)

8 THE COURT: All right. I hear none and I will
9 enter the order, as necessary, to keep the debtors'
10 operations going for the next interim period.

11 MR. MACKINTOSH: Thank you very much, Your Honor.
12 That will provide a lot of relief to the company and its
13 employees.

14 THE COURT: And I note that you did file a revised
15 order and that's the one that has been uploaded?

16 MR. MACKINTOSH: Yes, Your Honor. That's the
17 order that reflects the comments from the U.S. Trustee and I
18 believe resolves all of those outstanding comments.

19 THE COURT: All right. I'll enter that order,
20 then.

21 MR. MACKINTOSH: Thank you, Your Honor.

22 Your Honor, the next item on the agenda I also
23 will handle and this one is the tax motion. The request here
24 is to pay certain prepetition taxes and fees. Again, the
25 debtors' CFO, Mr. Jamere Jackson has attested to the facts in

1 the motion in his first day declaration and today's request
2 for taxes and fees is, again, limited to interim relief.

3 The proposed interim order would authorize, but
4 not direct, the debtors to pay certain prepetition taxes and
5 fees to various U.S. and Canadian taxing, licensing,
6 regulatory, and other authorities. Now, of this aggregate
7 19.5 million request on an interim basis, only 95 percent is
8 attributed to trust fund taxes. This large and
9 disproportionate share reflects what anyone who's ever looked
10 at a rental car receipt knows that rental vehicle
11 transactions are heavily taxed.

12 The debtors' rental car transactions
13 (indiscernible) are subject to sales taxes, use taxes, and in
14 some -- sales taxes, use taxes, motor vehicle rental taxes,
15 and in some cases, all of the above. These taxes are
16 typically paid monthly and the debtors have substantial
17 obligations coming due as soon as May 30th.

18 In addition to the sales, use, and motor vehicle
19 rental taxes making up that 95 percent of the interim ask,
20 the debtors also ask for authority to pay another \$800,000 in
21 property taxes, business licenses, and franchise taxes.

22 So, these sales-and-use taxes, being the 95
23 percent ask are appropriately the focus of our discussion
24 today. They are held in trust. They are collected by the
25 debtors from their customers and they must be remitted to the

1 applicable taxing authorities. They're not property of the
2 debtors' estates under Section 541(d) and the debtors'
3 estates are therefore not diminished by making the payments.

4 Moreover, these and all or substantially all of
5 the other \$800,000 requested for which authority is requested
6 to pay in the interim order, 800,000 and other -- the
7 additional 800,000, all of these would be payable under a
8 debtors' plan, pursuant to Section 1129(a)(9) in full.

9 So, paying these taxes now would serve only to
10 accelerate the payment, but not to increase it and, in fact,
11 payments now would actually decrease the payment. Interest
12 on these taxes will accrue at state law rates, under
13 Section 511(a) and in many cases, these interest payments are
14 substantial. Interest on the claims could be entitled to
15 priority under Sections 507 (indiscernible) or payable under
16 Section 506(b) on a secured property tax claim.

17 In addition, the debtors' managers and other
18 employees could be personally liable for failing to remit
19 trust fund taxes which would be extremely disruptive to the
20 debtors' efforts to reorganize. So, by the debtors' motion,
21 they also seek customary relief authorizing banks to honor
22 payments relating to the payments authorized by the motion.

23 The Office of the United States Trustee has had no
24 comments on a form of interim order and the only other
25 comment that we received on this form of interim order was

1 resolved without change.

2 Once again, the Bank of Montreal and Nova Scotia
3 Bank objected only to the extent Canadian taxes are paid from
4 their cash collateral (indiscernible). Again, they've not
5 shown there to be cash collateral and are due. We don't
6 believe that payments would be made from anything that could
7 possibly constitute cash collateral. In any event, the
8 amount of the Canadian taxes payable in the interim period is
9 just \$65,000.

10 THE COURT: Okay.

11 MR. MACKINTOSH: There's a chart, again, as with
12 the employee motion, showing what amounts are sought to be
13 paid by a category in the U.S. and in Canada; it's on Page 3
14 of the motion. And I would note that none of the taxes
15 sought to be paid pursuant to this motion are old taxes.
16 These are all current amounts and the debtors believe it's
17 reasonable to continue paying these taxes in the ordinary
18 course of its business.

19 If the Court has any questions, again, I'm happy
20 to answer them, but if not, the debtors submit this is
21 customary relief warranted under the circumstances and it
22 should be granted.

23 THE COURT: Okay. Well, I had no questions --
24 well, you've answered my questions.

25 Let me see if anybody else wishes to be heard on

1 this tax motion?

2 (No verbal response)

3 THE COURT: I hear none. I'll enter the order,
4 then. I note you have a revised order with the second day
5 hearing, so I'll enter that order.

6 MR. MACKINTOSH: Thank you very much, Your Honor.

7 With that, I will pass the virtual podium to my
8 colleague, Ron Gorsich.

9 MR. GORSICH: Good afternoon, Your Honor. Ron
10 Gorsich with White & Case, proposed counsel for the debtors.

11 Are you able to hear me?

12 THE COURT: I can.

13 MR. GORSICH: Thank you, Your Honor. I'll be
14 presenting the next two items on the agenda, starting with
15 the critical vendors.

16 MR. GORSICH: By this motion, we are seeking entry
17 of interim order authorizing, but not directing, the debtors
18 to pay prepetition claims of foreign and critical vendors,
19 confirming administrative expense priority status for
20 outstanding pretty big purchase orders, and granting the
21 related relief. The facts set forth in this motion, again,
22 have been attested to by Mr. Jackson, Hertz's CFO, in his
23 first day declaration.

24 You've heard a bit about the debtors' operations
25 already today and I'll try not to repeat too much of that as

1 we go through this, but the relief -- to put the relief
2 requested in this motion in context, it's important to
3 understand the scale of the company and how it operates.
4 Simple put: Hertz is everywhere. They're in 48 states and
5 have 1600 different airport locations, 2600 more off-airport
6 locations, and over 500,000 vehicles in their fleet. It
7 takes a very large network of vendors to make sure all of
8 those vehicles are kept in good condition and ready to go for
9 their customers and to keep all of those locations up and
10 running.

11 All in, the debtors rental business alone uses
12 over 40,000 vendors. This is compounded by the fact that the
13 debtors are so spread out and that they typically cannot have
14 large contracts with national suppliers for everything. Some
15 have to be, by necessity, smaller suppliers in areas where
16 they need -- where they may be the only realistic option for
17 a particular spot. These types of relationships are exactly
18 the type that often satisfy the rigorous test to be
19 considered a critical vendor.

20 With that in mind, the debtors seek an interim
21 relief on four areas. First, authorizing, but not directing,
22 the debtors to pay critical vendor claims and the foreign
23 vendor claims in a capped, aggregate amount of \$34.6 million
24 on an interim basis. To put this in perspective, this amount
25 is truly the bare minimum of what might be needed to avoid

1 business interruption. It represents less than 10 percent of
2 the total outstanding accounts payable as of the petition
3 date and also represents less than 10 percent of the total
4 40,000 vendors.

5 So, we've spent a good amount of time going
6 through the lists, working with the debtors, working with
7 FTI, analyzing each vendor to make sure it was truly critical
8 and qualified to be in this program, but to make sure that
9 they were essential, not replaceable, do not have an
10 executory contract in most instances, provide good pricing,
11 credit (indiscernible) terms, may have a 503(b)(9) claim,
12 could have a possessory, a mechanics, or other lien or that's
13 likely to return vehicles until paid or is a foreign vendor
14 or that could otherwise cause disruptions in the company's
15 business.

16 Just during the hearing, I've already gotten two
17 emails about cars that are trapped at locations because
18 vendors are holding them pending payment. It's a very real
19 issue for this company; they have a lot of cars and there's a
20 lot of places. And, candidly, Your Honor, we could not have
21 narrowed the vendor caps any more without causing extreme
22 concern and disruption for the company.

23 The second area of relief we're looking for is
24 confirming the administrative expense priority status of all
25 undisputed obligations of the debtors from prepetition

1 purchase orders outstanding with vendors and suppliers, of
2 goods and services ordered by the debtors but that not yet
3 have been delivered. I'd like to emphasize this point as it
4 was of particular interest to the Office of the United States
5 Trustee. In this relief, we're only seeking to pay for goods
6 and services delivered after the petition date that would be
7 considered an admin expense anyway, so that we do not have to
8 reissue a purchase order.

9 We are not seeking to pay any goods or services
10 delivered prior to the petition date. If they were part of a
11 petition order and they're prior to the petition date,
12 they're in the previous cap. We're not expanding that at all
13 by this.

14 With this clarification, we satisfied the concerns
15 of the Office of the United States Trustee regarding this
16 motion. I believe they have no further objections.

17 On the third point, the debtors request the
18 authority, but not direction, to make critical vendor
19 payments upon the conditions that, one, the debtors get to
20 determine who's included as a critical vendor in their sole
21 discretion. So, this is one area where we did receive
22 objection and it has been slightly modified in the amended
23 order with new Paragraph 4.

24 Do you have that have in front of you or I am
25 happy to read it into the record?

1 But in essence, we agreed to consult --

2 THE COURT: I have it, but you should read it for
3 the record.

4 MR. GORSICH: I'd be happy to.

5 The debtors shall consult with, one, Latham &
6 Watkins, LLP, as counsel to Barclays Bank PLC; two, Akin Gump
7 Strauss Hauer & Feld, LLP, as counsel to the ad hoc second
8 lien group; and three, Arnold & Porter, as counsel to the ad
9 hoc group of term lenders on a professionals-only basis, one
10 day prior to making any proposed payments to critical
11 vendors, except to the extent that the debtors determine that
12 providing such notice would be commercially unreasonable.

13 Getting back to the conditions for payment -- it's
14 number two -- if the vendor accepts payment, it has been
15 deemed to accept customary trade terms. Three, as necessary,
16 the debtors may condition payment on entry into a trade
17 agreement. Four, if a vendor accepts payment but then does
18 not follow the terms, the debtors can treat the payment as an
19 unauthorized post-petition transfer. And, finally, the
20 fourth area of relief is authorizing banks to honor payments
21 made pursuant to this motion and similar routine relief.

22 At this point, Your Honor, we have resolved the
23 issues from the Office of the United States Trustee and other
24 parties in interest. I do not believe there are any other
25 objections to the motion and to the extent you have any

1 questions, I'd be happy to go over them; otherwise, we
2 request that you enter the interim order.

3 THE COURT: You've answered my questions.

4 MR. HUEBNER: Your Honor, may I be heard?

5 THE COURT: Let me hear from -- is that Mr.
6 Huebner?

7 MR. HUEBNER: It is, Your Honor, and apologies for
8 popping up. It is Mr. Huebner.

9 So, we have no issue with this and as you know, we
10 actually did not file a written objection to anything, but
11 given that we are owed almost \$5 billion, I think that where
12 other parties will be talking more about in a few minutes are
13 now getting notice of specific things like this, we would ask
14 that to the extent it is a professionals' eyes-only list,
15 that Davis Polk be added to the list.

16 To the extent that it is a client list to these
17 various motions, as sort of, you know, core, noticed parties
18 like this, that Deutsche Bank, through its counsel, on
19 behalf -- with that sort of parity (indiscernible) very large
20 facility (indiscernible) we have no other concerns.

21 MR. LAURIA: Your Honor?

22 THE COURT: Any objection by the debtor?

23 MR. LAURIA: Your Honor, if I may be heard?

24 THE COURT: Yes. Who are you?

25 MR. LAURIA: This is Don Lauria --

1 THE COURT: Okay.

2 MR. LAURIA: -- with White & Case. Sorry for not
3 identifying myself, Your Honor.

4 I've tried to kind of let this pass through this
5 hearing on the hopes that we would have time, not today, but
6 in the future, to resolve this, but I think it's worth
7 noting. Mr. Huebner represents a group of creditors who are
8 not creditors in any shape, form, or respect of the debtors.
9 Indeed, they negotiated very hard in their financing
10 documents to be creditors (indiscernible) bankruptcy
11 (indiscernible) the special purpose vehicle.

12 So, we are really extending them a courtesy today
13 in listening to the creditor of a creditor in the court. And
14 I had hoped that we could pass on this and just take it up,
15 figure out a protocol that would work, but I think we have
16 just kind of gone a bit too far when a creditor of a
17 creditor -- not an actual creditor in the case -- is seeking
18 to review our critical vendor payments, which are designed to
19 sustain the business that they are not a creditor of.

20 And I just really think that the interference at
21 this point has to kind of be toned down. I look forward to
22 working with Mr. Huebner to getting to a resolution of this,
23 but it really has got to stop.

24 MR. HUEBNER: Sure. Your Honor, may I be heard on
25 that point, because it's a fair point to raise, but I

1 actually believe that including, given Your Honor's ruling on
2 the topic, the answer may be better than the question.

3 First of all, I would note that in Mr. Lauria's
4 affirmative presentation, as he quite straightforwardly put
5 up on the chart for all to see, you know, 15 billion of the
6 20 billion is owed to parties in the situation of my client,
7 so it's a little inconsistent to have on the one hand say,
8 Here is the debt that we're all here to resolve; on the other
9 hand, say that someone shouldn't even be allowed to be heard.

10 Second, as Your Honor, of course, also remembers,
11 the latter pages of his deck, they're actually almost
12 exclusively about their intentions, with respect to the
13 (indiscernible) debt and Section 365(d)(5). And so, again,
14 to say that we are somehow an interloper in this hearing,
15 that, frankly, is just vertiginous.

16 But then, of course, there is the law on which
17 Mr. Lauria, I believe, is actually just wrong. And so, just
18 for an example, as to Your Honor's own ruling in In re
19 Weinstein Holdings, LLC, 595 B.R. 455, (Bankr. D. Del. 2018),
20 I believe citing a Second Circuit case, In re James Wilson,
21 and others yet to be followed, the definition of "party in
22 interest" is actually quite broad and I think that the
23 parties (indiscernible) notes speak for 11 billion of the
24 19 billion that the debtors, themselves, put up on the screen
25 as why they're in Chapter 11, have a right to be heard or see

1 where everything is going, I think we're in a pretty strange
2 (indiscernible) indeed.

3 Again, we didn't file any written objections. We
4 worked out all of our comments consensually with the debtors.
5 I'm not really sure asking to see where the money is going,
6 because, again, I will have more to say. Nobody has made a
7 counter-set of remarks as to Mr. Lauria. I didn't want to
8 interrupt the flow before they launch right into the first
9 day motions. I think the cash collateral motion probably is
10 going to be the time where rounding out the record so that
11 the Court understands a few more things that were not in the
12 presentation, that are certainly germane to people owed \$15
13 billion here, is going to be quite important.

14 So, if we were (indiscernible) --

15 THE COURT: Well, let me -- Mister --

16 MR. HUEBNER: -- I would agree --

17 THE COURT: All right. Mr. Huebner, I'm not going
18 to order the debtor to share the CD list with you or your
19 client or counsel for your client at this stage because they
20 are creditors of nondebtors.

21 I have recognized that you are a party in interest
22 and entitled to notice in this case, but I think that that
23 stops at sharing the list of critical vendors on an interim
24 basis, anyway, and hopefully you can talk to Mr. Lauria or
25 counsel for the debtors and I'll deal with it on a final

1 basis if it's still an issue.

2 MR. HUEBNER: Absolutely, Your Honor, and thank
3 you.

4 MR. SALZBERG: Your Honor, if I may be heard.

5 THE COURT: Yes.

6 MR. SALZBERG: This is Mark Salzberg from Squire
7 Patton Boggs, we represent ATS Processing Services LLC and
8 American Traffic Solutions Consolidated LLC.

9 Our clients provide, among other things, whole
10 management and violation management services to both the
11 rental and fleet management businesses. And so doing under
12 various contracts that historically advanced over \$8 million
13 dollars per month on behalf of the debtors or three of the
14 debtors. There is, of course, a substantial amount owed to
15 my clients prepetition.

16 It's unclear from the critical vendor motion if
17 ATS or American Traffic will be deemed to be critical
18 vendors. We've reached out to counsel to discuss, but we
19 understand that they have certainly been inundated with
20 issues and inquiries. So, it's not surprising that we have
21 not yet spoken to counsel.

22 We want to just put on the record and advise the
23 court that we will likely file a motion next week, set for
24 hearing on the 25th, seeking an order directing the debtors
25 to make an early assumption rejection determination to

1 provide ATS with adequate protection. We will continue to
2 reach out and confer with counsel for the debtors and we hope
3 to reach some sort of resolution, but I want to put that on
4 the record.

5 THE COURT: All right. Thank you.

6 Mr. Gorisch?

7 MR. GORISCH: Hearing nothing else we would ask
8 that the order be entered, the interim order.

9 THE COURT: I will enter the order with those
10 revisions.

11 MR. GORISCH: Thank you, Your Honor.

12 Moving onto Item 11 on the agenda, Docket No. 23,
13 this is the debtors' motion for entry of interim and final
14 orders authorizing, but not directing the debtors to pay
15 prepetition claims of critical vendors, confirming the --

16 THE COURT: No. I think you're --

17 MR. GORISCH: I'm sorry, a final order authorizing
18 the debtors to pay airport authorities.

19 THE COURT: There you go.

20 MR. GORISCH: Reading the wrong line. Thank you.

21 Again, the facts set forth in this motion have
22 been attested to by Mr. Jackson, Hertz's CFO, in his first
23 day declaration. As I just said, Your Honor, Hertz is
24 everywhere, but where it's most prevalent is at airports.
25 Hertz is very well known for its airport vehicle rentals and

1 these are essential locations for the company. Maintaining
2 these locations will be an important part of the company's
3 recovery.

4 The company has 1,600 airport locations in the US
5 alone. The airport locations make up the majority of the
6 debtors' revenue and airport authorities are the only party
7 that the debtors can contract with to make sure that they can
8 continue to operate at these profitable locations.

9 By this motion the debtors seek interim relief in
10 three areas. First, the debtors seek to pay certain
11 prepetition claims of airport authorities located in the US
12 and Canada up to an interim cap of \$8.9 million dollars. I
13 would note that at this time the debtors are not discussing
14 any MAG or any other rent; that will only be addressed on a
15 final basis.

16 Authorizing the debtors to use reasonable exercise
17 of their business judgment to renew and replace bonds or
18 letters of credits supporting of any obligations owed to the
19 airport authorities. Three, as with other motions, seeking
20 to pay prepetition claims. We are also asking your debtor
21 authorized banks to allow such payments to go through.

22 We'll go over a couple of key points about the
23 three buckets of fees we are seeking to pay that were of
24 interest to the Office of the United States Trustee which we
25 have resolved.

1 First, concession fees are for a specific
2 percentage of revenue the debtor generates at an airport;
3 usually a 10 percent minimum. As such, they are calculate
4 continuously, are based on earnings at the airport and are
5 kept up to date. The bulk of the concession fees are from
6 May with a relatively small amount from April. So, these are
7 not old and cold charges.

8 Similarly, the customer -- the CFC, customer
9 facilities charges, are all from the month of May. Again,
10 these are typically charged and passed through to customers
11 and remitted to the airports.

12 The Conrac charges, which are fees from the
13 operation and maintenance of commentaries around the airport,
14 for busing, and passengers, and having the common use
15 facilities for rental car agencies are also up to date.
16 These are thinly capitalized joint enterprises between the
17 car rental companies and as such the fees are collected
18 monthly.

19 Second, all of the funds for both the concessions
20 fees, which are a percentage of the rental, and the customer
21 facility charges have already been collected from customers
22 and are due to the airports. CFC's are always a direct pass-
23 through charge that shows up separately on the customer's
24 invoices and concession fees.

25

1 Having explained these two points the U.S.T. had
2 no further questions or comments on the motion. And, again,
3 we have agreed to add new Paragraph 4 to the interim order
4 requiring that the debtors consult on a professionals basis
5 only, one day's prior notice, with the exception to the
6 extent that debtors determine that providing such notice
7 would be commercially unreasonable.

8 Would you like me to read that into the record
9 again, Your Honor?

10 THE COURT: Yes, please.

11 MR. GORISCH: New Paragraph 4, the debtors shall
12 consult with Latham & Watkins LLP, as counsel to Barclay's
13 Bank. Two, Akin Gump Strauss Hauer & Feld LLP as counsel to
14 the ad hoc second lien group. Three, Arnold & Porter as
15 counsel to the ad hoc group of term lenders on a professional
16 basis only one day prior to making any proposed payments on
17 account of airport authority claims except to the extent that
18 the debtors determine that providing such notice would be
19 commercially unreasonable.

20 As there have been no other objections to motion,
21 Your Honor, with that, unless the court has any questions, we
22 would request that the court enter the revised interim order.

23 THE COURT: I had no questions.

24 Does anybody else wish to be heard?

25 MR. SMITH: Yes, Your Honor.

1 THE COURT: Yes.

2 MR. SMITH: Eric Smith, Kaplan Kirsch & Rockwell,
3 on behalf of the City of Atlanta, the owner operator of the
4 Hartsfield Jackson International Airport, on behalf of the
5 Memphis Shelby County Airport Authority, the owner/operator
6 of Memphis International Airport, and the Hillsborough County
7 Aviation Authority, the owner/operator of the Tampa
8 International Airport.

9 These airports do generally support debtors'
10 motions, but they have a couple of concerns. Unfortunately,
11 we weren't able to get all the documentation together that
12 would enable us to file a written objection. We will be
13 filing a very limited objection before the June 18th deadline
14 that generally will concern how CFC's were defined under the
15 motion and reservation of rights with respect to the nature
16 and ownership of CFC's, but we will also be reaching out to
17 debtors' counsel and expect to have it all worked out before
18 the final hearing. We expect it to just be a minor tweak to
19 the final order and we have plenty of time to get that done,
20 but I just wanted to let counsel know that we have that
21 coming and we're committed to working and will work it out.

22 THE COURT: All right. Thank you.

23 MR. GORISCH: Thank you. We appreciate that. I'm
24 sure we will be able to work it out.

25

1 THE COURT: All right. Then I will -- anyone
2 else?

3 MR. MINUTI: Your Honor, Mark Minuti. May I be
4 heard briefly?

5 THE COURT: You may.

6 MR. MINUTI: Thank you, Your Honor. Mark Minuti,
7 Saul Ewing Arnstein & Lehr. I will be extremely brief. We
8 represent the Allegany County Airport Authority, that's the
9 operator of the Pittsburgh International Airport.

10 We filed a response. We do not in any way oppose
11 the motion, but the motion does describe the agreements with
12 the airports. It touches on the debtors' position relative
13 to the CFC's. We have a different view. Your Honor is not
14 being asked to decide anything with respect to that today.
15 So, what we really did was just reserve rights. Like counsel
16 before me, our intent is to work it out before the final
17 hearing, but we just wanted to go on the record with our
18 reservations.

19 Thank you.

20 THE COURT: All right. Thank you.

21 MR. COLLINS: Good afternoon, Your Honor. May I
22 be heard?

23 THE COURT: You may.

24 MR. COLLINS: Michael Collins. I'm with Manier &
25 Herod, representing Westchester Fire Insurance Company. And I

1 represent the surety side of Westchester. You may hear from
2 the insurance side of Westchester later on in this hearing.

3 The surety side of Westchester has issued about 35
4 million of surety bonds that support the concessionaire
5 agreements that we have been discussing here. Right now --
6 and I've talked with Mr. Gorisch this morning and I think
7 we're going to resolve our issues.

8 Our issue primarily is that we need a little more
9 definition in the release because the bonds that we have will
10 be coming up for renewal. They are typically issued on an
11 annual basis, and as they come up for renewal the debtors
12 need to be in a position to be able to work out the details
13 of a go forward surety credit facility. Typically what we
14 see in first day motions will grant more authority to do that
15 then what we've seen and what's before the court today.

16 So, hopefully we will get with Mr. Gorisch and
17 work out those details, and have that resolved prior to the
18 final hearing, Your Honor. Thank you.

19 THE COURT: All right. Good. Thank you.

20 Anyone else?

21 (No verbal response)

22 THE COURT: All right. Then I will enter the
23 order, the revised order that's been uploaded and we'll
24 continue this to the final hearing.

25 MR. GORISCH: Thank you, Your Honor.

1 Moving onto Agenda Item 12, customer programs.
2 The debtors' motion for entry of interim order authorizing,
3 but not directing the debtors to maintain their existing
4 customer programs and honor certain prepetition customer
5 obligations, and granting relief related thereto. Again, the
6 facts set forth in the motion have been attested to by Mr.
7 Jackson, Hertz's CFO, in his first day declaration.

8 The customers have come to trust the Hertz name
9 over the last century. Hertz cannot operate without its
10 loyal customers. If we have no customers we have no
11 business. I think COVID has proven that to be very true.
12 Fierce competition in the rental industry makes it crucial
13 that Hertz remain a brand its customers can trust, especially
14 now with the public's attention on the bankruptcy that the
15 debtors need to be able to assure their customers who may be
16 wondering right now whether they are out their points, which
17 many people focus on and treasure quite dearly, and that
18 Hertz is going to make good on its promises to its loyal
19 customers. If we cannot do this there's a big risk that
20 loyal customers will switch to another brand.

21 With that in mind today the debtors are seeking
22 entry of an interim order in two areas; first, authorizing
23 them to honor and maintain their existing customer programs
24 in the ordinary course, and pay certain prepetition
25 obligations relating to customer programs, and, second, as

1 with other motions, seeking to pay prepetition claims, Your
2 Honor. We'd also ask that you authorize banks to allow such
3 payments to go through.

4 The majority of the customer programs we seek to
5 honor have no cash outlay. As I mentioned, the customer
6 points, this can be used to secure future vehicles, but they
7 have no cash value. Business rewards programs include
8 corporate discounts and rates, again no cash value. Certain
9 promotions, coupons, discounts, upgrades, free rentals,
10 vouchers, initiatives, all of these are very important things
11 that they foster the relationship with the customer without
12 having a specific cash outlay.

13 We also seek authority to make payments where
14 there is a cash outlay. The largest one of these is prepaid
15 charges and reservations. Customers have the option of
16 prepaying reservations in order to access special rates.
17 They then are allowed to cancel under certain conditions and
18 get a refund. With the pandemic the debtors have added the
19 flexibility to allow prepaid charges to be applied to
20 reservations made in the next twenty-four months. So, in our
21 experience most cases people will wait and use that in that
22 manner; however, we want to make sure that we have the
23 authority to provide any refund that customers would like
24 under the terms of their agreement.

25

1 This area specifically we did discuss with the
2 Office of the United States Trustee who was concerned about
3 not having a cap on an interim basis. So, we agreed to
4 include a \$10 million dollar cap in the interim order. In
5 response to those concerns we added new Paragraph 4 to the
6 order which I will read into the record.

7 "Notwithstanding anything in this order to the
8 contrary during the interim period, the debtor shall neither
9 (I) refund any amounts on account of the business deposits or
10 Donlen deposits or (II) refund more than 10 million in
11 prepaid charges without seeking further relief from the
12 court."

13 That was in what we filed. I'm just highlighting
14 it for Your Honor that we added that after discussions with
15 the U.S.T.

16 THE COURT: All right. Anything else?

17 MR. GORISCH: With that, Your Honor, I don't
18 believe we have any other objections to this motion and we
19 request that the interim order be entered.

20 THE COURT: Does anybody else wish to be heard?

21 (No verbal response)

22 THE COURT: All right, I will enter the order. I
23 have no questions.

24 MR. GORISCH: Thank you, Your Honor.

25 Moving onto agenda item number 13, franchise

1 motion. This is the debtors' motion for entry of interim
2 order only here authorizing but not directing the debtors to
3 honor prepetition obligations, the non-debtor franchisees in
4 the ordinary course and granting related relief.

5 As with the other motions, the facts set forth in
6 the motion have been attested to by Mr. Jackson, our CFO, in
7 his first-day declaration. This is particularly important
8 for this motion as it resolved the only concern that the UST
9 had relating to the evidentiary basis. With that
10 understanding, the office of the United States Trustee
11 believed that there was sufficient basis in the motion and
12 has no further objection.

13 As we discussed, the company has numerous and
14 significant franchisees relationships that are very important
15 on a global market. Nearly half of the company's locations,
16 over 6,000 locations, are franchisees; 383 of which are in
17 the United States; 5200 are spread over approximately 150
18 countries and territories around the globe. This scale
19 demonstrates the continuing operation of the franchisee
20 locations and is crucial to maintaining the debtors' global
21 presence and brand-name recognition.

22 The company's franchisee program is profitable and
23 the company realizes the significant net gain by continuing
24 to maintain it. In order to offer their customers a seamless
25 experience no matter where they are in the world or if they

1 are at a corporate location or a company location or a
2 franchisee location, regardless of where they go, it is
3 essential that the debtors provide the same service, customer
4 programs, and corporate accounts at franchisees as they do at
5 company locations anywhere in the world.

6 To do this, the company and the franchisees must
7 provide consistent service, regardless of whom should
8 ultimately bear the expense or who receives the funds for any
9 given rental. Some of the items that go into this are
10 royalties the franchisees (indiscernible), reservation fees
11 that come through a centralized system, third-party
12 reimbursements, one-way rentals, and one of the biggest items
13 is centralized billing for corporate accounts.

14 If a corporate customer for a large U.S. company
15 travels abroad, they utilize the same corporate accounts
16 rent-a-car in Italy as they would in the U.S. and it gets
17 billed through the U.S. and is netted out as part of the
18 system. I believe you heard about this earlier in the
19 context of Mr. Lauria's presentation.

20 At the end of each month, the debtors' automated
21 batch system produces a statement detailing the franchisee
22 obligations and sets off the total amounts payable and
23 receivable and comes up with a net result. This is an
24 automated netting process that is done each month. And by
25 this motion on an interim basis, the debtors are simply

1 requesting to run the netting for May in the ordinary course
2 of business and pay out any amounts owed to the franchisees
3 as a result.

4 Based on the April process, this is expected to
5 result in, after all the netting is done and the obligations
6 are settled, approximately \$1 million dollars of invoices
7 that the debtors will have to pay to franchisees while it
8 should result in approximately \$17 million dollars of
9 receivables from franchisees. We would expect non-debtor
10 subsidiaries to have to pay out approximately \$2 million
11 resulting in a net gain to the company of approximately \$14
12 million dollars as part of this netting process.

13 Not only this but failing to run this process
14 could negatively impact the debtors' ability to maintain its
15 relationships with franchisees and it would needlessly put
16 the global reach that they are able to maintain by licensing
17 their brand names around the world in jeopardy.

18 With that, Your Honor, we would request interim
19 relief authorizing the debtors to, one, run their automating
20 netting process for the month of May in the ordinary course
21 of business, including netting prepetition amounts against
22 post-petition amounts; issue related statements for the month
23 of May to franchisees and settle those statements in the
24 ordinary course by obtaining any obligations owed to them.

25 As I said, we have resolved any conflicts with the

1 office of the United States Trustee. I do not believe there
2 are any other objections to this motion. Unless Your Honor
3 has any questions, I would ask that you enter the interim
4 order.

5 THE COURT: Does anybody else wish to be heard?

6 MR. DEMMY: Yes, Your Honor.

7 THE COURT: All right, go ahead.

8 MR. DEMMY: Your Honor, John Demmy of Saul Ewing
9 Arnstein & Lehr. We represent an entity, an organization
10 called FACT Inc. which is an organization comprised
11 franchisees or licensees, as they're sometimes called.
12 There's approximately thirty in our group.

13 And I want to say at the outset, we're happy about
14 this motion and generally support the motion and simply
15 wanted to raise our support and also advise the court that
16 historically there's been a process involved in the ordinary
17 course in which there's some discussion and reconciliation of
18 the netting process and the amounts that result from the
19 netting process that was described by debtors' counsel. And
20 it's our intent to engage in that process going forward in
21 the ordinary course and to work constructively with the
22 debtors to ensure that the process proceeds as it has
23 historically in the ordinary course.

24 And other than that, Your Honor, I would say that
25 we support the motion and look forward to rolling forward and

1 working with the debtor as we go to a final hearing.

2 THE COURT: All right, thank you. Anybody else?

3 (No verbal response)

4 THE COURT: All right, I have no questions on this
5 motion, and I will enter the order in order to allow the
6 debtors' business to operate as smoothly as possible.

7 MR. GORISCH: Thank you, Your Honor. With that,
8 I'll turn over the virtual podium to my colleague, Andrea
9 Amulic.

10 MS. AMULIC: Good afternoon, Your Honor. Andrea
11 Amulic from White & Case, proposed counsel to the debtors and
12 debtors-in-possession. Can you hear me okay?

13 THE COURT: I can.

14 MS. AMULIC: Great. I would first like to echo my
15 colleague's previous statements and thank the court for
16 accommodating us virtually today.

17 The next item on the agenda is agenda item 14, the
18 debtors' insurance motion which was filed at Docket Number
19 26.

20 The facts set forth in this motion have been
21 attested by Mr. Jackson in his first-day declaration. By
22 this motion, the debtors seek authority to continue and
23 maintain existing insurance policies and pay all insurance
24 obligations and premium finance obligations arising in the
25 ordinary course.

1 The debtors seek authority to pay in the interim
2 period \$5.95 million on accounts of prepetition claims and
3 obligations. This interim amount comprises four million in
4 premium payments on account of the debtors' liability
5 insurance supplement programs, as well as \$1.95 million in
6 reimbursements to third-parties that administer the debtors'
7 insurance program that are subsequently reimbursed by drawing
8 on accounts of the debtors.

9 The debtors are required to maintain insurance as
10 a matter of law and maintenance of their insurance programs
11 is essential to their business. The debtors have made every
12 effort to ensure that this requested interim amount is as
13 well as possible without threatening the viability of the
14 insurance program.

15 The debtors also seek authority to renew, extend,
16 supplement or replace insurance policies as needed in their
17 business judgment to continue using Marsh as their insurance
18 broker; retain any other insurance broker they deem necessary
19 in their business judgment and to pay related broker fees in
20 the ordinary course; to authorize banks to facilitate
21 payments on account of insurance obligations and premium
22 finance obligations and; a limited modification of the stay
23 to permit the debtors' employees to proceed with worker's
24 compensation (indiscernible).

25 Very briefly the debtors' insurance policies

1 (indiscernible).

2 THE COURT: Nothing; go ahead.

3 MS. AMULIC: Sorry. The debtors' insurance
4 policies include without limitations general liability,
5 property, auto, worker's compensation, directors and officer
6 liability, special (indiscernible) and (indiscernible)
7 liability. The debtors either pay their premiums in full or
8 they finance the premiums through a premium finance agreement
9 with Opco, which are paid in quarterly installments, and the
10 debtors are current on all premiums in the relevant policy
11 period.

12 The debtors also maintain a liability insurance
13 supplement program through which they offer customers the
14 ability to purchase supplemental insurance when they're
15 renting cars at the counter. This is a very valuable and
16 necessary part of this debtors' insurance regime.

17 Debtors' (indiscernible) separately maintain
18 property, general liability, vehicle, umbrella access, cyber
19 and crime liability policies and is current on payments in
20 the relevant policy periods thereafter.

21 The debtors also self-insure their auto liability,
22 general liability and employer's liability insurance. Two of
23 the company non-debtor subsidiaries hire Bermuda Limited and
24 Probus Insurance Company Europe Limited provide direct or
25 indirect reinsurance coverage in the United States and Europe

1 respectively.

2 The debtors also maintain twenty-four surety bonds
3 and five letters of credit which are required for compliance
4 for self-insurance requirements.

5 Finally, the debtors work with Marsh's insurance
6 broker and they're current on all payments to Marsh in the
7 policy period.

8 Exhibit C which is attached to the motion filed as
9 a chart with details regarding the policies and premiums.

10 I'm happy to walk through any of the programs in
11 more detail if the court has questions.

12 THE COURT: I have no questions.

13 MS. AMULIC: Sorry?

14 THE COURT: I don't have any questions with
15 respect to any of them.

16 MS. AMULIC: Great. Okay. Therefore, the debtors
17 submit that the continuation of the insurance policies and
18 payments of insurance obligations and premium finance
19 obligations in the ordinary course is appropriate with
20 (indiscernible) Section 105(a) and 363(b), as well as the
21 Doctrine of Necessity. Payments of the insurance obligations
22 is also consistent with the debtors' fiduciary duties to
23 maximize the value of the bankruptcy estate under 1107(a) and
24 1108.

25 Disruption of debtors' insurance coverage would

1 cause irreparable harm including the incurrence of direct
2 liability and material costs and losses on account of insured
3 claims, the loss of good standing certification
4 (indiscernible) in all jurisdictions in which they operate
5 and the inability to obtain or exorbitant pricing on
6 obtaining similar replacement coverage.

7 The debtors accordingly request that the relief be
8 granted. The relief requested is standard and is routinely
9 granted in Chapter 11 cases.

10 We have provided a copy of the proposed order to
11 the U.S. Trustee and have received no comments. We did
12 receive minor comments from counsel to Chubb and ESIS, the
13 claims administrator, and have made minor revisions to the
14 order in accordance of those comments.

15 The revised order has been lodged. I'm happy to
16 walk through the comments and read them into the record if
17 Your Honor would like.

18 THE COURT: I think you should do that.

19 MS. AMULIC: Okay. On the first page, there's
20 just a movement of the defined term, insurance obligation.

21 THE COURT: Okay.

22 MS. AMULIC: Page 2, subclause three, the request
23 for authority to renew, revise, extend, supplement, change or
24 enter into new insurance coverage and engage in related
25 transactions as needed. The new language is and engage in

1 related transactions.

2 There's also a clarifying footnote which says for
3 the avoidance of doubt. The term insurance policy shall
4 include all insurance policies including those providing
5 worker's compensation coverage and those providing LIS
6 coverage issued or providing coverage at any time to the
7 debtors and any agreements related to insurance policies or
8 self-insured programs, whether or not listed on Exhibit B of
9 the motion.

10 On the next page, paragraph two, there's
11 additional language after the term the LOCs, which read, "And
12 any surety bond provided as security for insurance
13 obligations."

14 Paragraph four on the same page provides, without
15 further order of this court, the debtors are authorized but
16 not directed to renew, revise, extend, supplement or change
17 any of the insurance policies. Then there's new language,
18 and any collateral security required in connection therewith,
19 including, but not limited to, LOCs and surety bonds.

20 There's also clarifying footnote on this page
21 which says, for the avoidance of doubt, the term insurance
22 obligation shall include all premiums, deductibles, self-
23 insured amounts, administration fees and costs, bonds,
24 broker's fees, (indiscernible) and all other amounts arising
25 under or in connection with insurance policies.

1 Then on the next page, there's a clarifying
2 footnote on worker's compensation policies. It says, for the
3 avoidance of doubt, the term WC policy shall include all
4 worker's compensation insurance policies issued or providing
5 coverage to the debtors or their predecessors and any
6 agreements related thereto.

7 Finally, there's just the entry of the final order
8 dated -- sorry; the final hearing date and objection deadline
9 in paragraph fourteen.

10 THE COURT: Okay. Does anybody else wish to be
11 heard on the motion then?

12 MR. COLLINS: Yes, Your Honor. Very briefly, if I
13 may.

14 THE COURT: And you are?

15 MR. COLLINS: This is Michael Collins, again, for
16 Westchester Fire Insurance Company.

17 Westchester is a subsidiary of Chubb Companies, so
18 you'll see Chubb referenced a lot on the documents.

19 Again, we kind of came a little bit late to this
20 and I spoke with counsel for the debtors this morning. We
21 have some issues with the phraseology and the way the bonds
22 are treated under this motion, and a little bit of a gap with
23 some other bonds that we have out there. Again, we'll look
24 forward to working with the debtors in relation to the final
25 order.

1 We just reserve our rights with regard to this
2 interim that we have some issues in terms of how the relief
3 is being granted. But I do think those can be worked out
4 pretty easily once we get to the final order, Your Honor.
5 Thank you.

6 THE COURT: All right, thank you. Anybody else?

7 MS. HEITZENRATER: Yes, Your Honor. Can you hear
8 me?

9 THE COURT: I can.

10 MS. HEITZENRATER: Good afternoon, Your Honor.

11 This is Catherine Heitzenrater from Duane Morris on behalf of
12 Chubb and ESIS. And we represent the insurance side of Chubb
13 as compared to Mike's surety side or, Mr. Collins, excuse me;
14 surety side.

15 We appreciate the debtors' inclusion of certain of
16 the changes that we requested to the interim insurance order,
17 but we do anticipate having negotiations with the debtors
18 with respect to some additional language that we would like
19 to add and we just reserve our rights with respect to that
20 and look forward to working toward a resolution.

21 THE COURT: Okay. Anybody else?

22 (No verbal response)

23 THE COURT: All right, then I will enter the order
24 as it has been revised. Thank you.

25 MS. AMULIC: Thanks very much, Your Honor.

1 I will now cede the screen to my colleague, Andrew
2 Mackintosh.

3 MR. BROWN: I think you mean Matthew Brown.

4 MS. AMULIC: Sorry. I mean Matthew Brown.

5 MR. BROWN: Good afternoon, Your Honor. Matthew
6 Brown of White & Case, proposed counsel to the debtors. Can
7 you hear me okay?

8 THE COURT: I can.

9 MR. BROWN: Great. Your Honor, I'm going to be
10 taking up the next item on the agenda, item 15 which is the
11 equity trading motion, lodged at Docket Number 27 for which
12 today we're only seeking interim relief.

13 As with the other motions presented today, the
14 facts will predicate requested in the emergency -- I'm sorry;
15 equity trading motion have been attested to by Mr. Jackson,
16 the company's CFO.

17 Your Honor, pursuant to the motion, the debtors
18 are seeking two types of interim relief. First, the debtors
19 are seeking to establish notification and hearing procedures
20 relating to transfers of equity securities or beneficial
21 interest in the debtors which would apply only to
22 transactions by which would result in a person becoming or
23 ceasing to be a holder of 4.5 percent or more of the equity
24 securities in debtors' Hertz Global Holdings.

25 Second, Your Honor, we'd be asking the court to

1 establish the petition date, May 22nd, as the record date
2 related to potential claims trading procedures that would
3 only come into effect pursuant to a final order and then only
4 if and when the debtors seek to confirm a plan of
5 reorganization that would utilize Section 382(1)(5) of the
6 Internal Revenue Code to maximize the use of their net
7 operating losses or NOLs.

8 As I'm sure Your Honor is aware, this type of
9 relief is often requested in large cases where the debtors
10 have NOLs and other tax attributes that they seek to protect.
11 If trading in the company's equity is not monitored, it is
12 possible that an ownership change could be deemed to occur
13 under federal and state (indiscernible) laws, in which event
14 the company would be severely limited in using its net
15 operating losses and other tax attributes.

16 In that regard, in the current case, as of
17 December 31st, 2019, Your Honor, the debtors' estimated tax
18 attributes included, without limitation, federal NOLs of
19 approximately \$9 billion and approximately \$5.3 billion of
20 state NOLs.

21 To maintain this tax attributes could provide
22 significant value to the debtors' stakeholders if these cases
23 progress. As such, through the motion, the debtors are
24 seeking approval on an interim basis at this time of
25 procedures that will allow the debtors to monitor the trading

1 in Hertz stock.

2 Specifically, the proposed equity trading
3 procedures require that substantial holders, that is holders
4 of, at least, 4.5 percent of Hertz stock, identify themselves
5 to the court and that certain trades in Hertz stock be
6 approved by the debtors or, if the debtors object, then by
7 the court.

8 The transactions that would be subject to such
9 procedures, Your Honor, are purchases by substantial
10 shareholders, purchases that would result in a person
11 becoming a substantial shareholder, and sales by substantial
12 shareholders including sales that would result in a person no
13 longer be a substantial shareholder.

14 In each case, Your Honor, the substantial
15 shareholder would have to give thirty-days advance notice to
16 the debtors of a proposed transaction and the debtors would
17 then have twenty-days to respond or object. If an objection
18 is filed by the debtors then the transaction may not proceed,
19 absent court approval.

20 Your Honor, we believe these procedures are fairly
21 standard in a case of this size and complexity. We believe
22 their reasonable and here are necessary to allow the debtors
23 to insure they preserve the value of their substantial tax
24 attributes for their estates.

25 With respect to the second (indiscernible)

1 requested setting the record date, Your Honor, the debtors
2 are not seeking substantive relief in the interim order.
3 Instead, the debtors are seeking only that the court set the
4 petition date as a record date so that debtors can provide
5 notice to claimholders. The debtors may, at some later time,
6 seek to have claims sold down to permit the debtors to
7 consummate a plan of reorganization that maximizes the use of
8 the debtors' NOLs and other tax attributes.

9 Your Honor, the motion was served on, among
10 others, the debtors' equity holders owning 5 percent or more
11 of the Hertz stock and no objections were filed with respect
12 to the interim relief requested and we are aware of none. We
13 did, however, receive several comments from the office of the
14 United States Trustee which comments we accepted and
15 incorporated into a revised form of order which I believe
16 Your Honor should have. And if it's okay, I'll just walk
17 through what those changes are. They're relatively simple.

18 At the request of the trustee, we deleted from the
19 order completely paragraph seven on page 5 and paragraphs
20 ten, eleven and twelve, all which went to essentially deeming
21 that the notice of the record date was sufficient which is an
22 issue we can take up at the final hearing, if necessary.

23 So unless Your Honor has any questions, we would
24 ask that the order be entered, as revised and submitted.

25 THE COURT: All right, does anybody else wish to

1 be heard?

2 MS. RICHENDERFER: Your Honor, this is Linda
3 Richenderfer from the office of the United States Trustee.

4 Just a point of clarification there. That the
5 provisions that were removed concerned claims and potential
6 purchases of claims. They did not go to shareholder equity,
7 substantial shareholders. And so, seven, ten, eleven and
8 twelve have been completely taken out. And so, at this point
9 in time, there is nothing is deemed to be noticed to
10 claimholders or to potential purchasers of claimholders of a
11 potential sale down order.

12 THE COURT: Okay.

13 MR. BROWN: We agree with that, your Honor.

14 THE COURT: And you're not seeking anything on the
15 (indiscernible) to claims trading. All right. Anybody else
16 wish to be heard?

17 (No verbal response)

18 THE COURT: All right, I'll enter the order then
19 on an interim basis.

20 MR. BROWN: Thank you very much, Your Honor. And I
21 will cede the virtual podium to my partner, David Turetsky.

22 MR. TURETSKY: Good afternoon, Your Honor. David
23 Turetsky of White & Case on behalf of the debtors. Can you
24 hear me, Your Honor?

25 THE COURT: I can.

1 MR. TURETSKY: Let me start out by thanking Your
2 Honor for your consideration this afternoon and saying how
3 nice it is to see Your Honor, even at a distance. I do help
4 you're doing well and those in your chambers are doing well
5 and that your family is all well.

6 I will be presenting the debtors' motion for
7 agreed interim order authorizing the use of Donlen cash
8 collateral and granting adequate protection and that motion
9 was filed at Docket Number 137.

10 Let me start out by acknowledging that we did file
11 it last night which we recognize from Your Honor's
12 perspective sometimes it's not ideal, but we are also mindful
13 that there are benefits and very strong benefits having
14 consensual agreements, even if only an interim basis early in
15 the case.

16 The motion was proposed -- and the proposed orders
17 were served on the notice parties last night, and by email,
18 and by first-class mail this morning. There's an affidavit
19 of service that was filed by Sebastian Higgins of Prime
20 Clerk. That is at Docket 139 and that's substantially a
21 service of this motion.

22 We're also relying on the background facts that
23 were in the first-day declaration that Mr. Shore introduced
24 earlier today.

25 Your Honor, as my partner, Mr. Lauria, alluded to

1 earlier in his remarks, the debtors have entered the Chapter
2 11 cases with approximately \$883 million of cash, the
3 majority of which the debtors contend is unencumbered. The
4 debtors intend to use that unencumbered cash, as well as
5 post-petition receivables that the debtors similarly contend
6 is unencumbered to fund the early stages of the case.

7 With that said, the debtors also acknowledge that
8 there is certain cash that is cash collateral. And so, I
9 would like to walk you through those categories because I
10 think it lays the groundwork for what we've done in this
11 motion and in this order.

12 The first is that the debtors acknowledge that
13 Sidecar cash is cash collateral. And this is cash that
14 results from the sale of used cars that were financed using
15 the proceeds of the debtors' Sidecar facility. And so, you
16 will see there is a separate order for the Sidecar facility.

17 The other cash that the debtors acknowledge is
18 cash collateral is cash collateral belonging to the
19 prepetition secured parties. And by prepetition secured
20 parties -- it's a defined term in our motion, and I am
21 referring to the RCF lenders, the term lenders, the second
22 lien noteholders.

23 And we think that there is a very limited amount
24 of cash collateral that we can substantiate belongs to them.
25 And that is proceeds of contracts that were completed prior

1 to the petition date and certain proceeds of contracts that
2 were either received prior to petition date or maybe received
3 post-petition.

4 In addition to that, there is cash that resides in
5 certain accounts at JPMorgan. Those accounts include the THC
6 master account which is referred to in the motion; the THC AP
7 account, also referred to in the motion and; the DTG AP
8 account.

9 Now for that cash collateral, we acknowledge that
10 cash collateral that is included in those accounts is cash
11 collateral and it may be Sidecar collateral and it may be the
12 prepetition secured parties cash collateral.

13 And then, finally, there is Donlen cash collateral
14 which is cash that is used to fund the Donlen business. And
15 the debtors recognize that that cash collateral is cash
16 collateral of the prepetition secured parties.

17 So that is the debtors' position and it may not
18 shock Your Honor to hear that there have been some debates
19 about the extent of the unencumbered cash and that the
20 prepetition secured parties, you know, may disagree, and I
21 would think they would tell you they do disagree with the
22 debtors' conclusion.

23 But with that said and in effort to create peace
24 and resolve concerns, at least on an interim basis, and
25 hopefully it has laid the predicate for additional

1 discussions that may occur, which hopefully will resolve in
2 more long term peace, debtors agreed and engaged in
3 negotiations with the prepetition secured lender and with the
4 Sidecar lenders.

5 And what we have arrived at is an agreement
6 whereby the debtors will be permitted to use the cash they
7 believe is unencumbered to fund their business, to use the
8 Donlen cash to fund the Donlen business, you know, for
9 general corporate purposes, as well as for Donlen's allocated
10 cost for the Chapter 11 case. And that's important because
11 the Donlen business is costly to run, so it's a significant
12 (indiscernible). And then to postpone for another day the
13 disputes on cash collateral.

14 And so, what the debtors, the prepetition secured
15 parties and the Sidecar parties have agreed to, through
16 separate orders, is to provide a limited adequate protection
17 package to the parties. And you'll note, Your Honor, that
18 this is a limited adequate protection package where there's
19 no current interest, there's no 506(c) waiver, but I can walk
20 you through what that package looks like.

21 The first element of adequate protection is that
22 the Donlen cash will be segregated, so that cash will be put
23 into account and used solely for purposes of running the
24 Donlen business. Cash collateral that is collected in the
25 JPMorgan accounts that I referred to earlier will similarly

1 be put into a segregated account at an institution that both
2 the Sidecar lenders and the prepetition secured lenders agree
3 to.

4 There will separately be the segregation of
5 corporate cash collateral that is outside of the JP account,
6 again that's that limited proceeds of contract and that will
7 be at an institution that is mutually satisfactory to debtors
8 and to the prepetition secured parties.

9 And, lastly, as part of the Sidecar order, there
10 will be a segregation of all Sidecar cash that comes in
11 during the cases and it will be segregated for the benefit of
12 the Sidecar parties in an account that the Sidecar parties
13 agree to.

14 There will be weekly reporting requirements
15 relating to the Donlen and the corporate cash collateral, as
16 well as to the Sidecar collateral. There is a silent
17 adequate protection lien for each of the prepetition secured
18 parties, as well as the Sidecar parties.

19 And by silent, I mean it's a replacement lien for
20 collateral that, you know for diminution and collateral, but
21 the lenders and the beneficiaries of that lien are not able
22 to assert that lien as a basis for objecting to a DIP. Their
23 sole remedy with respect to that lien is distribution under a
24 plan. So, it is more limited than their typical adequate
25 protection lien.

1 And then they will get -- the parties will get
2 502(b) claims for diminution and value, you know both the
3 Sidecar lenders and the prepetition secured lenders. They'll
4 get payments of reasonable professional fees. The Sidecar --
5 sorry, the prepetition lender's cash collateral agreement
6 runs through and right to use Donlen collateral, particularly
7 runs through the day after the next hearing which is June
8 26th, if you assume a 25th hearing, or if the court enters a
9 different order.

10 And, finally, the parties will get 552(b) rights
11 on a limited basis for the prepetition secured parties that
12 will be with respect to Donlen collateral and for the Sidecar
13 parties that will be with respect to the Sidecar agreement.

14 The parties, importantly, are retaining all rights
15 and all parties, you know, recognize that the court is not
16 being asked to make findings of priority of perfection,
17 enforceability or avoidability of liens. All rights are
18 reserved and all parties may request that the court modify
19 the adequate protections even retroactively.

20 So that, in a nutshell, is the adequate protection
21 package and the order that the debtors have negotiated. I'm
22 happy to walk you through, to the extent that Your Honor has
23 any questions. And let me leave it at that for the moment
24 before taking you through some changes that we've made to the
25 order.

1 THE COURT: All right, no I did have a chance to
2 read them. I have no questions, but let me hear if any other
3 parties wish to be heard?

4 MS. UHLAND: Your Honor, can you hear me?

5 THE COURT: I can.

6 MS. UHLAND: Yes, hi. This is Suzanne Uhland with
7 Latham & Watkins, representing Barclay Bank in its capacity
8 as agent for the first lien lenders. Those are the lenders
9 under the credit agreement referred to with the term lenders
10 and the revolving lenders, as well as agent under a letter of
11 credit agreement facility.

12 So on the original chart if you saw at the
13 beginning, it's about \$1.3 billion of first lien in the loans
14 and then an additional approximately \$540 million of
15 outstanding letters of credit. This group of first lien
16 lenders we definitely appreciate the efforts that the debtors
17 have gone to over the past 48 hours or 72 hours to get to an
18 agreement with respect to an interim order with respect to
19 the adequate protection to use the cash collateral so that we
20 can facilitate a smoother commencement to this Chapter 11
21 process.

22 This group of lenders is the group of lenders that
23 has been supporting operations of Hertz and they support and
24 will support their efforts to restructure a Chapter 11.
25 They're also the parties that provided the liquidity that the

1 debtors have spoken about that they are using now to operate
2 during this difficult time. And these first lien lenders are
3 also prepared to assist to address additional liquidity needs
4 to the extent necessary for a successful restructuring of
5 these enterprises.

6 Just briefly I wanted to underscore a couple of
7 things that I think were, frankly, alluded to about this
8 particular agreement with respect to adequate protection.

9 First, just one correction. I think counsel for
10 the debtors mentioned that we would have an administrative
11 claim; at least, I heard them say 503(b). In fact, the
12 agreement provides for a 507(b) failure of adequate
13 protection claim, to the extent of diminution of value and
14 failure. I just wanted to clarify that point, that the
15 507(b) is obviously a priority administrative claim.

16 Second, I want to be very clear that our position
17 on this is that this is an interim order and these are
18 interim protection. And for both the debtor and the secured
19 party, we have an ability to go back and modify the adequate
20 protection during this interim period.

21 So we, as lenders, are reserving our right to, if
22 appropriate, either negotiate with the debtors or ask this
23 court to find that we should be receiving adequate protection
24 payments in the form of interest that relate back to the
25 petition date.

1 We also hope to obtain other more typical
2 protection in the form of more robust reporting. We are
3 receiving some reporting here. We understand that the
4 debtors have been very strapped and continue to be over the
5 interim period, but we look forward as these cases progress
6 to obtain more robust reporting and to cooperate with them to
7 get improved information flow.

8 Finally, I do want to give the court a heads up
9 about the issue that was raised which is the dispute with
10 respect to the extent of our cash collateral. There is a
11 substantial dispute and it's really more of, I don't know, a
12 technical UCC dispute, if you will, with respect to the
13 nature of our liens on particular assets and particular
14 investment accounts.

15 We, therefore, believe that a majority of the
16 debtors' cash on hand and cash equivalents on hand, as they
17 set out in their cash management motion, are, in fact,
18 encumbered by first liens and, therefore, when those accounts
19 are liquidated those would constitute cash collateral.

20 We hope that as a result of the anticipated
21 improved level of communication between the debtors and the
22 lenders we'll be able to resolve this issue quickly and
23 without court intervention. But given the magnitude of the
24 delta, of this dispute, we would seek to, short of being able
25 to get consensual resolution, we would want to come to the

1 court promptly to get that issue resolved.

2 With that, Your Honor, I want to also thank you
3 for taking the time and for addressing this adequate
4 protection and cash collateral hearing on very short notice.
5 I think it was productive that the parties had up until late
6 last night to try to get these issues resolved.

7 THE COURT: All right, thank you.

8 Anybody else wish to be heard --

9 MR. LUSKIN: Your Honor, if I might -- this is
10 Michael Luskin for Luskin Stern & Eisler representing credit
11 Agricol. We are the agent on the Sidecar facility and we
12 appear with Derrick Abbott from Morris Nichols who I believe
13 also is on the line as our Delaware counsel.

14 I just wanted to emphasize that the proposed order
15 has been negotiated over really a period of almost two weeks
16 running through this morning, right before the hearing. That
17 it is, as has been mentioned, only an interim order. We all
18 understand that all parties that are secured lenders and so
19 on are reserving all rights that it can be revisited. And in
20 that regard, we'll certainly keep our eye on collateral value
21 as they trend during the next few weeks.

22 We urge the court to approve this order on an
23 interim basis and, like everyone else, thank you for your
24 time on short notice via Zoom and CourtCall.

25 That's all I had, unless you have any questions

1 about the Sidecar facility and, again, thank you.

2 THE COURT: No thank you. Anybody else?

3 MR. PREIS: Yes, Your Honor. This is Arik Preis
4 from Akin Gump Strauss Hauer & Feld. Can you hear me?

5 THE COURT: I can.

6 MR. PREIS: Thank you, Your Honor. I'll be very
7 brief. Again, Arik Preis from Akin Gump Strauss Hauer & Feld.
8 We are representing an ad hoc group of second lien
9 noteholders.

10 I wanted to confirm three things. One, we do,
11 indeed, agree to the interim order. Two, we are very
12 interested in working with the debtors on their various goals
13 that they've set forth at the beginning that Mr. Lauria went
14 through, and we look forward to that. And, three, we very
15 much support many of the statements that were made by Ms.
16 Uhland about the secured party's views with regard to their
17 collateral in this order.

18 I have nothing else to say, Your Honor. Do you
19 have any questions?

20 THE COURT: I do not. Thank you.

21 MR. PREIS: Thank you.

22 MS. RICHENDERFER: Your Honor, this is Linda
23 Richenderfer.

24 THE COURT: Ms. Richenderfer.

25 MS. RICHENDERFER: Yes, Your Honor. Thank you.

1 I would be remised if I didn't say it on the
2 record that, first of all, this motion was filed without the,
3 at least, 24 hours' notice that's required under our local
4 rules. And my concern with that, as I just heard one of the
5 attorneys describe how this was negotiated over a two-week
6 period. So, I am not quite sure why this motion was filed
7 very late last evening, or maybe even this morning. I'm not
8 quite sure.

9 I know that around eight or nine o'clock last
10 night, I think I received some draft documents, did not have
11 a chance to review them. And as we've been sitting here
12 during this conference, I keep getting redline new versions
13 of the two new forms of order. I think it's only two. I
14 want to verify that also.

15 And so, I am quite concerned. I understand the
16 need for this, but I don't understand why a cash collateral
17 motion wasn't filed in the first instance. And so, I will
18 just say for the record that my office has not had sufficient
19 time to review this or understand the repercussions of this,
20 in any form or fashion.

21 The fact that it's interim gives me some peace of
22 mind. There were certain provisions though. For instance, I
23 think in both of them part of the adequate assurance package
24 is the payment of fees. And I think that there's a total of
25 seven law firms and three advisors that would be fees. And

1 the first fee payment would be due ten days after Your Honor
2 enters the interim order.

3 And this is part of an adequate protection plan
4 and at this point in time, I don't know that anybody has
5 shown that adequate protection is necessary. I question the
6 immediate payment of such fees which I'm sure will be
7 multimillion dollars from the estate during the interim
8 period and why that can't wait until after the final order,
9 particularly in consideration of the manner in which this has
10 been brought to the court's attention on such short notice
11 and, like I said, in violation of our local rules giving 24
12 hours' notice for a first day relief.

13 And so, I don't know if there are any other things
14 that may come out, I reserve the right to address. Oh, I
15 just found my notes. It's eight law firms and three
16 advisors. And I'm sure based on the names, we're going to
17 see many millions of dollars that they're going to seek long
18 before we have the final hearing on this particular motion.

19 MR. HUEBNER: Your Honor, it's Marshall Huebner
20 from Davis Polk.

21 By our account, it's actually ten law firms and
22 three financial advisors from (indiscernible). We all knew
23 three weeks ago exactly when the forbearance was terminating
24 which was last Friday night. It's actually quite distressing
25 to hear this was under negotiations (indiscernible).

1 There are many first day that are filed that have
2 been negotiated further between the filing. Here, obviously,
3 the first day (indiscernible) were not even filed until
4 several days after the petitions which (indiscernible) usual.

5 By the debtors' own motion, they believe only \$34
6 million 904 thousand 593 dollars and 37 cents actually
7 constitutes cash collateral. Obviously, the lenders strongly
8 disagree. We, of course, have no information to form a view.
9 But a package like this and, you know, filed at 12:06 a.m.
10 for the very first time on the docket, we didn't even know
11 that there was anything coming. People just happened to be
12 still be awake. It sounds like the U.S. Trustee, at least,
13 got a courtesy copy several hours earlier.

14 But to authorize, you know, this scope of relief
15 on (indiscernible) information is, at a minimum, at the
16 border of unprecedented. And so, we're not objecting because
17 we don't know enough to object and that amount be
18 appropriate, but we have some pretty grave concern. And I
19 think, like the U.S. Trustee, and probably many other
20 parties, we'll need to understand a lot of this much much
21 better to form a view. We may end up supporting it. We just
22 don't know.

23 But the second liens, they're the ones out of the
24 money. You know, we just have no idea and this is an awful
25 lot of relief on essentially three business hours' notice and

1 the filing date was known three weeks ago and this has
2 clearly been in the works for, at least, two weeks. It just
3 doesn't feel comfortable.

4 MS. STRICKLAND: Your Honor, this is Rachel
5 Strickland from Willkie Farr & Gallagher. Together with
6 Young Conaway we represent a significant portion of the \$2.7
7 billion dollar unsecured senior notes.

8 We did receive a draft copy of this last night.
9 We understood that these were involve any fairly fast and
10 furious. We just wanted to raise the fact that we commend
11 the debtors for being cautious with respect to interim relief
12 on cash collateral. We believe that there are significant
13 assets of this estate that are unencumbered and look forward
14 to continuing discussions with the company and with the other
15 parties before any order is entered on a final basis, but we
16 understand the debtors did the very best that they could to
17 not only address issues that were late-breaking, but also to
18 notify parties such as ourselves on an issue as they were
19 evolving in real time.

20 THE COURT: Anyone else wish to comment?

21 MR. LOHAN: Yes, Your Honor. This is Brian Lohan
22 from Arnold & Porter. We represent an ad hoc group of term
23 loan lenders. Our lenders are -- or Ms. Uhland's client is
24 the agent for our term loan.

25 And I just wanted to echo Ms. Uhland's comments,

1 Mr. Preis' comments. And in hearing the comments that were
2 just made to Your Honor, I just kind of want to take a step
3 back and remind Your Honor that Mr. Turetsky, I think,
4 characterized it very well. This is a very limited adequate
5 protection package. It's also interim relief with
6 everybody's rights reserved.

7 And us, as the term lenders, as well as Ms.
8 Uhland's client, Mr. Preis' client, we all believe that it
9 was more important to save our fights for another day, to the
10 extent we have to have them at all, and start this bankruptcy
11 case out on the right foot.

12 So with that, Your Honor, we would request and
13 support -- we request you enter the order and we support the
14 relief the debtors are asking.

15 MR. TURETSKY: Your Honor, may I respond?

16 I think the first thing to remember here is and
17 this was just mentioned by Mr. Lohan. This is interim relief,
18 all rights are reserved, including a right to challenge the
19 adequate protection package retroactively. That's something
20 that is in the order.

21 So, the parties rights are reserved. We understand
22 it was less than ideal, that this motion was filed last
23 night. I don't believe it's been in negotiation for two
24 weeks. I think it's more like a week. And I will tell you
25 that Your Honor --

1 (Webex operator comes on)

2 MR. TURETSKY: Hello?

3 THE COURT: Go ahead. We're still on. I don't
4 know why that came up.

5 MR. TURETSKY: I just heard something and I was in
6 a flow, Your Honor, and now I'm taken out.

7 We view, you know we recognize it was less than
8 idea that it was filed last night, but I will tell Your Honor
9 that up until late last night we weren't sure we were going
10 to have an adequate protection order.

11 These were extraordinarily hard-fought
12 negotiations that are very very deeply held views here, and
13 they're different among the various parties, so we really
14 did, you know, negotiate with our secured lenders. It was
15 very hard to get to where we were. And, frankly, I think
16 having gotten where we got to, it was incumbent upon us to
17 file this motion and to preserve the fight for another day.

18 I do agree with Ms. Umland. I do not think I said
19 503(b) but if I did, I was mistaken. It's 507(b).

20 I think, you know, I heard Mr. Huebner at Davis
21 Polk, I just, you know, again, I'm not sure what the standing
22 is here to make the argument. But to the extent that there
23 is standing, right to preserve, there's a retroactive ability
24 to challenge it.

25 As for the fees, Your Honor, Your Honor, the

1 debtors aren't crazy about paying fees. The debtors have
2 been very cautious about cash collateral, about how they're
3 handling their cash, but there are give's and takes to every
4 deal. And part of the give that the debtors have to give
5 here was to pay people their reasonable fees.

6 We do anticipate and we do hope for constructive
7 discussions following this. We believe that this relief is
8 absolutely critical at this point in the case. It's, again,
9 interim relief and all rights are reserved.

10 I can walk you through the changes that we would -
11 - unless you want me to do that first or ask that the court
12 enter the order and I can walk you through what changes were
13 made to the order. I'm happy to go either way.

14 THE COURT: Well go through the changes.

15 MR. TURETSKY: Okay. And, Your Honor, if you'll
16 indulge me for a moment, I have to pull up the redline to the
17 court. I understand that Your Honor has that redline.

18 THE COURT: I do.

19 MR. TURETSKY: So I am starting with the agreed
20 interim order for the prepetition secured party. There was a
21 change to the order to paragraph two of the order; that's on
22 page 12 of the reline. And that is to define the interim
23 period. That's the period during which the debtors have
24 authority to use the Donlen cash collateral. And I can read
25 that out if people would like.

1 THE COURT: You should read it out.

2 MR. TURETSKY: Okay. And I'll read the whole
3 sentence so that it's in context for people.

4 The subject to the terms here are Donlen is hereby
5 authorized to use Donlen cash collateral solely in the
6 ordinary course of business and in accordance with past
7 practices. The Donlen's (indiscernible) requirements on
8 general corporate purposes in the allocated costs and
9 expenses of administering and filing Chapter 11 case.

10 Here is the new language: Until the date after the
11 final hearing or as otherwise ordered by the court. And
12 that's defined as the interim period.

13 THE COURT: All right.

14 MR. TURETSKY: And I'm happy to move to the next
15 change, unless Your Honor has reviewed that.

16 THE COURT: That's fine. Go ahead.

17 MR. TURETSKY: For the next change it is paragraph
18 3(c) towards the bottom of the page on page 15, there was
19 language added, and this is in the paragraph that speaks to
20 the adequate protection lien. And this language was added at
21 the request of the debtors' surety. And it reads,

22 Notwithstanding anything that's contrary to what's
23 herein, no provision of this interim order shall prime,
24 create a rights or interest that pari passu, diminish, or
25 effects any rights including the surety's right of

1 (indiscernible), claim, lien, interest or remedy of law or
2 inequity with any surety for any of the debtors or any non-
3 debtor affiliates of any of the debtors against any person,
4 entity, assets or the proceeds thereof, whether arising under
5 or in connection with surety bonds or instruments issued by
6 any surety or arising under contract statute or by operation
7 of law by virtue of the equitable lien, equity subrogation,
8 or otherwise, all of which rights, claims, liens, interest,
9 defenses, and remedies are not waived or released and are
10 reserved without limitation.

11 This is language that was added in response to an
12 informal inquiry from the sureties this morning, having seen
13 the motion, and we ran this language by the prepetition
14 secured parties as well as Sidecar parties. And they were
15 agreeable to putting it in.

16 THE COURT: Okay.

17 MR. TURETSKY: The next change is actually a
18 change that is not yet been made to the order but -- and we
19 can provide Your Honor with a new order, but it involves
20 striking a phrase.

21 It is on page 18, paragraph (f). There's a
22 sentence that begins, During the interim period. . .and as
23 know, Your Honor, we just defined the interim period earlier
24 on in the order. This has a reference to the motion. We ask
25 that Your Honor strike that reference to the motion so strike

1 the (as defined in the motion).

2 THE COURT: Where is that?

3 MR. TURETSKY: It's on page 18 of the redline,
4 paragraph (f). The paragraph with the title professional fee
5 (indiscernible).

6 THE COURT: I have that. Oh, you're just striking
7 the second line of that. Okay.

8 MR. TURETSKY: Just, again, just -- defining the
9 term. It's just to make it conforming to the other change
10 that we made.

11 THE COURT: Okay.

12 MR. TURETSKY: And then at the end on page 23,
13 we've inserted the language for the final hearing, as well
14 as, you know, the objection deadline as well. I don't know
15 if Your Honor would like me to read that into the record as
16 well. I'd be happy to do it but it really is --

17 THE COURT: That's not necessary. No, that's not
18 necessary.

19 MR. TURETSKY: And then on the Sidecar agreement,
20 it's largely conforming changes, but I'm happy to walk Your
21 Honor through that as well.

22 THE COURT: Just send me additional changes.

23 MR. TURETSKY: I don't think there are any
24 additional changes. I think it includes the language that we
25 gave the surety. It includes the language on the objection

1 deadline and (indiscernible) hearing date.

2 THE COURT: Okay. All right, anything else, then?

3 MR. TURETSKY: Other than our humble request that
4 you enter the interim order, no.

5 THE COURT: Well, I do note the U.S. Trustee's
6 objection with respect to the lack of 24 hours' notice, but
7 under these unique circumstances, and since it is not a
8 contested motion for use of cash collateral, but a consensual
9 one and with the protection that you have noted that all
10 relief for or against the lenders, the subject to challenge
11 and retroactive revision, I will enter the orders, the two
12 orders as revised with those protections afforded to the
13 sureties.

14 MR. TURETSKY: Thank you very much, Your Honor.

15 THE COURT: And I will ask that you upload two new
16 orders, but I don't think you need to file a certification of
17 counsel with respect to that one additional deletion.

18 MR. TURETSKY: We'll do so. Thank you, Your
19 Honor.

20 THE COURT: Anything else today?

21 MR. TURETSKY: Not from me, unless Mr. Lauria has
22 something.

23 MR. LAURIA: Your Honor, it's Tom Lauria, if I may
24 be heard?

25 THE COURT: You may.

1 MR. LAURIA: Thank you. I just wanted to thank
2 the court again for extending us the courtesy of having this
3 hearing on such short notice and dealing with the
4 technological difficulties that we are all facing in trying
5 to conduct business in this brave new world.

6 Importantly, just as a follow-up, we want to be
7 able to get the revised cash management order to the court as
8 soon as possible, hopefully in an hour or two so that we can
9 ensure that the internal workings of the company's business
10 can continue without interruption. We'll have a real problem
11 if we can't get that done.

12 So, I've been pushing everybody sidebar here while
13 the remaining matters have been going forward to get that
14 order finalized. And I trust that we can get that to
15 chambers and get that entered hopefully later today.

16 THE COURT: Well as soon as it's uploaded, the
17 court will address it.

18 MR. LAURIA: Right. Thank you.

19 MS. RICHENDERFER: Your Honor, this is Linda
20 Richenderfer and as soon as I receive a draft, I will review
21 it so that it can be submitted to the court as soon as
22 possible.

23 THE COURT: All right, have you gotten the drafts
24 that were uploaded this morning?

25 MS. RICHENDERFER: Your Honor, yes. I've been

1 following along and have everything as I said the changes to
2 the cash collateral kept coming in, but I think right now
3 we're just looking at the matrix and the cash management
4 orders that would go in under certification of counsel.

5 THE COURT: Okay. Those two, yes. All right,
6 thank you then.

7 All right then --

8 MR. MASON: Your Honor, I --

9 THE COURT: Go ahead. I'm sorry.

10 MR. MASON: Excuse me, Your Honor. It's -- my
11 apologies, Ricky Mason from Wachtell Lipton Rosen & Katz. I
12 wasn't sure if anyone else was going to be speaking today,
13 but I'd just like to make a few remarks, if I could, on
14 behalf of the medium term noteholders.

15 THE COURT: Yes.

16 MR. MASON: Thank you, Your Honor. And I'll be
17 very brief and very very much appreciate Your Honor's
18 indulgence. Again, Ricky Mason of Wachtell Lipton Rosen &
19 Katz, Your Honor, representing the steering committee of
20 medium term noteholders, the so-called MTM's that Mr. Lauria
21 had referred to in his presentation.

22 And I just want to speak briefly on a couple of
23 points raised in his presentation. I'm joined by our
24 Delaware counsel Patrick Jackson of the Faegre firm.

25 Your Honor, the ABS structure that Mr. Lauria had

1 referred to has \$11 billion dollars in debt and my purpose
2 here is just to introduce who we are because I think you'll
3 probably see us and hear from us during the course of the
4 case.

5 About \$11 billion dollars the MTN's or the medium
6 term noteholders are a majority, Your Honor; approximately \$6
7 billion dollars. We're the largest part, if you will, of the
8 overall capital structure for Hertz. The VFN's represented
9 by Mr. Huebner are the rest of the ABS structure between \$4-
10 and \$5 million dollars, I believe.

11 The MTN's, Your Honor, are publicly held notes.
12 They're very broadly held in a market judging from the calls
13 and emails that we've gotten over the past week, broadly held
14 in the institutional market by insurance companies and mutual
15 funds, hedge funds and other assets, managers, Your Honor.
16 They are, in our view, a critical part of vehicle financing
17 for Hertz and other companies, at a very very low cost.

18 The debtor has enjoyed and used that financing for
19 many many years. And presumably, we think, intends to enjoy
20 it for many more as time, as things get back to normal and as
21 time progresses. And, in our view, how they (indiscernible)
22 the ABS, the MTM's included in that, will probably be a
23 critical to obtaining that goal, Your Honor, if that is their
24 goal, and we'll hear more from the debtors during the case.

25 Just very briefly, Your Honor, the steering

1 committee for the MTM's organized last week, so we have not
2 been involved very long. The steering committee has about a
3 billion dollars in MTM notes itself and its growing. And
4 we're in touch with approximately in total, I think, \$3.5
5 billion dollars of MTM's, so a very large critical mass, we
6 think, for this case.

7 We are coordinating with the VFN's represented by
8 Mr. Huebner here with the Davis Polk team, but just wanted to
9 make it clear we are a separate group. And we're not involved
10 in the prepetition negotiations, Your Honor, that Mr. Lauria
11 had referred to.

12 We do share the VFN's concern that the debtors are
13 leasing effectively our cars, the ABS cars without paying for
14 them. And we understand the equities of the case issued that
15 Mr. Lauria referred to. For our own part, we think using
16 cars without paying for them is not particularly equitable.
17 And the MTM's and the VFN's will be engaging with the debtors
18 in litigation on Section 365 if that is unfortunately
19 necessary.

20 But we also think it's critical for the debtors,
21 hopefully, to have a dialogue with us as soon as possible.
22 Mr. Lauria mentioned a proposed framework for a resolution of
23 these cases and of the lease backing the ABS. We're very
24 very anxious, Your Honor, to see his proposal and, frankly,
25 we're ready to roll up our sleeves and engage with him and

1 his co-advisors and the debtors right after this hearing.

2 So, I appreciate your time, Your Honor. Thank you
3 for your indulgence. Just wanted to set that out on the
4 record so that you knew who we were.

5 UNIDENTIFIED SPEAKER: Yeah and, Your Honor, to
6 supplement that, Judge, for a moment. I do want to end on a
7 hopeful note for all concerned.

8 Our client group that owes \$4.9 billion dollars is
9 comprised as nineteen of the world's largest (indiscernible).
10 And a number that we all need to keep in mind here because it
11 is an important number is sixteen dollars. And why do I say
12 sixteen dollars? Because the average car in Hertz's fleet
13 depreciates by sixteen dollars a day, roughly, which is
14 sensible. If you own a car and take, you know, five, six
15 thousand dollars a year, it's worth less than the year
16 before.

17 The problem is when you take \$5800 dollars a year
18 average depreciation and you multiply it by 500,000 cars, you
19 get \$3 billion dollars of lost (indiscernible). Not risk,
20 but actual loss as the fleet depreciates and we're not being
21 paid for it. And so, most of our rent, Your Honor, is
22 actually depreciation rent for the decrease in value of the
23 cars which is \$240 million dollars.

24 As Mr. Lauria alluded to, there were some
25 conversations that were started. And finally, I'm not going

1 to get in our views on them which are a little bit different
2 because it doesn't matter. We stand ready, willing and able
3 to continue to engage starting thirty seconds after this
4 hearing ends, Your Honor, to continue the dialogue to figure
5 out how we can be de-risked fairly through the type of
6 rationalization that Mr. Lauria referred to, coupled with
7 payments.

8 There are going to be many other provisions of the
9 Code given that my client and Mr. Mason's group are owed \$11
10 billion dollars that are going to be relevant here. You
11 know, we -- I think you know our way, Your Honor. You've
12 seen us for many years. We try to never ever litigate unless
13 there's really no choice.

14 The goal here is the business deal that saves this
15 iconic company. But if the idea is that they're going to not
16 pay us rent while our fleet depreciates a quarter of a
17 billion dollars every month, which in the bankruptcy world,
18 by the way, is called diminution in value, it's going to be
19 complicated.

20 So we stand ready, Your Honor. I did want to end
21 on a hope since we have some comments on motions but I
22 wouldn't want anybody to think that we don't believe that
23 their (indiscernible) will be a value maximizing way forward
24 that gives our country, frankly, the right Hertz that can
25 come out of this strong and resilient on the other side.

1 THE COURT: All right, well thank you to
2 everybody. And just let me say this bankruptcy works best if
3 all the parties are able to work out their differences and
4 come together on a consensual path forward. And I am
5 encouraged by the party's suggestion that they're willing to
6 try that.

7 If it is not possible; of course, I'm here and
8 available to resolve any disputes, but I think the business
9 mentioned take a crack at it first.

10 All right, I think we are at the end of our
11 hearing and we'll stand adjourned.

12 MR. SAGAFI: Your Honor --

13 (A Chorus of "Thank you, Your Honor")

14 THE COURT: Thank you.

15 MR. SAGAFI: Your Honor, I'm sorry. Is there time
16 for one more comment?

17 THE COURT: Who is this?

18 MR. SAGAFI: This is Jihan Sagafi. I represent
19 the ad hoc group of litigation creditors. And I just wanted
20 to make sure that our input is considered. I had thirty
21 seconds if you have time, Your Honor.

22 THE COURT: Yes, go ahead.

23 MR. SAGAFI: Thank you, Your Honor.

24 The ad hoc group stands for tens of thousands of
25 Hertz's workers and consumers, customers asserting claims in,

1 at least, nineteen different class actions and similar
2 representative actions pending against the debtors as of the
3 petition date, in addition to many more individual actions by
4 workers and consumers.

5 I, along with other counsel for Hertz's workers
6 who are asserting wage theft, discrimination and Warn layoff
7 claims, as well as consumers asserting deceptive practices
8 claims are coordinating in this effort. And we just wanted
9 to emphasize that fair treatment of these creditor's claims
10 is of paramount legal and moral importance in these cases.

11 We also hope that the parties will see these class
12 actions and other litigation as providing in addition to an
13 opportunity to fix the capital structure of the company, an
14 opportunity to fix a management culture that has been
15 inattentive to worker and consumer rights, giving rise to a
16 significant array of these class actions being litigated
17 around the country.

18 So we look forward to working with the debtors and
19 our fellow creditors to these ends. Thank you, Your Honor.

20 THE COURT: All right, thank you. And with that
21 said, we will stand adjourned.

22 (A Chorus of "Thank you, Your Honor")

23 (Proceedings conclude at 2:17 p.m.)

24

25

