HERTZ GLOBAL HOLDINGS INC
Form S-1/A
November 13, 2006

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As filed with the Securities and Exchange Commission on November 13, 2006

Registration No. 333-135782

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 7 to

FORM S-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

HERTZ GLOBAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

(See table of additional registrants on following page.)

Delaware	**7514**	**20-3530539**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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

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

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

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

With copies to:

Steven J. Slutzky, Esq.	**Rod Miller, Esq.**
Debevoise & Plimpton LLP	**Weil, Gotshal & Manges LLP**
919 Third Avenue	**767 Fifth Avenue**
New York, New York 10022	**New York, New York 10153**
(212) 909-6000	**(212) 310-8000**

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

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

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

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

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

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

Subject to Completion. Dated November 13, 2006.

88,235,000 Shares

Hertz Global Holdings, Inc.

Common Stock

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

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

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

See "Risk Factors" on page 22 to read about factors you should consider before buying shares of the common stock.

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

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Hertz Holdings	$	$

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

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

Goldman, Sachs & Co. **Lehman Brothers** **Merrill Lynch & Co.**

JPMorgan

Morgan Stanley

Credit Suisse **UBS Investment Bank** **Wachovia Securities**

Prospectus dated , 2006.

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

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

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

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

Unless the context otherwise requires, in this prospectus, (i) "Hertz Holdings" means Hertz Global Holdings, Inc., our top-level holding company, (ii) "Hertz" means The Hertz Corporation, our primary operating company and a direct wholly owned subsidiary of Hertz Investors, Inc., which is wholly owned by Hertz Holdings, (iii) "we," "us" and "our" mean (a) prior to December 21, 2005, Hertz and its consolidated subsidiaries and (b) on and after December 21, 2005, Hertz Holdings and its consolidated subsidiaries, including Hertz, (iv) "HERC" means Hertz Equipment Rental Corporation, Hertz's wholly owned equipment rental subsidiary, together with our various other wholly owned international subsidiaries that conduct our industrial, construction and material handling equipment rental business, (v) "cars" means cars and light trucks (including sport utility vehicles and, outside North America, light commercial vehicles), (vi) "equipment" means industrial, construction and material handling equipment, (vii) "EBITDA" means consolidated net income before net interest expense, consolidated income taxes and consolidated depreciation and amortization and (viii) "Corporate EBITDA" means "EBITDA" as that term is defined under Hertz's senior credit facilities, which is generally consolidated net income before net interest expense (other than interest expense relating to certain car rental fleet financing), consolidated income taxes, consolidated depreciation (other than depreciation related to the car rental fleet) and amortization and before certain other items, in each case as more fully described in the agreements governing Hertz's senior credit facilities.

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

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

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

SUMMARY

This summary highlights information appearing elsewhere in this prospectus. You should carefully read the entire prospectus, including the section entitled "Risk Factors," beginning on page 22 and our financial statements and notes to those financial statements included elsewhere in this prospectus before making any investment decision.

Our Company

We own what we believe is the largest worldwide general use car rental brand and one of the largest equipment rental businesses in the United States, both based on revenues. Our Hertz brand name is one of the most recognized in the world, signifying leadership in quality rental services and products. In our car rental business segment, we and our independent licensees and associates accept reservations for car rentals at approximately 7,600 locations in approximately 145 countries. We are the only car rental company that has an extensive network of company-operated rental locations both in the United States and in all major European markets. We maintain the leading airport car rental market share, by overall reported revenues, in the United States and at the 69 major airports in Europe where we have company-operated locations and data regarding car rental concessionaire activity is available. We believe that we also maintain the second largest market share, by revenues, in the off-airport car rental market in the United States. In our equipment rental business segment, we rent equipment through approximately 360 branches in the United States, Canada, France and Spain, as well as through our international licensees. We and our predecessors have been in the car rental business since 1918 and in the equipment rental business since 1965.

We have a diversified revenue base and a highly variable cost structure and are able to dynamically manage fleet capacity, the most significant determinant of our costs. This has helped us to earn a pre-tax profit in each year since our incorporation in 1967. Our revenues have grown at a compound annual growth rate of 7.6% over the last 20 years, with year-over-year growth in 18 of those 20 years. For the year ended December 31, 2005 and the nine months ended September 30, 2006, we generated consolidated revenues of $7,469.2 million and $6,067.8 million, respectively, income before income taxes and minority interest of $541.7 million and $157.9 million, respectively, and net income of $350.0 million and $76.1 million, respectively. For a discussion of the presentation of our results for the year ended December 31, 2005 on a combined basis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations."

Our Segments

The table below sets forth key financial and other facts concerning our car rental and equipment rental business segments as of December 31, 2005 or for the year then ended, unless otherwise indicated. For the year ended December 31, 2005 and the nine months ended September 30, 2006, our corporate and other segment had revenues of $7.1 million and $5.9 million, respectively, and losses before income taxes and minority interest of $72.0 million and $315.4 million, respectively. For more details regarding the key financial and other facts appearing below, see "Business," and for more information concerning our segment financial data, see Note 11 to the Notes to our audited annual consolidated financial statements and Note 10 to the Notes to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

	Car Rental		Equipment Rental	
	Year Ended December 31, 2005	Nine Months Ended September 30, 2006	Year Ended December 31, 2005	Nine Months Ended September 30, 2006
	(Dollars in millions, unless otherwise indicated)		(Dollars in millions, unless otherwise indicated)	
Revenues	$6,046.8	$4,825.3	$1,415.3	$1,236.6
Income Before Income Taxes and Minority Interest	$374.6	$283.1	$239.1	$190.2
Key Facts	#1 worldwide general use car rental brand[1]		One of the largest equipment rental companies in the U.S. and Canadian	
	#1 brand overall at U.S. airports with a		markets combined	
	#1 position in each of the business and leisure markets[2]		Industry participant for over 40 years with a majority of its operations developed	
	#1 overall airport market position at 69		from organic growth	
	major European airports		Worldwide same store sales growth in	
	Approximately 28 million annual transactions		each of the past twelve quarters, over the comparable quarter in the preceding year	
	Balanced rental revenue base of 53% leisure and 47% business		27 month average fleet age in the United States, one of the youngest fleets in the	
	Over 80% of revenues generated from		industry	
	affiliated customer channels, including		Broad diversity of fleet and customers	
	over 60 travel industry partnerships		Nationwide presence in the United States,	
	Average of 438,800 company-operated cars in the fleet in 2005, with an average net book value of $8.3 billion		Canada, France and Spain, with over 40% of rental revenues derived from national accounts	
			Total of 208,000 pieces of equipment, with an average fleet acquisition cost during 2005 of $2.6 billion	

(1) Market position based on management estimate

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

Our Markets

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

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

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

Our Strengths

Premier Global Brand and Service Offerings

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

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

Club Gold, which accounted for approximately 41% of our car rental transactions worldwide for the twelve months ended September 30, 2006.

Equipment Rental. HERC, which is operated under the Hertz Equipment Rental brand, has long been a leader in equipment rental in the United States. We believe HERC was the first equipment rental company to develop an extensive national account program, which continues to be the source of substantial revenues. HERC's leadership position has recently been enhanced through a substantial investment in sales force automation and the operation of a high quality and diverse fleet. From January 1, 2004 through September 30, 2006, we invested $1.5 billion, net of dispositions, in HERC's U.S. fleet, thereby reducing its average age to 25 months, which we believe is one of the youngest fleets in the industry.

Clear and Sustained Market Leadership Position in Car Rental

We believe that Hertz is the leading worldwide general use car rental system, based on revenues. In the United States, we maintain the overall leading market share of airport car rentals among both business and leisure customers. Based on reported industry revenues for 2005 and the five months ended May 31, 2006, our market share at the 180 largest U.S. airports where we operate was over 28%, and we had a margin of approximately nine percentage points over the closest competing brand. We have maintained a leadership position for more than 30 years. We also believe that we had the largest market share, by reported revenues on a collective basis in 2005, at the 69 major airports in Europe where we have company-operated locations and data regarding car rental concessionaire activity was available.

Global, Diversified Business Mix

We believe that our mix of businesses, customer types, end-markets, distribution channels and geographies provides us with a diverse revenue stream that positions us to capitalize on growth opportunities throughout our markets and makes us less vulnerable to economic cycles and events that might negatively affect either of our industries or any specific geography. Within our car rental business, we maintain a relatively balanced mix of leisure and business rentals (representing 53% and 47%, respectively, of our car rental revenues for the year ended December 31, 2005 and 54% and 46%, respectively, of our car rental revenues for the nine months ended September 30, 2006), and utilize a broad range of distribution channels and partnerships. Within our equipment rental business, we serve a wide variety of industries and have a broad mix of end customers from local contractors to large national industrial accounts.

Affiliated Customer Strategy Drives Premium Pricing and Customer Loyalty

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

Best-in-Class Fleet and Fleet Management

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

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

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

Proprietary Strategic Information Systems

We utilize information technology comprehensively in the areas of reservations, fleet and rate management, customer relations and sales and marketing, as well as aspects of billing, finance, accounting and other reporting systems. Since January 1, 2001, we have invested more than $350 million in our proprietary information systems and computer equipment to permit us to conduct our business more efficiently and enhance our ability to offer innovative services. Our information systems, which we believe are unique in the car and equipment rental industries, permit us to provide superior end-to-end service to customers, maintain effective pricing structures in a rapidly changing environment, utilize our fleets efficiently and maintain a high level of control over our geographically dispersed operations.

Experienced and Proven Management Team

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

Our Strategy

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

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

Pursue Profitable Growth within Our Car Rental Business

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

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

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

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

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

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

Further Improve Profitability, Cash Flow and Return on Capital

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

New Chief Executive Officer and Hertz Holdings Dividends

New Chief Executive Officer

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

Hertz Holdings Loan Facility and Hertz Holdings Dividends

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

Prior to the consummation of this offering, we intend to declare a special cash dividend, payable promptly following completion of this offering to holders of record of our common stock on the date of the declaration, or the "dividend record date." This dividend will be funded by the proceeds to us from the sale of the common stock offered hereby after deducting underwriting discounts and commissions and offering expenses, to the extent such net proceeds exceed the amounts required to repay borrowings outstanding under the Hertz Holdings Loan Facility. Assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, this dividend will be payable in an amount of approximately $1.83 per share, or $425.5 million in the aggregate.

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

Principal Stockholders

Investment funds associated with or designated by the Sponsors invested approximately $2,295.0 million in the aggregate in connection with the Acquisition. These funds currently own over 99% of our outstanding common stock, and, following the completion of this offering, will continue to own approximately 72% of our outstanding common stock. On June 30, 2006, investment funds associated with or designated by the Sponsors received approximately $991.4 million, or approximately 99% of the aggregate amount paid to Hertz Holdings stockholders in connection with the Hertz Holdings Dividend. These funds will receive approximately $420.2 million in the aggregate in connection with the payment of the special cash dividend to be funded by the proceeds to us from this offering, after deducting underwriting discounts, commissions and offering expenses, to the extent these net proceeds exceed the amount required to repay borrowings outstanding under the Hertz Holdings Loan Facility. Also, assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, if the underwriters exercise in full their option to purchase additional shares, these funds will receive an additional approximately $214.9 million in aggregate net proceeds from the sale of shares of our common stock.

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

Pursuant to consulting agreements entered into with each of the Sponsors, in connection with the Acquisition, Hertz paid a fee of $25 million to each Sponsor ($75 million in the aggregate) for certain direct acquisition and finance related services provided by the Sponsors and their affiliates. During 2006, pursuant to the consulting agreements, Hertz has paid $3.0 million in the aggregate, plus out of pocket expenses, to the Sponsors for ongoing consulting services. Upon completion of this offering, each of these agreements will be terminated for a fee of $5 million ($15 million in the aggregate).

Clayton, Dubilier & Rice

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

The Carlyle Group

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

Merrill Lynch Global Private Equity

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

*   *   *   *

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

The Offering

Common stock offered	88,235,000 shares of common stock, par value $0.01 per share, of Hertz Holdings, or "our common stock."
Shares of common stock offered by Hertz Holdings	88,235,000
Shares of common stock outstanding after the offering	320,618,692
Option to purchase additional shares of common stock	The selling stockholders have granted the underwriters a 30-day option to purchase up to 13,235,250 shares of our common stock.
Use of proceeds	Our net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately $1,425.5 million, assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus. We intend to use the net proceeds of this offering to repay borrowings outstanding under the Hertz Holdings Loan Facility, with the remainder of the net proceeds, if any, to be used to pay an additional dividend that will be declared prior to the completion of this offering and will be payable promptly following completion of this offering to holders of record of our common stock on the dividend record date. Assuming an offering price equivalent to the midpoint of the range set forth on the cover page of this prospectus, this dividend will be payable in an amount of approximately $1.83 per share, or $425.5 million in the aggregate.
	We will not receive any proceeds from the sale of our common stock by the selling stockholders if the underwriters exercise their option to purchase additional shares. The selling stockholders include affiliates of Merrill Lynch & Co., an underwriter in this offering. Because affiliates of certain of the underwriters are lenders under the Hertz Holdings Loan Facility, affiliates of such underwriters will receive a substantial portion of the proceeds of this offering. See "Use of Proceeds."
Dividend policy	We do not expect to pay dividends on our common stock for the foreseeable future.
Proposed New York Stock Exchange symbol	HTZ

Unless we specifically state otherwise, all information in this prospectus:

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

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

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

Risk Factors

You should consider carefully all of the information set forth in this prospectus and, in particular, the information under the heading "Risk Factors" beginning on page 22 for risks involved in investing in our common stock.

SUMMARY HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL DATA

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

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

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

	Historical					Pro Forma as Adjusted
	Predecessor		Predecessor	Successor	Combined	
	Years Ended December 31,		For the periods from			Year Ended December 31,
	2003	2004	January 1, 2005 to December 20, 2005 Restated[(a)]	December 21, 2005 to December 31, 2005	2005[(a)] Restated	2005
	(Dollars in millions except per share data)					
Statement of Operations Data						
Revenues						
Car rental	$ 4,819.3	$ 5,430.8	$ 5,820.5	$ 129.4	$ 5,949.9	$ 5,949.9
Equipment rental	1,037.8	1,162.0	1,392.4	22.5	1,414.9	1,414.9
Other[(b)]	76.6	83.2	101.8	2.6	104.4	104.4
Total revenues	5,933.7	6,676.0	7,314.7	154.5	7,469.2	7,469.2
Expenses						
Direct operating	3,316.1	3,734.4	4,086.3	103.0	4,189.3	4,263.8
Depreciation of revenue earning equipment[(c)]	1,523.4	1,463.3	1,555.9	43.8	1,599.7	1,612.5
Selling, general and administrative	501.7	591.3	623.4	15.1	638.5	645.0
Interest, net of interest income[(d)]	355.0	384.4	474.2	25.8	500.0	888.6
Total expenses	5,696.2	6,173.4	6,739.8	187.7	6,927.5	7,409.9
Income (loss) before income taxes and minority interest	237.5	502.6	574.9	(33.2)	541.7	59.3
(Provision) benefit for taxes on income[(e)]	(78.9)	(133.9)	(191.3)	12.2	(179.1)	(45.2)
Minority interest		(3.2)	(12.3)	(0.3)	(12.6)	(12.6)
Net income (loss)	$ 158.6	$ 365.5	$ 371.3	$ (21.3)	$ 350.0	$ 1.5
Weighted average shares outstanding (in millions)[(f)]						
Basic	229.5	229.5	229.5	229.5	229.5	
Diluted	229.5	229.5	229.5	229.5	229.5	
Pro forma weighted average shares outstanding (in millions) (unaudited)[(g)]						
Basic			317.7	317.7	317.7	317.7
Diluted			317.7	317.7	317.7	317.7
Earnings (loss) per share[(f)]						
Basic	$ 0.69	$ 1.59	$ 1.62	$ (0.09)	$ 1.53	
Diluted	$ 0.69	$ 1.59	$ 1.62	$ (0.09)	$ 1.53	
Pro forma earnings (loss) per share (unaudited)[(g)]						
Basic			$ 1.17	$ (0.07)	$ 1.10	$ 0.00
Diluted			$ 1.17	$ (0.07)	$ 1.10	$ 0.00
Other Financial Data						
Cash flows from operating activities	$ 1,899.3	$ 2,251.4	$ 1,727.5	$ (274.7)	$ 1,452.8	
EBITDA[(h)]	2,268.6	2,525.3	2,775.8	43.7	2,819.5	
Pro forma Corporate EBITDA[(h)]			1,144.5	(3.6)	1,140.9	

	Predecessor	Successor	Pro Forma as Adjusted	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2005	2006	2005	2006
Statement of Operations Data				
Revenues				
Car rental	$ 4,526.1	$ 4,745.6	$ 4,526.1	$ 4,745.6
Equipment rental	1,020.9	1,236.2	1,020.9	1,236.2
Other[b]	79.5	86.0	79.5	86.0
Total revenues	5,626.5	6,067.8	5,626.5	6,067.8
Expenses				
Direct operating	3,145.8	3,384.2	3,203.1	3,384.2
Depreciation of revenue earning equipment[c]	1,188.9	1,311.4	1,198.6	1,311.4
Selling, general and administrative	484.3	541.7	489.2	545.9
Interest, net of interest income[d]	353.2	672.6	671.8	672.6
Total expenses	5,172.2	5,909.9	5,562.7	5,914.1
Income before income taxes and minority interest	454.3	157.9	63.8	153.7
Provision for taxes on income[e]	(119.5)	(69.5)	(17.7)	(68.0)
Minority interest	(9.5)	(12.3)	(9.5)	(12.3)
Net income	$ 325.3	$ 76.1	$ 36.6	$ 73.4
Weighted average shares outstanding (in millions)[f]				
Basic	229.5	230.7		
Diluted	229.5	230.7		
Pro forma weighted average shares outstanding (in millions) (unaudited)[g]				
Basic		318.9	317.7	318.9
Diluted		318.9	317.7	318.9
Earnings per share[f]				
Basic	$ $1.42	$ 0.33		
Diluted	$ $1.42	$ 0.33		
Pro forma earnings per share (unaudited)[g]				
Basic		$ 0.24	$ 0.12	$ 0.23
Diluted		$ 0.24	$ 0.12	$ 0.23
Other Financial Data				
Cash flows from operating activities	$ 1,744.2	$ 2,197.6		
EBITDA[h]	2,127.7	2,323.9		
Pro forma Corporate EBITDA[h]	882.0	1,017.1		

	Historical		Pro Forma As Adjusted
	Successor		
	As of December 31, 2005	As of September 30, 2006	As of September 30, 2006
		(Dollars in millions)	
Balance Sheet Data			
Cash and equivalents	$ 843.9	$ 440.7	$ 440.7
Total assets[(i)]	18,580.9	19,465.4	19,465.4
Total debt	12,515.0	13,955.5	12,959.2
Stockholders' equity[(j)]	2,266.2	1,453.1	2,439.7

	Historical				
	Predecessor		Combined	Predecessor	Successor
	Years Ended, or as of December 31,			Nine Months Ended, or as of September 30,	
	2003	2004	2005	2005	2006
Selected Car Rental Operating Data					
Worldwide transaction days[(k)] (in thousands)	102,281	115,246	122,102	93,077	93,876
Domestic	72,243	81,262	86,116	65,503	65,178
International	30,038	33,984	35,986	27,574	28,698
Worldwide rental rate revenue per transaction day[(l)]	$ 43.14	$ 41.92	$ 42.03	$ 41.90	$ 43.02
Domestic	$ 43.08	$ 41.85	$ 42.43	$ 42.14	$ 43.61
International	$ 43.28	$ 42.10	$ 41.10	$ 41.34	$ 41.70
Worldwide average number of company-operated cars during period	374,600	414,700	438,800	444,300	441,600
Domestic	260,600	285,500	301,400	305,300	298,500
International	114,000	129,200	137,400	139,000	143,100
Worldwide revenue earning equipment, net (in millions of dollars)	$ 6,462.0	$ 7,597.2	$ 7,399.5	$ 8,574.2	$ 8,141.1
Selected Worldwide Equipment Rental Operating Data					
Rental and rental related revenue[(m)] (in millions of dollars)	$ 937.9	$ 1,032.5	$ 1,254.3	$ 905.4	$ 1,078.4
Same store revenue growth[(n)]	3.3%	13.3%	21.6%	22.5%	22.0%
Average acquisition cost of rental equipment operated during period (in millions of dollars)	$ 2,281.8	$ 2,305.7	$ 2,588.0	$ 2,544.0	$ 2,976.0
Revenue earning equipment, net (in millions of dollars)	$ 1,331.3	$ 1,525.7	$ 2,075.5	$ 1,975.9	$ 2,523.3

(a)

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

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

(b)

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

(c)

For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Successor nine months ended September 30, 2006, depreciation of revenue earning equipment was reduced by $33.8 million, $1.2 million and $24.5 million, respectively, resulting from the net effects of changing depreciation rates to reflect changes in the estimated residual value of revenue earning equipment upon disposal. For the years ended December 31, 2003, 2004, the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Predecessor and Successor nine months ended September 30, 2005 and 2006, respectively, depreciation of revenue earning equipment includes a net loss of $0.8 million and net gains of $57.2 million, $68.3 million, $2.1 million, $57.4 million and $32.1 million, respectively, from the disposal of revenue earning equipment.

(d) For the years ended December 31, 2003, 2004, the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005 and the Predecessor and Successor nine months ended September 30, 2005 and 2006, respectively, interest income was $17.9 million, $23.7 million, $36.1 million, $1.1 million, $26.2 million and $27.2 million, respectively.

(e) For the year ended December 31, 2004, the provision includes benefits of $46.6 million relating to net adjustments to federal and foreign tax accruals. For the Predecessor period ended December 20, 2005, the provision includes the reversal of a valuation allowance on foreign tax credit carryforwards of $35.0 million (established in 2004) and favorable foreign tax adjustments of $5.3 million, partly offset by a $31.3 million provision relating to the repatriation of foreign earnings. For the nine months ended September 30, 2006, we established valuation allowances of $11.1 million relating to the realization of deferred tax assets in certain European countries and certain federal income tax contingencies and state tax valuation allowances of $10.8 million.

(f) Amounts for the Predecessor periods and the Successor period ended December 31, 2005 are computed based upon 229,500,000 shares of common stock outstanding immediately after the Acquisition applied to our historical net income (loss) amounts. Amounts for the Successor nine months ended September 30, 2006 are computed based on the weighted average shares outstanding during the period applied to our historical net income (loss) amount.

(g) Assuming an estimated offering price of $17.00 per share, the midpoint of the range set forth on the cover page of this prospectus, the unaudited pro forma earnings (loss) per share has been computed to give effect to the issuance of 88,235,000 shares to be sold in this offering, the proceeds of which will be used to repay the Hertz Holdings Loan Facility and to pay a special cash dividend to stockholders.

	For the Periods from					
	January 1, 2005 to December 20, 2005	December 21, 2005 to December 31, 2005	Combined 2005	Pro forma as adjusted Combined 2005	Nine Months Ended September 30, 2006	Pro forma as adjusted Nine Months ended September 30, 2006
Numerator:						
Net income (loss) (as reported)	$ 371.3	$ (21.3)	$ 350.0	$ 1.5	$ 76.1	$ 73.4
Denominator:						
Weighted average shares outstanding as reported	229.5	229.5	229.5	229.5	230.7	230.7
Add:						
Shares to be sold in this offering the proceeds of which will be used for the repayment of the Hertz Holdings Loan Facility and payment of a special cash dividend to stockholders	88.2	88.2	88.2	88.2	88.2	88.2
Pro forma weighted average shares outstanding basic and diluted(1)	317.7	317.7	317.7	317.7	318.9	318.9
Pro forma earnings (loss) per share basic	$ 1.17	$ (0.07)	$ 1.10	$ 0.00	$ 0.24	$ 0.23
Pro forma earnings (loss) per share diluted	$ 1.17	$ (0.07)	$ 1.10	$ 0.00	$ 0.24	$ 0.23

(1)

The pro forma diluted weighted average shares outstanding for the nine months ended September 30, 2006 excludes the impact of approximately 15.8 million stock options, because such impact would be antidilutive.

(h)

We present EBITDA and Corporate EBITDA in this prospectus to provide investors with supplemental measures of our operating performance and liquidity and, in the case of Corporate EBITDA, information utilized in the calculation of the financial covenants under Hertz's senior credit facilities. EBITDA, as used in this prospectus, is defined as consolidated net income before net interest expense, consolidated income taxes and consolidated depreciation and amortization. Corporate EBITDA differs from the term "EBITDA" as it is commonly used. Corporate EBITDA, as used in this prospectus, means "EBITDA" as that term is defined under Hertz's senior credit facilities, which is generally consolidated net income before net interest expense (other than interest expense relating to certain car rental fleet financing), consolidated income taxes, consolidated depreciation (other than depreciation related to the car rental fleet) and amortization and before certain other items, in each case as more fully defined in the agreements governing Hertz's senior credit facilities. The other items excluded in this calculation include, but are not limited to: non-cash expenses and charges; extraordinary, unusual or non-recurring gains or losses; gains or losses associated with the sale or writedown of assets not in the ordinary course of business; certain management fees paid to the Sponsors; and earnings to the extent of cash dividends or distributions paid from non-controlled affiliates. Further, the covenants in our senior credit facilities are calculated using Corporate EBITDA for the most recent four fiscal quarters as a whole. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or for any complete fiscal year.

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

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

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

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

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

Borrowings under Hertz's senior credit facilities are a key source of our liquidity. Hertz's ability to borrow under these senior credit facilities depends upon, among other things, the maintenance of a sufficient borrowing base and compliance with the financial ratio covenants based on Corporate EBITDA set forth in the credit agreements for Hertz's senior credit facilities. Hertz's senior term loan facility requires it to maintain a specified consolidated leverage ratio and consolidated interest expense coverage ratio based on Corporate EBITDA, while its senior asset-based loan facility requires that a specified consolidated leverage ratio and consolidated fixed charge coverage ratio be maintained for periods during which

there is less than $200 million of available borrowing capacity under the senior asset-based loan facility. These financial covenants became applicable to Hertz beginning with the four-quarter period ending September 30, 2006. Failure to comply with these financial ratio covenants would result in a default under the credit agreements for Hertz's senior credit facilities and, absent a waiver or an amendment from the lenders, permit the acceleration of all outstanding borrowings under the senior credit facilities. As of September 30, 2006, we performed the calculations associated with the above noted financial covenants and determined that we were in compliance with such financial covenants, both under the transition rule as set forth in the credit agreements governing the senior credit facilities and as described in this footnote (h).

As of September 30, 2006, Hertz had aggregate principal amounts outstanding of $1,991.3 million and $51.9 million pursuant to its senior term loan facility and its senior asset-based loan facility, respectively. For the twelve months ended September 30, 2006, Hertz is required under the senior term loan facility to have a consolidated leverage ratio of not more than 6.25:1 and a consolidated interest expense coverage ratio of not less than 1.50:1. In addition, under its senior asset-based loan facility, if there is less than $200 million of available borrowing capacity under that facility as of September 30, 2006, Hertz is required to have a consolidated leverage ratio of not more than 6.25:1 and a consolidated fixed charge coverage ratio of not less than 1:1 for the twelve months then ended. Under the senior term loan facility, for the twelve months ended September 30, 2006, we had a consolidated leverage ratio of approximately 3.7:1 calculated under the transition rule as set forth in the credit agreements governing the senior credit facilities, as described in this footnote (h) and 3.9:1 calculated on a pro forma basis and a consolidated interest expense coverage ratio of approximately 3.1:1 calculated under the transition rule as set forth in the credit agreements governing the senior credit facilities, as described in this footnote (h) and 2.9:1 calculated on a pro forma basis. Since we have maintained sufficient borrowing capacity under our senior asset-based loan facility as of September 30, 2006, and expect to maintain such capacity in the future, the consolidated fixed charge coverage ratio was not deemed relevant for presentation. For further information on the terms of Hertz's senior credit facilities, see "Description of Certain Indebtedness Senior Credit Facilities." We have a significant amount of debt. For a discussion of the risks associated with our significant leverage, see "Risk Factors Risks Relating to Our Substantial Indebtedness."

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

	Predecessor		Predecessor	Successor	Combined	Predecessor	Successor
			For the Periods From				
	Years Ended December 31,		January 1 to December 20,	December 21 to December 31,	Year Ended December 31,	Nine Months Ended September 30,	
	2003	2004	2005 Restated	2005	2005 Restated	2005	2006
			(Dollars in millions)				
Net income (loss)[1]	$ 158.6	$ 365.5	$ 371.3	$ (21.3)	$ 350.0	$ 325.3	$ 76.1
Depreciation and amortization[2]	1,676.1	1,641.5	1,739.0	51.4	1,790.4	1,329.7	1,505.7
Interest, net of interest income[1][3]	355.0	384.4	474.2	25.8	500.0	353.2	672.6
Provision (benefit) for taxes on income	78.9	133.9	191.3	(12.2)	179.1	119.5	69.5
EBITDA	$ 2,268.6	$ 2,525.3	2,775.8	43.7	2,819.5	2,127.7	2,323.9
Adjustments:							
Deduct pro forma car rental fleet interest[4]			(313.0)	(9.2)	(322.2)	(243.2)	(304.1)
Deduct car rental fleet depreciation[5]			(1,344.1)	(37.4)	(1,381.5)	(1,027.0)	(1,110.1)
Non-cash expenses and charges[6]			23.0	(0.7)	22.3	15.6	102.6
Extraordinary, unusual or non-recurring gains or losses[7]			2.8		2.8	8.9	2.3

	Predecessor	Predecessor	Successor	Combined	Predecessor	Successor
Sponsors' fees						2.5
Pro forma Corporate EBITDA[8]		$ 1,144.5	$ (3.6)	$ 1,140.9	$ 882.0	$ 1,017.1

(1) For the Successor nine month period ended September 30, 2006, includes corporate audit fees of $0.1 million and $23.8 million of interest expense attributable to Hertz Holdings. For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, includes corporate minority interest of $12.3 million, $0.3 million, $9.5 million and $12.3 million, respectively.

(2) For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, depreciation and amortization was $1,485.9 million, $42.6 million, $1,136.3 million and $1,245.4 million, respectively, in our car rental segment and $248.2 million, $8.6 million, $189.5 million and $255.7 million, respectively, in our equipment rental segment.

(3) For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, interest, net of interest income was $349.2 million, $15.8 million, $263.9 million and $323.2 million, respectively, in our car rental segment and $86.4 million, $3.4 million, $63.9 million and $101.3 million, respectively, in our equipment rental segment.

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

(5) As defined in the credit agreements governing our senior credit facilities, Corporate EBITDA includes a reduction for car rental fleet depreciation. For pro forma purposes, car rental fleet depreciation does not vary from the historical amounts.

(6) For the Predecessor period ended December 20, 2005, the Successor period ended December 31, 2005, the Predecessor nine month period ended September 30, 2005 and the Successor nine month period ended September 30, 2006, non-cash expenses and charges were $11.7 million, $2.1 million, $8.8 million and $56.8 million, respectively, in our car rental segment and $1.0 million, $0.0 million, $0.3 million and $0.0 million, respectively, in our equipment rental segment.

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

	Predecessor	Successor	Combined	Predecessor	Successor
	For the Periods From		Year Ended	Nine Months Ended September 30,	
	January 1, 2005 to December 20, 2005	December 21 to December 31, 2005	December 31, 2005	2005	2006
	(Dollars in millions)				
Corporate non-cash stock-based employee compensation charges	$ 10.5	$	$ 10.5	$ 4.6	$ 20.9
Corporate unrealized losses (gains) on currency translation of Euro denominated senior notes		(2.8)	(2.8)		19.2
Non-cash amortization of debt costs included in car rental fleet interest		2.1	2.1		56.8
Non-cash charges for workers' compensation	12.5		12.5	8.9	

				Predecessor	**Successor**
Corporate non-cash charges for public liability and property damage				2.1	
Corporate non-cash charges for pension					2.7
Corporate unrealized loss on derivatives					3.0
Total	$ 23.0	$ (0.7)	$ 22.3	$ 15.6	$ 102.6

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

	Predecessor	Successor	Combined	Predecessor	Successor
	For the Periods From		Year Ended	Nine Months Ended September 30,	
	January 1, 2005 to December 20, 2005	December 21 to December 31, 2005	December 31, 2005	2005	2006
	(Dollars in millions)				
European headquarters relocation costs	$ 4.0	$	$ 4.0	$ 4.0	$
Car rental concession and lease settlements	(3.9)		(3.9)	1.0	
Car rental insurance settlements	(3.6)		(3.6)	(3.6)	
Charge related to Hurricane Katrina:					

Car rentar complete financial statements. The December 30, 2006 consolidated balance sheet included in this Form 10-Q was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 29, 2007. For further information, refer to the consolidated financial statements and footnotes included in HNI Corporation's (the "Corporation") annual report on Form 10-K for the year ended December 30, 2006.

Note B. Stock-Based Compensation

Effective January 1, 2006, the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). Accordingly, stock-based compensation expense is measured at grant date, based on the fair value of the award and is recognized as expense over the employee requisite service period. For the three months ended March 31, 2007, and April 1, 2006, the Corporation recognized $1.0 million and $0.8 million, respectively, of stock-based compensation for the cost of stock options and shares issued under the Corporation's Members' Stock Purchase Plan (the "MSP Plan").

At March 31, 2007, there was $6.3 million of unrecognized compensation cost related to nonvested awards, which the Corporation expects to recognize over a weighted-average period of 1.6 years.

Note C. Inventories

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The Corporation values its inventory at the lower of cost or market with approximately 85% valued by the last-in, first-out (LIFO) method.

(In thousands)	Mar. 31, 2007 (Unaudited)	Dec. 30, 2006
Finished products	$ 67,000	$ 66,238
Materials and work in process	54,920	58,789
LIFO allowance	(19,262)	(19,262)
	$ 102,658	$ 105,765

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Note D. Comprehensive Income and Shareholders' Equity

The Corporation's comprehensive income for the first three months of 2007 consisted of net income, adjustments to net periodic benefit costs of $0.1 million, unrealized holding gains or losses on marketable securities of ($0.1) million, and foreign currency adjustments of $0.3 million.

For the three months ended March 31, 2007, the Corporation repurchased 285,645 shares of its common stock at a cost of approximately $13.1 million. As of March 31, 2007, $126.7 million of the Corporation's Board of Directors' current repurchase authorization remained unspent.

Note E. Earnings Per Share

The following table reconciles the numerators and denominators used in the calculation of basic and diluted earnings per share (EPS):

(In thousands, except per share data)	Three Months Ended Mar. 31, 2007	Apr. 1, 2006
Numerators:		
Numerator for both basic and diluted EPS net income	$ 20,681	$ 28,470
Denominators:		
Denominator for basic EPS weighted-average common shares outstanding	47,996	51,836
Potentially dilutive shares from stock option plans	282	393
Denominator for diluted EPS	48,278	52,229
Earnings per share - basic	$ 0.43	$ 0.55
Earnings per share - diluted	$ 0.43	$ 0.55

Certain exercisable and non-exercisable stock options were not included in the computation of diluted EPS at March 31, 2007, and April 1, 2006, because their

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inclusion would have been anti-dilutive. The number of stock options outstanding, which met this anti-dilutive criterion for the three months ended March 31, 2007, and April 1, 2006, was 320,509 and 136,828, respectively.

Note F. Restructuring Reserve and Plant Shutdowns

As a result of the Corporation's ongoing business simplification and cost reduction strategies, management made the decision in fourth quarter 2006 to close an office furniture facility and consolidate production into other manufacturing locations. In connection with the shutdown, the Corporation reduced a previously recorded severance accrual by $0.1 million during the quarter ended March 31, 2007. The Corporation expects that the closure and consolidation will be completed early in the third quarter of 2007. The Corporation anticipates additional restructuring charges of approximately $2.0 million.

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(In thousands)	Severance	Facility Exit Costs & Other	Total
Balance as of December 30, 2006	$ 841	$ -	$ 841
Restructuring charges	(136)	-	(136)
Cash payments	(214)	-	(214)
Balance as of March 31, 2007	$ 491	$ -	$ 491

Note G. Business Combinations

The Corporation completed the acquisition of a small office furniture dealer during the first quarter ended March 31, 2007 for a purchase price of approximately $1.0 million. The Corporation acquired a controlling interest and the ability to call the remaining interest on or after fiscal year-end 2012. The Corporation must exercise its call on or before the end of fiscal 2017. Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," requires a mandatorily redeemable financial instrument to be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. It also requires that mandatorily redeemable financial instruments be measured at fair value. Therefore, the Corporation has recorded a liability for the remaining interest in the dealer at fair value at the acquisition. The Corporation is in the process of finalizing the allocation of the purchase price.

Note H. Discontinued Operations

During December 2006, the Corporation committed to a plan to sell a small non-core component of its office furniture segment. Revenues and expenses associated with this component are presented as discontinued operations for the periods presented.

Summarized financial information for discontinued operations is as follows:

	Predecessor	Successor

(In thousands)	Three Months Ended Mar. 31, 2007	Apr. 1, 2006
Discontinued operations:		
Operating income/(loss) before tax	$ 47	$ (167)
Tax impact	17	(61)
Income/(loss) from discontinued operations, net of income tax	$ 30	$ (106)

Note I. Goodwill and Other Intangible Assets

The table below summarizes amortizable definite-lived intangible assets as of March 31, 2007 and December 30, 2006, which are reflected in the "Other Assets" line item in the Corporation's condensed consolidated balance sheets:

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(In thousands)	Mar. 31, 2007	Dec. 30, 2006
Patents	$ 18,780	$ 18,780
Customer relationships and other	105,523	103,492
Less: accumulated amortization	42,173	39,796
	$ 82,130	$ 82,476

Aggregate amortization expense for the three months ended March 31, 2007 and April 1, 2006 was $2.4 million and $2.3 million, respectively. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the following five fiscal years is as follows:

<u>(In millions)</u>	2007	2008	2009	2010	2011
Amortization Expense	$ 9.0	$ 8.2	$ 6.7	$ 6.6	$ 5.7

As events such as potential acquisitions, dispositions or impairments occur in the future, these amounts may change.

The Corporation also owns trademarks and trade names with a net carrying amount of $43.2 million. The trademarks are deemed to have indefinite useful lives because they are expected to generate cash flows indefinitely.

The changes in the carrying amount of goodwill since December 30, 2006, are as follows by reporting segment:

(In thousands)	Office Furniture	Hearth Products	Total
Balance as of December 30, 2006	$ 84,815	$ 166,946	$ 251,761
Goodwill increase during period	1,591	-	1,591
Balance as of March 31, 2007	$ 86,406	$ 166,946	$ 253,352

In accordance with SFAS No. 142 “Goodwill and Other Intangible Assets,” the Corporation evaluates its goodwill

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for impairment on an annual basis based on values at the end of the third quarter, or whenever indicators of impairment exist. The Corporation has previously evaluated its goodwill for impairment and has determined that the fair value of the reporting unit exceeds their carrying value so no impairment of goodwill was recognized in the quarter. The increase in goodwill relates to the acquisitions completed during the first quarter and final purchase price adjustments related to prior acquisitions.

Note J. Product Warranties

The Corporation issues certain warranty policies on its furniture and hearth products that provide for repair or replacement of any covered product or component that fails during normal use because of a defect in design or workmanship.

A warranty reserve is determined by recording a specific reserve for known warranty issues and an additional reserve for unknown claims that are expected to be incurred based on historical claims experience. Actual claims incurred could differ from the original estimates, requiring adjustments to the reserve. Activity associated with warranty obligations was as follows during the period:

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(In thousands)	Three Months Ended Mar. 31, 2007	Apr. 1, 2006
Balance at beginning of period	$ 10,624	$ 10,157
Accruals for warranties issued during period	3,797	3,045
Adjustments related to pre-existing warranties	(127)	482
Settlements made during the period	(3,832)	(3,038)
Balance at end of period	$ 10,462	$ 10,646

Note K. Postretirement Health Care

In accordance with the interim disclosure requirements of revised SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits," the following table sets forth the components of net periodic benefit cost included in the Corporation's income statement for:

(In thousands)	Three Months Ended Mar. 31, 2007	Apr. 1, 2006
Service cost	$ 120	$ 82
Interest cost	267	263
Expected return on plan assets	(60)	(44)
Amortization of transition obligation	145	145
Amortization of prior service cost	58	58
Amortization of (gain)/loss	3	23
Net periodic benefit cost	$ 533	$ 527

Note L. Income Taxes

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The Interpretation addresses the determination of whether tax

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benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures.

The Corporation adopted the provisions of FIN 48 on December 31, 2006, the beginning of fiscal 2007. As a result of the implementation of FIN 48, the Corporation recognized a $1.7 million increase in the liability for unrecognized benefits. This increase in liability resulted in a decrease to the December 31, 2006 retained earnings balance in the amount of $0.5 million and a reduction in deferred tax liabilities of $1.2 million. The amount of unrecognized tax benefits at December 31, 2006 is $3.9 million of which $2.7 million would impact the Corporation's effective tax rate, if recognized.

The Corporation recognized interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses which is consistent with the recognition of these items in prior reporting. As of December 31, 2006, the Corporation had recorded a liability for interest and penalties related to unrecognized tax benefits of $0.5 million and $0.4 million, respectively.

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The Internal Revenue Service ("IRS") has completed the examination of all federal income tax returns through 2003 with no issues pending or unresolved. The years 2004 through 2006 remain open for examination by the IRS. The years 2002 through 2006 are currently under examination or remain open to examination by several states.

As of December 31, 2006 it is reasonably possible that the amounts of several of the unrecognized tax benefits may increase or decrease within the twelve months following the reporting date. It is not expected that any of the changes will be significant individually or in total to the results or financial position of the Corporation.

Note M. Commitments and Contingencies

The Corporation utilizes letters of credit in the amount of $25.1 million to back certain financing instruments, insurance policies and payment obligations. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to competitively determined fees.

The Corporation has contingent liabilities, which have arisen in the course of its business, including pending litigation, preferential payment claims in customer bankruptcies, environmental remediation, taxes, and other claims. It is the Corporation's opinion, after consultation with legal counsel, that additional liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, although such matters could have a material effect on the Corporation's quarterly or annual operating results and cash flows when resolved in a future period.

Note N. New Accounting Standards

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" ("SFAS 157") which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS 157 also expands the amount of disclosure regarding the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does

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not expand the use of fair value in any new circumstances. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Corporation does not anticipate any material impact to its financial statements from the adoption of this standard.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is effective as of the beginning of any fiscal year beginning after November 15, 2007. The Corporation is currently reviewing the impact, if any, that SFAS 159 will have on its consolidated financial statements.

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Note O. Business Segment Information

Management views the Corporation as operating in two business segments: office furniture and hearth products with the former being the principal business segment.

The office furniture segment manufactures and markets a broad line of metal and wood commercial and home office furniture which includes file cabinets, desks, credenzas, chairs, storage cabinets, tables, bookcases, freestanding office partitions and panel systems, and other related products. The hearth product segment manufactures and markets a broad line of manufactured gas-, pellet- and wood-burning fireplaces and stoves, fireplace inserts, and chimney systems principally for the home.

For purposes of segment reporting, intercompany sales transfers between segments are not material and operating profit is income before income taxes exclusive of certain unallocated corporate expenses. These unallocated corporate expenses include the net cost of the Corporation's corporate operations, interest income, and interest expense. The increase in unallocated corporate expenses compared to prior year is due to increased interest expense and group medical costs. Management views interest income and expense as corporate financing costs rather than a business segment cost. In addition, management applies one effective tax rate to its consolidated income before income taxes so income taxes are not reported or viewed internally on a segment basis.

The Corporation's primary market and capital investments are concentrated in the United States.

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Reportable segment data reconciled to the consolidated financial statements for the three month periods ended March 31, 2007 and April 1, 2006, is as follows:

	Three Months Ended	
(In thousands)	Mar. 31, 2007	Apr. 1, 2006
Net Sales:		
Office Furniture	$ 497,851	$ 487,607
Hearth Products	111,349	157,958
	$ 609,200	$ 645,565
Operating Profit:		
Office furniture (1)		
Operations before restructuring charges	$ 38,926	$ 42,346
Restructuring and impairment charges	136	(1,719)
Office Furniture - net	39,062	40,627
Hearth products	7,721	11,733
Total operating profit	46,783	52,360
Unallocated corporate expense	(14,753)	(7,359)
Income before income taxes	$ 32,030	$ 45,001
Depreciation & Amortization Expense:		
Office furniture	$ 12,354	$ 11,155
Hearth products	3,688	4,533
General corporate	1,140	1,140
	$ 17,182	$ 16,828
Capital Expenditures:		
Office furniture	$ 10,825	$ 9,471
Hearth products	2,207	2,770
General corporate	293	2,007
	$ 13,325	$ 14,248

	As of Mar. 31, 2007	As of Apr. 1, 2006
Identifiable Assets:		
Office furniture	$ 706,275	$ 708,767
Hearth products	356,638	374,963
General corporate	110,297	124,256
	$ 1,173,210	$ 1,207,986

(1) Includes minority interest.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Corporation has two reportable core operating segments: office furniture and hearth products. The Corporation is the second largest office furniture manufacturer in the world and the nation's leading manufacturer and marketer of gas- and wood-burning fireplaces. The Corporation utilizes its split and focus, decentralized business model to deliver value to its customers with its various brands and selling models. The Corporation is focused on growing its existing businesses while seeking out and developing new opportunities for growth.

Net sales for the first quarter of 2007 decreased 5.6 percent to $609.2 million. The decrease was driven primarily by the decline in the hearth business and softness in the supplies driven channel of the office furniture business. Gross margins for the quarter decreased from prior year levels due primarily to decreased volume. Selling and administrative expenses decreased due to lower volume, cost containment initiatives and lower restructuring costs.

Critical Accounting Policies

The preparation of the financial statements requires the Corporation to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Corporation continually evaluates its accounting policies and estimates. The Corporation bases its estimates on historical experience and on a variety of other assumptions believed to be reasonable in order to make judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant accounting policies that require the use of estimates and judgments in preparing the financial statements is provided in the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006. As of December 31, 2006, the Corporation adopted FIN 48, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in

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accordance with SFAS No. 109, "Accounting for Income Taxes." During the first three months of 2007, there were no material changes in the accounting policies and assumptions previously disclosed, except for the Corporation's adoption of FIN 48.

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Results of Operations

The following table presents certain key highlights from the results of operations for the periods indicated:

	Three Months Ended		
(In thousands)	Mar. 31, 2007	Apr. 1, 2006	Percent Change
Net sales	$ 609,200	$ 645,565	-5.6%
Cost of sales	402,500	416,610	-3.4
Gross profit	206,700	228,955	-9.7
Selling & administrative expenses	170,814	181,188	-5.7
Restructuring & impairment charges	(136)	1,719	-107.9
Operating income	36,022	46,048	-21.8
Interest expense, net	4,036	1,108	264.3
Earnings from continuing operations before income taxes and minority interest	31,986	44,940	-28.8
Income taxes	11,363	16,403	-30.7
Minority interest in earnings of a subsidiary	(28)	(39)	-28.0
Income from continuing operations	$ 20,651	$ 28,576	-27.7

Consolidated net sales for the first quarter decreased 5.6 percent or $36.4 million compared to the same quarter last year. Acquisitions contributed $15.5 million or 2.4 percentage points of sales. Organic sales growth was down due primarily to the decline in the hearth business and softness in the supplies driven channel of the office furniture business.

Gross margins for the first quarter decreased to 33.9 percent compared to 35.5 percent for the same quarter last year. The decrease was primarily due to decreased volume. Price increases implemented in the prior year more than offset the moderate increases in material costs experienced during the quarter.

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Total selling and administrative expenses for the quarter decreased by $12.2 million compared to the same quarter last year. The decrease was due to lower volume related costs, cost containment initiatives, and lower restructuring costs. The Corporation continues to implement plans to close a small office furniture facility in Monterrey, Mexico. During first quarter 2007, the Corporation decreased the restructuring charge accrued in fourth quarter 2006 as actual severance payments were lower than originally estimated. The Corporation expects that the closure and consolidation will be completed early in the third quarter of 2007. The Corporation anticipates additional restructuring charges related to this shutdown of approximately $2.0 million.

Income from continuing operations decreased 27.7 percent and income from continuing operations per diluted share decreased 21.8 percent compared to the same quarter in 2006. Interest expense increased $2.9 million during the quarter on moderate debt levels, consistent with the Corporation's capital structure strategy. Income from continuing operations per share was positively impacted $0.03 per share as a result of the Corporation's share repurchase program.

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The annualized effective tax rate for first quarter 2007 decreased to 35.5 percent compared to 36.5 percent in first quarter 2006 due to additional benefits from the U.S. manufacturing deduction and the reinstatement of the research tax credit partially offset by higher state taxes.

The Corporation has made the decision to sell a small, non-core component of the office furniture segment and anticipates closing on the sale during the second quarter of 2007. Revenues and expenses associated with the business operations are presented as discontinued operations for all periods presented in the financial statements.

Office Furniture

First quarter sales for the office furniture segment increased 2.1 percent or $10.2 million to $497.9 million from $487.6 million for the same quarter last year as $14.7 million of incremental sales from acquisitions offset lower sales from the supplies driven channel. Operating profit prior to unallocated corporate expenses decreased $1.6 million to $39.1 million primarily as a result of lower volume. In addition, acquisitions negatively impacted profitability during the quarter as anticipated. Operating profit was positively impacted by $1.9 million of lower restructuring related costs compared to first quarter 2006.

Hearth Products

First quarter net sales for the hearth products segment decreased 29.5 percent or $46.6 million to $111.3 million from $158.0 million for the same quarter last year. The Corporation’s acquisitions completed during 2006 contributed approximately $0.8 million of new sales. The Corporation continued to be negatively impacted by housing market conditions and lower comparable sales of alternative fuel products. Operating profit prior to unallocated corporate expenses decreased $4.0 million to $7.7 million due to lower volume offset partially by cost reduction initiatives implemented during fourth quarter 2006 and a smaller mix of lower margin remodel/retrofit business.

Liquidity and Capital Resources

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As of March 31, 2007, cash and short-term investments were $33.7 million compared to $37.3 million at year-end 2006. Cash flow from operations for the first three months was $40.8 million compared to $8.7 million in 2006 primarily due to timing of trade receivable collections. Cash flow and working capital management continue to be a major focus of management to ensure the Corporation is poised for growth. The Corporation has sufficient liquidity to manage its operations and as of March 31, 2007 maintained additional borrowing capacity of $140 million, net of amounts designated for letters of credit, through a $300 million revolving bank credit agreement.

Capital expenditures for the first three months of 2007 were $13.3 million compared to $14.2 million in 2006 and were primarily for tooling and equipment for new products and efficiency initiatives. For the full year 2007, capital expenditures are expected to be $60 to $70 million due to new product development and related tooling and other infrastructure efficiencies.

The Corporation completed the acquisition of a small office furniture dealer during the first quarter ended March 31, 2007 for a purchase price of approximately $1.0 million. During the first three months of 2007, net borrowings under the Corporation's revolving credit facility decreased $9 million as excess cash was utilized to pay down the revolver borrowings. As of March 31, 2007, $135 million of the revolving credit facility was outstanding with the entire portion classified as long-term as the Corporation does not expect to repay any of the remaining outstanding amount within the next twelve months.

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On February 14, 2007, the Corporation’s Board of Directors (the “Board”) approved an 8.3 percent increase in the common stock quarterly cash dividend from $0.18 per share to $0.195 per share. The dividend was paid on March 1, 2007, to shareholders of record on February 23, 2007. This was the 208th consecutive quarterly dividend paid by the Corporation.

For the three months ended March 31, 2007, the Corporation repurchased 285,645 shares of its common stock at a cost of approximately $13.1 million, or an average price of $45.93 per share. As of March 31, 2007, approximately $126.7 million of the Board’s current repurchase authorization remained unspent.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

Contractual obligations associated with ongoing business and financing activities will result in cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments was provided in the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006. During the first three months of fiscal 2007 there were no material changes outside the ordinary course of business in the Corporation's contractual obligations or the estimated timing of the future cash payments.

Commitments and Contingencies

The Corporation is involved in various kinds of disputes and legal proceedings that have arisen in the course of its business, including pending litigation, preferential payment claims in customer bankruptcies, environmental remediation, taxes and other claims. It is the Corporation's opinion, after consultation with legal counsel, that additional liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, although

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such matters could have a material effect on the Corporation's quarterly or annual operating results and cash flows when resolved in a future period.

Looking Ahead

The office furniture industry has moderated. In particular, the Corporation has experienced softness in the transactional supplies driven channel. Management does not anticipate these trends to improve during 2007. Management is actively identifying structural and operating cost reductions in response to the market conditions while continuing to focus on accelerating growth.

The hearth business continues to be negatively impacted by housing market conditions. Sales and profitability will be challenged through 2007. The Corporation will continue to evaluate its cost structure to ensure it is properly aligned with anticipated demand levels.

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The Corporation continues to focus on creating long-term shareholder value by growing its businesses through investment in building brands, product solutions, and selling models, enhancing its strong member-owner culture and remaining focused on its long-standing continuous improvement programs to build best total cost and a lean enterprise.

Forward-Looking Statements

Statements in this report that are not strictly historical, including statements as to plans, outlook, objectives, and future financial performance, are "forward-looking" statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words, such as "anticipate," "believe," "could," "confident," "estimate," "expect," "forecast," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," and variations of such words and similar expressions identify forward-looking statements. Forward-looking statements involve known and unknown risks, which may cause the Corporation's actual results in the future to differ materially from expected results. These risks include, without limitation: the Corporation's ability to realize financial benefits from its (a) price increases, (b) cost containment and business simplification initiatives, (c) investments in strategic acquisitions, new products and brand building, (d) investments in distribution and rapid continuous improvement, (e) repurchases of common stock, and (f) ability to maintain its effective tax rate; uncertainty related to the availability of cash to fund future growth; lower than expected demand for the Corporation's products due to uncertain political and economic conditions; lower industry growth than expected; major disruptions at our key facilities or in the supply of any key raw materials, components or finished goods; uncertainty related to disruptions of business by terrorism, military action, acts of God or other Force Majeure events; competitive pricing pressure from foreign and domestic competitors; higher than expected costs and lower than expected supplies of materials (including steel and petroleum based materials); higher than expected costs for energy and fuel; changes in the mix of products sold and of customers purchasing; restrictions imposed by the terms of the Corporation’s revolving credit facility and note purchase agreement; currency fluctuations and other factors described in the

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Corporation's annual and quarterly reports filed with the Securities and Exchange Commission on Forms 10-K and 10-Q. The Corporation undertakes no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2007, there were no material changes to the financial market risks that affect the quantitative and qualitative disclosures presented in item 7A of the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Securities Exchange Act of 1934 as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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Under the supervision and with the participation of management, the chief executive officer and chief financial officer of the Corporation have evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of March 31, 2007, and, based on their evaluation, the chief executive officer and chief financial officer have concluded that these controls and procedures are effective.

Furthermore, there have been no changes in the Corporation’s internal control over financial reporting during the fiscal quarter covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no new legal proceedings or material developments to report.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the first quarter ended March 31, 2007.

Period	(a) Total Number of Shares(or Units) Purchased (1)	(b) Average price Paid per Share or Unit	(c) Total Number of Shares(or Units) Purchased as part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value)of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
12/31/06 - 1/27/07	-	-	-	$ 139,840,212
1/28/07 - 2/24/07	-	-	-	$ 139,840,212
2/25/07 - 3/31/07	285,645	$ 45.93	285,645	$ 126,721,336
Total	285,645	$ 45.93	285,645	$ 126,721,336

(1) No shares were purchased outside of a publicly announced plan or program.

The Corporation repurchases shares under previously announced plans authorized by the Board as follows:

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Ÿ Plan announced August 8, 2006, providing share repurchase authorization of $200,000,000 with no specific expiration date.
Ÿ No repurchase plans expired or were terminated during the first quarter of 1007, nor do any plans exist under which the Corporation does not intend to make further purchases.

Item 6. Exhibits

See Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HNI Corporation

Dated: May 3, 2007	By:	/s/ Jerald K. Dittmer Jerald K. Dittmer Vice President and Chief Financial Officer

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EXHIBIT INDEX

(31.1) Certification of the CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(31.2) Certification of the CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(32.1) Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002