

July 5, 2012

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Mr. Kevin Vincent
Chief Counsel
National Highway Traffic Safety Administration
1200 New Jersey Avenue, SE W41-322
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By e-mail and U.S. Mail

Re: Audit Query 10-001 Regarding Rental Vehicles

Dear Kevin,

NHTSA began its Audit Query 10-001 in November of 2010 and as soon as we became aware of the Audit Query we volunteered to provide relevant information to assist your agency. By letter dated March 17, 2011, NHTSA asked us to provide certain information including describing our policies with respect to vehicles subject to a recall. We responded in a letter dated April 17, 2011. Our policies have evolved since our April 17, 2011 letter and this letter is to update you regarding our current policies.

With respect to the rental of vehicles subject to a safety recall, we continue to maintain a policy of designating such vehicles (as quickly as we are able to identify them from the information provided by the manufacturers and communicate their status to the branches at which the vehicles are located) as on a mandatory hold and not available for rental until the inspection and/or repair work specified in the recall notice has been completed. As you will recall, the policies described in our April 17th letter also included the possibility of placing a vehicle on a "hard" hold if a committee of senior executives concluded the vehicle could be made available for rent prior to the inspection or repair work being completed. As we reported to you in our letter of December 21, 2011, since January 2010 hard holds had only been used for 4 recalls including the Toyota floor mats recall with the last use of a hard hold being well over a year ago. Since our December 21st letter our policy has evolved to where we would only designate vehicles as subject to a hard hold if there is an interim measure specified by the manufacturer which, if completed, will permit the vehicle to be rented without concern with respect to the recall issues, i.e. a Toyota floor mat type situation. Additionally, as you may know, we told Senator Boxer in correspondence with her that we will not place vehicles on a hard hold even when interim measures are available while there continue to be good faith negotiations over the specifics of legislation to regulate rental car industry practices with respect to recalls.

With respect to the retail sale of vehicles subject to a recall our policy continues to be that we do not sell such vehicles to consumers in our retail sales operations.

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With respect to the sale of vehicles in the wholesale channels (either directly to dealers or to dealers through auctions) we made a recent change in our policy (announced in our correspondence with Senator Boxer) and no longer sell vehicles in wholesale transactions with open recalls except where the vehicle is damaged to the point that it is no longer drivable. In that scenario, our sales include a disclosure to the buyer (either directly or through the auction) of the existence of the recall so that if and when the repair work necessary to put the vehicle back into drivable condition is done, the recall work can be done at the same time.

As always, if you have any questions about our policies we would be pleased to discuss them with you.

Yours truly



Thomas P. Laffey
Vice President and General Counsel

cc: Jennifer Timian (by email and U.S. Mail)