AVIS LEASING CORP
Form S-4
April 03, 2007

As Filed with the Securities and Exchange Commission on April 3, 2007

Registration Statement No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

AVIS BUDGET GROUP, INC.

***And the Issuers and additional Guarantors listed below**

(Exact name of registrant as specified in its charter)

Delaware	**7510**	**06-0918165**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

6 Sylvan Way

Parsippany, NJ 07054

(973) 496-4700

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

David B. Wyshner

Executive Vice President, Chief Financial Officer and Treasurer

Avis Budget Group, Inc.

6 Sylvan Way

Parsippany, NJ 07054

(973) 496-4700

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

Copies of all communications to:

Gregory A. Fernicola, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP

4 Times Square

New York, New York 10036

(212) 735-3000

(212) 735-2000 (facsimile)

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for 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. ¨

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. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to Be Registered**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee**
Floating Rate Senior Notes Due 2014	$ 250,000,000	100%	$ 250,000,000	$ 7,675.00
7.625% Senior Notes Due 2014	$ 375,000,000	100%	$ 375,000,000	$ 11,512.50
7.75% Senior Notes Due 2016	$ 375,000,000	100%	$ 375,000,000	$ 11,512.50
Guarantees related to the Floating Rate Senior Notes Due 2014, the 7.625% Senior Notes Due 2014 and the 7.75% Senior Notes Due 2016	N/A	N/A	N/A	N/A(2)
Total	$ 1,000,000,000	100%	$ 1,000,000,000	$ 30,700

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) promulgated under the Securities Act of 1933, as amended.

(2) Pursuant to Rule 457(n) under the Securities Act of 1933, no separate registration fee will be paid in respect of the guarantees.

The Registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the Registrants 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 Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

TABLE OF ADDITIONAL REGISTRANTS

Name of Additional Registrant*	State or Other Jurisdiction of Incorporation or Formation	Primary Standard Industrial Classification Code Number	I.R.S Employer Identification Number
Issuers			
Avis Budget Car Rental, LLC	Delaware	7510	22-3475741
Avis Budget Finance, Inc.	Delaware	7510	20-4542671
Guarantors			
Avis Budget Holdings, LLC	Delaware	7510	20-4542614
Avis Asia and Pacific, Limited	Delaware	7510	11-2850373
Avis Car Rental Group, LLC	Delaware	7510	22-2732926
Avis Caribbean, Limited	Delaware	7510	11-2850374
Avis Enterprises, Inc.	Delaware	7510	11-2631886
Avis Group Holdings, LLC	Delaware	7510	11-3347585
Avis International, Ltd.	Delaware	7510	11-2411667
Avis Leasing Corporation	Delaware	7510	11-3102377
Avis Rent A Car System, LLC	Delaware	7510	11-1998661
PF Claims Management, Ltd.	Delaware	7510	11-2850723
AB Car Rental Services Inc. (f/k/a Cendant Car Rental Operations Support, Inc.)	Delaware	7510	20-0447089
Wizard Co., Inc.	Delaware	7510	11-2814383
ARACS LLC	Delaware	7510	22-3834931
Avis Operations, LLC	Delaware	7510	22-3846340
BGI Leasing, Inc.	Delaware	7510	68-0515335
Budget Rent A Car System, Inc.	Delaware	7510	42-1553246
Budget Truck Rental LLC	Delaware	7510	20-3251037

* Addresses and telephone numbers of principal executive offices are the same as those of Avis Budget Group, Inc.

Subject to Completion, Dated April 3, 2007

PRELIMINARY PROSPECTUS

AVIS BUDGET GROUP, INC.

and Certain of its Subsidiaries, as Guarantors

AVIS BUDGET CAR RENTAL, LLC

and

AVIS BUDGET FINANCE, INC.,

as Issuers

OFFER TO EXCHANGE

$250 million aggregate principal amount of Floating Rate Senior Notes due 2014 CUSIP Nos. 053773AG2 and U05375AC1, ISIN Nos. US053773AG22 and USU05375AC13 (which we refer to as the Floating Rate Restricted Notes)

for

$250 million aggregate principal amount of Floating Rate Senior Notes due 2014 (which we refer to as the Floating Rate Exchange Notes and, together with the Floating Rate Restricted Notes, the Floating Rate Notes) which have been registered under the Securities Act of 1933, as amended (the Securities Act),

$375 million aggregate principal amount of 7.625% Senior Notes due 2014 CUSIP Nos. 053773AA5 and U05375AA5, ISIN Nos. US053773AA51 and USU05375AA56 (which we refer to as the 7.625% Restricted Notes)

for

$375 million aggregate principal amount of 7.625% Senior Notes due 2014 (which we refer to as the 7.625% Exchange Notes and, together with the 7.625% Restricted Notes, the 7.625% Notes) which have been registered under the Securities Act,

and

$375 million aggregate principal amount of 7.75% Senior Notes due 2016 CUSIP Nos. 053773AB3 and U05375AB3, ISIN Nos. US053773AB35 and USU05375AB30 (which we refer to as the 7.75% Restricted Notes)

for

$375 million aggregate principal amount of 7.75% Senior Notes due 2016 (which we refer to as the 7.75% Exchange Notes and, together with the 7.75% Restricted Notes, the 7.75% Notes) which have been registered under the Securities Act of 1933.

We refer to the Floating Rate Exchange Notes, the 7.625% Exchange Notes and the 7.75% Exchange Notes collectively as the Exchange Notes; to the Floating Rate Restricted Notes, the 7.625% Restricted Notes and the 7.75% Restricted Notes collectively as the Restricted Notes; and to the Exchange Notes and the Restricted Notes collectively as the notes.

The exchange offer will expire at 5:00 p.m., New York City time, on , 2007, unless we extend the exchange offer in our sole and absolute discretion.

Terms of the exchange offer:

- We will exchange Exchange Notes for all outstanding Restricted Notes that are validly tendered and not withdrawn prior to the expiration or termination of the exchange offer.
- You may withdraw tenders of Restricted Notes at any time prior to the expiration or termination of the exchange offer.
- The terms of the Exchange Notes are substantially identical to those of the outstanding Restricted Notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the Restricted Notes do not apply to the Exchange Notes.
- The exchange of Restricted Notes for Exchange Notes will not be a taxable transaction for United States federal income tax purposes, but you should see the discussion under the caption Material United States Federal Income Tax Considerations for more information.
- We will not receive any proceeds from the exchange offer.
- We issued the Restricted Notes in a transaction not requiring registration under the Securities Act and, as a result, their transfer is restricted. We are making the exchange offer to satisfy your registration rights, as a holder of the Restricted Notes.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Restricted Notes where such Restricted Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the closing of this exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution .

There is no established trading market for the Exchange Notes, although the Restricted Notes currently trade on the PORTAL Market.

See Risk Factors beginning on page 13 for a discussion of risks you should consider prior to tendering your outstanding Restricted Notes for exchange.

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

The date of this prospectus is , 2007.

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SUMMARY

This summary highlights the information contained elsewhere in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of this exchange offer, we encourage you to read this entire prospectus. You should read the following summary together with the more detailed information and consolidated financial statements and the notes to those statements included elsewhere in this prospectus.

Except as expressly indicated or unless the context otherwise requires, the Company , Avis Budget , Avis Budget Group , we , our or us refe Avis Budget Group, Inc., a Delaware corporation, and its subsidiaries, Avis Budget Car Rental or ABCR refers to Avis Budget Car Rental, LLC, a Delaware limited liability company, and its subsidiaries, the companies that comprise our vehicle rental operations, Issuers refers to ABCR and Avis Budget Finance, Inc., a Delaware corporation, Subsidiary Guarantors refers to certain of ABCR s subsidiaries that guarantee the notes, Parent Guarantor refers to ABCR s direct parent company, Avis Budget Holdings, LLC, a Delaware limited liability company, and Guarantors refers to the Avis Budget Group, the Parent Guarantor and the Subsidiary Guarantors. Avis and Budget refer to our Avis and Budget operations, respectively, and exclude the operations of Avis Europe and its affiliates, as further discussed below.

Our Company

We operate two of the most recognized brands in the global vehicle rental industry through Avis Rent A Car System, LLC (Avis) and Budget Rent A Car System, Inc. (Budget). Avis is a leading rental car supplier to the premium commercial and leisure segments of the travel industry and Budget is a leading rental car supplier to the price-conscious segments of the industry. We believe we are the largest general-use vehicle rental operator in each of North America, Australia, New Zealand and certain other regions we serve, based on total revenue. We maintain the leading share of airport car rental revenue and we believe we operate the second largest consumer truck rental business in the United States based on available information.

Our car rental operations generate significant benefits from operating two distinctive brands that target different industry segments but share the same fleet, maintenance facilities, systems, technology and administrative infrastructure. We believe that Avis and Budget both enjoy complementary demand patterns with mid-week commercial demand balanced by weekend leisure demand. For 2006, our vehicle rental operations generated revenues of $5,628 million. The Avis, Budget and Budget Truck brands accounted for approximately 61%, 31% and 8% of our vehicle rental revenue, respectively, in 2006.

Our operations have an extended global reach that includes approximately 6,700 car and truck rental locations in the United States, Canada, Australia, New Zealand, Latin America, the Caribbean and parts of the Pacific region. On average, our rental fleet totaled more than 410,000 vehicles, and we completed more than 28 million vehicle rental transactions worldwide in 2006. Domestically, we derived approximately 81% of our nearly $4.0 billion in car rental revenue from on-airport locations in 2006 and approximately 19% of our domestic car rental revenue from off-airport locations, which we refer to as the local rental segment. In 2006, we significantly expanded our presence in the local segment and plan to continue this expansion in 2007. We rent our fleet of approximately 30,500 Budget trucks through a network of approximately 2,400 dealer operated, 210 company operated and 100 franchisee operated locations throughout the continental United States. We also license the use of the Avis and Budget trademarks to multiple licensees in areas in which we do not operate. The Avis and/or Budget vehicle rental systems in Europe, Africa, the Middle East and parts of Asia are operated at approximately 3,700 locations by subsidiaries and sub-licensees of an independent third party primarily under virtually royalty-free trademark license agreements.

Following the completion of the Cendant Separation, discussed in detail below, we categorize our operations in three operating segments: domestic car rental, consisting of our Avis and Budget U.S. car rental operations; international car rental, consisting of our international Avis and Budget car rental operations; and truck rental, consisting of our Budget truck rental operations. In 2006:

- our domestic car rental business generated approximately 89 million rental days and time and mileage revenue per day of $40.01 with an average rental fleet of approximately 329,350 vehicles;

- our international car rental business generated approximately 14 million rental days and time and mileage revenue per day of $39.61 with an average rental fleet of 53,310 vehicles; and

- our truck rental business generated approximately 4.6 million rental days and time and mileage revenue per day of $86.28 with an average rental fleet of approximately 30,500 trucks.

For 2007, our objective is to enhance growth, profitability and our position as a leader in the vehicle rental industry. We expect to achieve our goals by focusing our efforts on the following core strategic initiatives:

- *Optimizing Our Two-Brand Strategy.* We plan to continue to position our two distinct and well-recognized brands to capture different segments of customer demand. With Avis as a premium brand preferred by corporate and upscale leisure travelers and Budget as a value brand preferred by cost-conscious travelers, we believe we are able to target a broad range of demand, particularly since the two brands share the same operational and administrative infrastructure while providing differentiated though consistently high levels of customer service. We aim to provide products, service and pricing, and to maintain marketing affiliations and corporate account contracts, which complement each brand s positioning. In addition, we use various marketing channels as appropriate to each of our brands and seek to continue to grow the volume of reservations that we generate through our avis.com and budget.com websites, which are among our least-expensive sources of advance bookings.

- *Expanding Our Revenue Sources.* We plan to expand the revenues we generate from sources beyond on-airport time and mileage rental fees. We seek to grow off-airport revenue for Avis and Budget by opening new locations and continuing our effort to identify and attract local demand. In particular, we plan to increase our revenues in the insurance replacement sector, in which we have historically had a more limited presence, and we have formed a dedicated local sales team to expand our insurance replacement, local truck rental and off-airport general-use rental volumes. Separately, we look to expand our revenue sources by offering additional products and services to existing on- and off-airport customers, including additional insurance coverages and insurance-related and ancillary products and services, such as our recently launched Where2 GPS navigation product.

- *Capturing Incremental Profit Opportunities.* We plan to continue our focus on yield management and pricing optimization, rigorous cost controls and fleet diversification. We are developing technology that will allow us to strengthen our yield management and we have put in place technology to tailor our product/price offerings to specific customer segments. Specifically, we plan to continue to expand our technology that allows Avis and Budget to target customers with rates and prices based on past shopping and rental behavior. With respect to fleet diversification, in an effort to mitigate expected increases in fleet costs, we are seeking to adjust our relationships with vehicle manufacturers by moving to a more balanced multi-supplier model, increasing the risk-vehicle portion of our fleet, lengthening the average hold period, and reducing the average vehicle size and number of options. In addition, we believe the expansion of our revenue sources (discussed above) will permit us to generate incremental profits from our customer base, while at the same time enhancing their vehicle rental experience.

In 2006, we made considerable progress vis-à-vis our strategic objectives. We retained approximately 98% of our commercial contracts at Avis and Budget and, we believe, generated more U.S. rental car reservations through our own websites than any other company. Budget entered into a marketing alliance with AARP, which is a long-time Avis marketing partner, and grew its award-winning small business program. We opened approximately 200 new off-airport locations in 2006, and off-airport revenues represented 19% of our domestic car rental revenues. We are now an approved or preferred provider for customers of a majority of the largest auto insurance companies in the United States. In 2006, we began offering Where2 GPS navigation system units. In the area of cost management, we have reduced our reliance on individual suppliers, such that our largest fleet supplier in 2007 is expected to represent only 38% of our vehicle purchases, versus 53% in 2005. We are utilizing sophisticated yield-management technology to optimize our pricing, and we continue to analyze and streamline our operations to gain efficiencies. And, most importantly, our more than 30,000 employees continue to provide reliable, high-quality vehicle rental services that foster customer satisfaction and customer loyalty.

Company History and Cendant Separation

We were created through a merger with HFS Incorporated in December 1997 with the resultant corporation being renamed Cendant Corporation. On August 23, 2006, Cendant completed the separation (the Cendant Separation) into four separate companies, one for each of its former Real Estate Services businesses (Realogy Corporation), its former Hospitality Services (including Timeshare Resorts) businesses (Wyndham Worldwide Corporation), its former Travel Distribution Services businesses (Travelport) and its Vehicle Rental businesses (Cendant, now Avis Budget Group). The separation was effected through the pro rata distributions of all of the shares of common stock of Realogy Corporation and Wyndham Worldwide Corporation and the sale of Travelport to an affiliate of The Blackstone Group. In connection with the Cendant Separation, we entered into certain agreements with Realogy, Wyndham and Travelport governing our relationships following the separation, including the assumption by Realogy and Wyndham of 62.5% and 37.5%, respectively, of certain contingent and other liabilities of Cendant. In connection with the Cendant Separation, we also entered into various commercial arrangements with Realogy, Wyndham and Travelport. Following completion of the Cendant Separation, Cendant changed its name to Avis Budget Group, Inc. and our common stock began to trade on the New York Stock Exchange under the symbol CAR. With the completion of the Cendant Separation, Avis Budget Group s operations consist of two of the most recognized brands in the global vehicle rental industry through Avis Budget Car Rental, LLC, the parent of Avis Rent A Car System, LLC, Budget Rent A Car System, Inc. and Budget Truck Rental, LLC.

Ownership Structure

The following diagram depicts the current ownership structure of our company:

Avis Budget Group, Inc. is a Delaware corporation. Avis Budget Car Rental, LLC is a Delaware limited liability company. Avis Budget Finance, Inc. is a Delaware corporation and a wholly-owned subsidiary of Avis Budget Car Rental, LLC that was formed to serve as co-issuer of the notes. Avis Budget Finance, Inc. does not have any material assets.

Our principal executive offices are located at 6 Sylvan Way, Parsippany, New Jersey 07054 and the telephone number at that address is (973) 496-4700. Our website is www.avisbudgetgroup.com, and the web sites of Avis and Budget are www.avis.com and www.budget.com, respectively. The foregoing Internet websites are inactive textual references only, meaning that the information contained on the websites is not a part of this prospectus and is not incorporated in this prospectus by reference.

SUMMARY DESCRIPTION OF THE EXCHANGE OFFER

On April 19, 2006, the Issuers completed the private offering of $250 million aggregate principal amount of Floating Rate Senior Notes due 2014, $375 million aggregate principal amount of 7.625% Senior Notes due 2014 and $375 million aggregate principal amount of 7.75% Senior Notes due 2016, which we refer to collectively as the Restricted Notes . As part of that offering, the Issuers, the Parent Guarantor and the Subsidiary Guarantors entered into a registration rights agreement with the initial purchasers of those Restricted Notes, and on February 9, 2007, Avis Budget Group executed a counterpart and became a party to that registration rights agreement. In the registration rights agreement, we agreed, among other things, to deliver a prospectus to you and to complete an exchange offer for the Restricted Notes. Below is a summary of the exchange offer.

Restricted Notes — $250 million principal amount of Floating Rate Senior Notes due 2014, $375 million principal amount of 7.625% Senior Notes due 2014 and $375 million principal amount of 7.75% Senior Notes due 2016.

Exchange Notes — $250 million principal amount of Floating Rate Senior Notes due 2014, $375 million principal amount of 7.625% Senior Notes due 2014 and $375 million principal amount of 7.75% Senior Notes due 2016, the issuance of each of which has been registered under the Securities Act of 1933, as amended (the Securities Act). The form and terms of each series of Exchange Notes are identical in all material respects to those of the applicable Restricted Notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the Restricted Notes do not apply to the Exchange Notes.

Exchange Offer — We are offering to issue up to
(i) $250 million principal amount of the Floating Rate Exchange Notes, in exchange for a like principal amount of the Floating Rate Restricted Notes,

(ii) $375 million principal amount of the 7.625% Exchange Notes, in exchange for a like principal amount of the 7.625% Restricted Notes,

and

(iii) $375 million principal amount of the 7.75% Exchange Notes, in exchange for a like principal amount of the 7.75% Restricted Notes,

to satisfy our obligations under the registration rights agreement.

Expiration Date; Tenders — The exchange offer will expire at 5:00 p.m., New York City time, on , 2007, unless extended in our sole and absolute discretion. By tendering your Restricted Notes, you represent to us that:

- you are not our affiliate, as defined in Rule 405 under the Securities Act;

- you are not engaged in, and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes;

	you are acquiring the Exchange Notes in your ordinary course of business; and
	if you are a broker-dealer, you will receive the Exchange Notes for your own account in exchange for Restricted Notes that were acquired by you as a result of your market-making or other trading activities and that you will deliver a prospectus in connection with any resale of the Exchange Notes you receive. For further information regarding resales of the Exchange Notes by participating broker-dealers, see the discussion under the caption Plan of Distribution.
Withdrawal	You may withdraw any Restricted Notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on , 2007.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive. See the discussion below under the caption The Exchange Offer Conditions to the Exchange Offer for more information regarding the conditions to the exchange offer.
Procedures for Tendering the Restricted Notes	Except as described in the section titled The Exchange Offer Procedures for Tendering Restricted Notes, a tendering holder must, on or prior to the expiration date, transmit an agent s message to the exchange agent at the address listed in this prospectus. In order for your tender to be considered valid, the exchange agent must receive a confirmation of book entry transfer of your Restricted Notes into the exchange agent s account at The Depository Trust Company (DTC) prior to the expiration or termination of the exchange offer.
Special Procedures for Beneficial Owners	If you are a beneficial owner whose Restricted Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender your Restricted Notes in the exchange offer, you should promptly contact the person in whose name the Restricted Notes are registered and instruct that person to tender on your behalf. Any registered holder that is a participant in DTC s book-entry transfer facility system may make book-entry delivery of the Restricted Notes by causing DTC to transfer the Restricted Notes into the exchange agent s account.
Use of Proceeds	We will not receive any proceeds from the exchange offer.
Exchange Agent	The Bank of Nova Scotia Trust Company of New York is the exchange agent for the exchange offer. You can find the address and telephone number of the exchange agent below under the caption The Exchange Offer Exchange Agent.
Resales	Based on interpretations by the staff of the SEC, as detailed in a series of no-action letters issued to third parties, we believe that the Exchange Notes issued in the exchange offer may be offered for

resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as:

- you are acquiring the Exchange Notes in the ordinary course of your business;
- you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate, in a distribution of the Exchange Notes; and
- you are not an affiliate of ours.

If you are an affiliate of ours, are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the Exchange Notes:

- you cannot rely on the applicable interpretations of the staff of the SEC;
- you will not be entitled to participate in the exchange offer; and
- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

See the discussion below under the caption The Exchange Offer Consequences of Exchanging or Failing to Exchange Restricted Notes for more information.

Broker-Dealer — Each broker or dealer that receives Exchange Notes for its own account in exchange for Restricted Notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell or other transfer of the Exchange Notes issued in the exchange offer, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the Exchange Notes.

Furthermore, any broker-dealer that acquired any of its Restricted Notes directly from us:

- may not rely on the applicable interpretation of the staff of the SEC s position contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan, Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1993); and
- must also be named as a selling bondholder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

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This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Restricted Notes which were received by such broker-dealer as a result of market making activities or other trading activities. We have agreed that for a period of not less than 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution for more information.

Registration Rights Agreement	When the Restricted Notes were issued in April 2006, the Issuers, the Parent Guarantor and the Subsidiary Guarantors entered into a registration rights agreement with the initial purchasers of the Restricted Notes, and on February 9, 2007, Avis Budget Group executed a counterpart and became a party to that registration rights agreement. Under the terms of the registration rights agreement, we agreed to use our reasonable best efforts to:

- file with the SEC and cause to become effective a registration statement relating to an offer to exchange the Restricted Notes for the Exchange Notes;
- keep the exchange offer open for not less than 20 business days (or longer if required by applicable law) after the date of notice thereof is mailed to the holders of the Restricted Notes; and
- complete the exchange offer within 405 days of the issue date of the Restricted Notes.

If we do not complete the exchange offer (or, if required, the shelf registration statement described below is not declared effective) on or before the date that is 405 days after the issuance of the Restricted Notes, subject to certain exceptions, or if we fail to meet certain other conditions described under Description of the Exchange Notes Additional Interest, the interest rate borne by the Restricted Notes will increase at a rate of 0.25% per annum every 90 days (but shall not exceed 0.50% per annum) until the condition which gave rise to the additional interest is cured.

Under some circumstances set forth in the registration rights agreement, holders of Restricted Notes, including certain holders who are not permitted to participate in the exchange offer, may require us to file and cause to become effective, a shelf registration statement covering resales of the Restricted Notes by these holders.

A copy of the registration rights agreement is as an exhibit to the registration statement of which this prospectus forms a part. See Description of the Exchange Notes Registration Rights.

CONSEQUENCES OF NOT EXCHANGING RESTRICTED NOTES

If you do not exchange your Restricted Notes in the exchange offer, your Restricted Notes will continue to be subject to the restrictions on transfer currently applicable to the Restricted Notes. In general, you may offer or sell your Restricted Notes only:

- if they are registered under the Securities Act and applicable state securities laws;
- if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or
- if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

We do not currently intend to register the Restricted Notes under the Securities Act. Under some circumstances, however, holders of the Restricted Notes, including holders who are not permitted to participate in the exchange offer or who may not freely resell Exchange Notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of Restricted Notes by these holders. For more information regarding the consequences of not tendering your Restricted Notes and our obligation to file a shelf registration statement, see The Exchange Offer Consequences of Exchanging or Failing to Exchange Restricted Notes and Description of the Exchange Notes Registration Rights.

SUMMARY DESCRIPTION OF THE EXCHANGE NOTES

The summary below describes the principal terms of the Exchange Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Exchange Notes section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Notes. As used in this Summary Description of the Exchange Notes section, except as expressly indicated or unless the context otherwise requires, the Company , ABCR , we , us or our means Avis Budget Car Rental, LLC.

Issuers	Avis Budget Car Rental, LLC and its wholly-owned subsidiary, Avis Budget Finance, Inc. The Issuers will be jointly and severally liable for all obligations under the Exchange Notes.

Securities

Floating Rate Exchange Notes	$250,000,000 aggregate principal amount of Floating Rate Senior Notes due 2014 which will bear interest at a rate per annum equal to LIBOR (as defined) plus 2.50%.
7.625% Exchange Notes	$375,000,000 aggregate principal amount of 7.625% Senior Notes due 2014.
7.75% Exchange Notes	$375,000,000 aggregate principal amount of 7.75% Senior Notes due 2016.
Maturity	The Floating Rate Exchange Notes: May 15, 2014.

The 7.625% Exchange Notes: May 15, 2014.

The 7.75% Exchange Notes: May 15, 2016.

Interest payment dates	The Floating Rate Exchange Notes: February 15, May 15, August 15 and November 15 of each year.

The 7.625% Exchange Notes: May 15 and November 15 of each year.

The 7.75% Exchange Notes: May 15 and November 15 of each year.

Optional redemption	We may redeem some or all of the Floating Rate Notes at any time on or after May 15, 2008; some or all of the 7.625% Notes on or after May 15, 2010; and some or all of the 7.75% Notes on or after May 15, 2011 at the redemption prices set forth in this prospectus, together with accrued and unpaid interest, if any, to, but not including, the redemption date.

At any time prior to May 15, 2008 for the Floating Rate Notes and prior to May 15, 2009 for the 7.625% Notes and the 7.75% Notes, we may also redeem up to 35% of the original aggregate principal amount of the applicable series of notes using the proceeds of one or more equity offerings at a redemption price (expressed as a percentage of principal amount thereof) of 100% plus the applicable rate of interest per annum on the date on which notice of redemption is given for the Floating Rate Notes, 107.625% for the 7.625% Notes and 107.75% for the 7.75% Notes, in each case together with accrued and unpaid interest, if any, to, but not including, the redemption date.

Mandatory offers to purchase	The occurrence of a change of control will be a triggering event requiring us to offer to purchase all or a portion of the notes at a price equal to 101% of their principal amount, together with accrued and unpaid interest, if any, to, but not including, the date of repurchase.

Certain asset dispositions will be triggering events which may require us to use the proceeds from those asset dispositions to make an offer to purchase the notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to, but not including, the date of purchase, if such proceeds are not otherwise used within the time periods specified herein to, among other things, repay indebtedness of our company or any Restricted Subsidiary, as defined in the indenture governing the notes, (other than disqualified stock or any subordinated obligations of our company or any guarantor), repay indebtedness under our senior credit facility (with a corresponding reduction in commitment) or invest in additional assets related to our business.

Guarantees	The Exchange Notes will be guaranteed on a senior unsecured basis by our indirect parent company, Avis Budget Group, Inc., our direct parent company, Avis Budget Holdings, LLC, and all of our existing and future direct and indirect domestic subsidiaries that guarantee our senior credit facility.
Ranking	The Exchange Notes will be unsecured senior indebtedness of the Issuers, rank equally in right of payment with all existing and future senior indebtedness of the Issuers, and be senior in right of payment to all existing and future subordinated obligations of the Issuers.
Covenants	The indenture governing the notes contains covenants that, among other things, restrict our ability and the ability of our restricted subsidiaries to:

- incur, assume or guarantee additional indebtedness;
- pay dividends or redeem or repurchase capital stock;
- make other restricted payments;
- incur liens;
- redeem debt that is junior in right of payment to the notes;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- enter into mergers or consolidations;
- enter into transactions with affiliates; and
- enter into new lines of business.

These covenants will be subject to a number of important exceptions and qualifications. For more details, see Description of the Exchange Notes .

Risk Factors

You should carefully consider all of the information contained in this prospectus prior to participating in the exchange offer. In particular, we urge you to carefully consider the information set forth under Risk Factors beginning on page 13, for a discussion of risks and uncertainties relating to us, our subsidiaries, our business, the exchange offer and holding the Exchange Notes.

RISK FACTORS

Participating in the exchange offer involves a number of risks. You should consider carefully the following information about these risks, together with the other information included in this prospectus before tendering your Restricted Notes in the exchange offer. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. We cannot assure you that any of the events discussed in the risk factors below will not occur. If they do, our business, financial condition or results of operations could be materially and adversely affected.

Risks Related to the Exchange Offer and Holding the Exchange Notes

We have a substantial amount of debt, which could impair our financial condition and adversely affect our ability to react to changes in our business and fulfill our obligations under the notes.

As of December 31, 2006, our total debt was approximately $7.1 billion and we had approximately $1.2 billion of available borrowing capacity under ABCR s senior secured credit facility.

Our substantial indebtedness could have important consequences to you, including:

- making it more difficult for us to satisfy our obligations with respect to the notes;
- limiting our ability to borrow additional amounts to fund working capital, capital expenditures, debt service requirements, execution of our business strategy, acquisitions and other purposes;
- requiring us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on our debt, which would reduce the funds available to us for other purposes;
- making us more vulnerable to adverse changes in general economic, industry and competitive conditions, in government regulation and in our business by limiting our flexibility in planning for, and making it more difficult for us to react quickly to, changing conditions; and
- exposing us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expenses in the event of increases in interest rates.

See Description of Other Indebtedness and Description of the Exchange Notes .

Despite our current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial indebtedness.

Subject to specified limitations, the indenture governing the notes limits, but does not prohibit, us from incurring additional indebtedness in the future. As of December 31, 2006, ABCR s senior secured credit facility provided us commitments for additional borrowings of up to $1.2 billion, in the aggregate. All of those borrowings would be secured and the lenders under ABCR s senior secured credit facility would have a prior claim to the assets that secure such indebtedness. The subsidiaries that guarantee the notes also are guarantors under ABCR s senior secured credit facility. In addition, if we incur any additional unsecured indebtedness that ranks equally with the notes, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. If new debt is added to our current debt levels, the risks described above in the previous risk factor could intensify. See Description of the Exchange Notes and Description of Other Indebtedness .

Restrictive covenants in agreements and instruments governing our debt, including the indenture governing the notes, may adversely affect our ability to operate our business.

The indenture governing the notes and the agreement governing ABCR s senior secured credit facility contain, and our future debt instruments may contain, various provisions that limit our ability to, among other things:

- incur additional debt;
- provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans, investments and capital expenditures;
- incur liens;
- make distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

The notes and the guarantees are unsecured and effectively rank behind our existing and future secured creditors to the extent of the value of the collateral securing their claims, including lenders under ABCR s senior secured credit facility, and holders of the guarantors existing and future secured indebtedness have a prior claim on our assets that secure such indebtedness.

Holders of our secured indebtedness have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing such indebtedness. The Issuers, the Parent Guarantor and the Subsidiary Guarantors are party to a senior secured credit facility, which is secured by a significant portion of our assets, including a pledge of all of ABCR s capital stock and the capital stock of all of ABCR s direct and indirect subsidiaries (limited, in the case of foreign subsidiaries, to 66% of the capital stock of the first tier foreign subsidiaries and excluding securitization subsidiaries). In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of our secured indebtedness will have prior claim to our assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes. In that event, because the notes and the guarantees will not be secured by any of our assets, it is possible that our remaining assets might be insufficient to satisfy your claims in full.

In addition, the restrictive covenants in ABCR s senior secured credit facility requires ABCR to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet those tests. A breach of any of these covenants could result in a default under ABCR s senior secured credit facility. Upon the occurrence of an event of default under ABCR s senior secured credit facility, the lenders could elect to declare all amounts outstanding under ABCR s senior secured credit facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under ABCR s senior secured credit facility could proceed against the collateral granted to them to secure that indebtedness.

As of December 31, 2006, the aggregate amount of our secured indebtedness, on a consolidated basis, was approximately $6.1 billion, and approximately $1.2 billion was available for additional borrowing under ABCR s senior secured credit facility. We will be permitted to borrow substantial additional secured indebtedness in the future under the terms of the indenture governing the notes. See Description of the Exchange Notes .

We will require a significant amount of cash to service all of our indebtedness, including the notes, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to make payments on and refinance our debt, including the notes, will depend on our ability to generate cash flow in the future. To some extent, this is subject to prevailing economic and competitive conditions and to certain financial, business and other factors, some of which are beyond our control. Our business may not generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness, and our cash needs may increase. If we are unable to generate sufficient cash flow from operations to service our debt and meet our other cash needs, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. We may not be able to take any of these actions. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, particularly because of our anticipated high levels of debt and the restrictions imposed by the agreement governing ABCR s senior secured credit facility and the indenture governing the notes on our ability to incur additional debt and use the proceeds from asset sales. If we must sell our assets, it may negatively affect our ability to generate revenue. The inability to obtain additional financing could have a material adverse effect on our financial condition and on our ability to meet our obligations to you under the notes.

If we cannot make scheduled payments on our debt, we would be in default and, as a result:

our debt holders could declare all outstanding principal and interest to be due and payable;

the lenders under ABCR s senior secured credit facility could terminate their commitments to lend us money and foreclose against the assets securing their borrowings; and

we could be forced into bankruptcy or liquidation, which could result in you losing your investment in the notes.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, ABCR will be required to offer to repurchase all outstanding notes at 101% of their principal amount, plus any accrued and unpaid interest. ABCR may not be able to repurchase the notes upon a change of control because ABCR may not have sufficient funds. Further, ABCR may be contractually restricted under the terms of its senior secured credit facility or other future senior indebtedness from repurchasing all of the notes tendered by holders upon a change of control. Accordingly, ABCR may not be able to satisfy its obligations to purchase your notes unless ACRR is able to refinance or obtain waivers underits senior secured credit facility. ABCR s failure to repurchase the notes upon a change of control would cause a default under the indenture and a cross-default under ABCR s senior secured credit facility.

Federal and state statutes could allow courts, under specific circumstances, to void the guarantees and require note holders to return payments received from the guarantors.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee could be voided or claims in respect of a guarantee could be subordinated to all other debts of the applicable guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee and either:

was insolvent or rendered insolvent by reason of such incurrence;

was engaged or about to engage in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, a guarantor would be considered insolvent if, at the relevant time, the sum of its debts and other liabilities, including contingent liabilities, was greater than the sum of its assets at a fair valuation, and a guarantor that generally was not then paying its debts as they became due would be presumed to be insolvent.

There is no public market for the Exchange Notes, and we do not know if a market will ever develop or, if a market does develop, whether it will be sustained.

The Exchange Notes are a new issue of securities for which there is no existing trading market. Accordingly, we cannot assure you that a liquid market will develop for the Exchange Notes, that you will be able to sell your Exchange Notes at a particular time or that the prices that you receive when you sell the Exchange Notes will be favorable.

We do not intend to apply for listing or quotation of any series of bonds on any securities exchange or stock market, although our Restricted Notes trade on the PORTAL Market. The liquidity of any market for the Exchange Notes will depend on a number of factors, including:

- the number of holders of Exchange Notes;
- our operating performance and financial condition;
- our ability to complete the offer to exchange the Restricted Notes for the Exchange Notes;
- the market for similar securities;
- the interest of securities dealers in making a market in the Exchange Notes; and
- prevailing interest rates.

Holders of Restricted Notes who fail to exchange their Restricted Notes in the exchange offer will continue to be subject to restrictions on transfer.

If you do not exchange your Restricted Notes for Exchange Notes in the exchange offer, you will continue to be subject to the restrictions on transfer applicable to the Restricted Notes. The restrictions on transfer of your Restricted Notes arise because we issued the Restricted Notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the Restricted Notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. We do not plan to register the Restricted Notes under the Securities Act. For further information regarding the consequences of tendering your Restricted Notes in the exchange offer, see the discussion below under the caption The Exchange Offer Consequences of Exchanging or Failing to Exchange Restricted Notes.

You must comply with the exchange offer procedures in order to receive new, freely tradable Exchange Notes.

Delivery of Exchange Notes in exchange for Restricted Notes tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of book-entry transfer of Restricted Notes into the exchange agent s account at DTC, as depositary, including an agent s message (as defined herein). We are not required to notify you of defects or irregularities in tenders of Restricted Notes for exchange. Restricted Notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the exchange offer, certain registration and other rights under the registration rights agreement will terminate. See The Exchange Offer Procedures for Tendering Restricted Notes and The Exchange Offer Consequences of Exchanging or Failing to Exchange Restricted Notes.

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Some holders who exchange their Restricted Notes may be deemed to be underwriters, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your Restricted Notes in the exchange offer for the purpose of participating in a distribution of the Exchange Notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Risks Related to our Business

The high level of competition in the vehicle rental industry may lead to reduced rental volumes, downward pricing or an inability to increase our prices, which could have a material adverse impact on our results of operations.

The vehicle rental industry in which we operate is highly competitive. We believe that price is one of the primary competitive factors in the vehicle rental industry. Our competitors, some of whom may have access to substantial capital, may seek to compete aggressively on the basis of pricing. To the extent that we match competitors downward pricing, it could have a material adverse impact on our results of operations. To the extent that we do not match or remain within a reasonable competitive margin of our competitors pricing, it could also have a material adverse impact on our results of operations, as we may lose rental volume. The Internet has increased pricing transparency among vehicle rental companies by enabling cost-conscious customers to more easily obtain and compare the rates available from various vehicle rental companies for any given rental. This transparency may increase the prevalence and intensity of price competition in the future.

We face risks of increased fleet costs, both generally and due to the possibility that automobile manufacturers could change or cease their repurchase or guaranteed depreciation programs.

Fleet costs represented approximately 27% of our aggregate expenses for 2006 and can vary from year to year based on the prices at which we are able to purchase and dispose of rental vehicles. For 2006 and 2005, approximately 88% and 95%, respectively, of the rental cars purchased for our domestic car fleet were the subject of agreements requiring automobile manufacturers to repurchase them or guarantee the depreciation rate for a specified period of time. We refer to cars subject to such agreements as program cars. Under these repurchase and guaranteed depreciation programs, automobile manufacturers agree to repurchase cars at a specified price during a specified time period or guarantee the rate of depreciation for a specified period of time, typically subject to certain car condition and mileage requirements. Repurchase and guaranteed depreciation programs, therefore, enable us to determine, in advance, our depreciation expense, which is a significant cost factor in our car rental operations. Repurchase and guaranteed depreciation programs also limit the risk to us that the market value of a car, at the time of its disposition, will be less than its estimated residual (or depreciated) value.

Automobile manufacturers may not continue to sell cars to us subject to repurchase or guaranteed depreciation programs at all or on terms consistent with past practice. In addition, we intend to reduce the number of program cars we purchase to mitigate anticipated increases in fleet costs. Should any such decrease in the percentage of our car rental fleet subject to repurchase or guaranteed depreciation programs occur, we would expect to bear increased risk relating to the residual market value of our car rental fleet and the depreciation of rental vehicles, each of which could have a material adverse effect on our results of operations and financial condition. The overall cost of cars subject to repurchase or guaranteed depreciation programs could also increase if the manufacturers were to make changes to these programs, particularly if such changes were to result in a decrease in the repurchase price or guaranteed depreciation without a corresponding decrease to the original purchase price. Repurchase or guaranteed depreciation programs also generally provide us with flexibility to reduce the size of our fleet rapidly in response to an economic downturn or changes in demand by returning cars sooner than originally expected. This flexibility may be reduced in the future to the extent the percentage of program cars in our car rental fleet decreases or this feature of repurchase or guaranteed depreciation programs is altered.

During 2006, approximately 74% of the cars acquired for our U.S. car rental fleet were manufactured by either General Motors Corporation or Ford Motor Company. A default on any repurchase or guaranteed depreciation agreement, particularly with respect to GM or Ford, might leave us with a substantial unpaid claim against the manufacturer with respect to program cars that were either (a) sold for an amount less than the amount guaranteed under the applicable agreement or (b) sold and returned to the car manufacturer but for which we were not paid, as well as potential additional expenses if the prices at which we were able to dispose of program cars were less than the specified prices under the repurchase or guaranteed depreciation program. Any increased risk with respect to the likelihood of these defaults or a decline in the results of operations or financial condition of the manufacturers of the cars we purchase could also impact our ability to finance the purchase of cars to maintain our car rental fleet.

The relative strength of the used vehicle marketplace materially impacts the costs of our rental cars and trucks not covered by repurchase or guaranteed depreciation programs or trade-in agreements. We currently sell these used vehicles through auctions, third party resellers and other channels. These markets may not produce stable used vehicle pricing in the future. Based on the number of used trucks and non-program cars produced by our rental operations annually, and our intent to increase this number, any downturn in the used vehicle marketplace could have a material impact on our fleet holding costs and profitability.

Our car rental business is dependent on airline passenger traffic, and disruptions in travel patterns could harm our business.

In 2006, we generated approximately 81% of our domestic car rental revenue from our corporate owned on-airport locations. As a result, a decline in airline passenger traffic could have a material adverse effect on our results of operations. Events that affect air travel could include economic downturns, work stoppages, military conflicts, terrorist incidents or threats, pandemic diseases, natural disasters or the response of governments to any of these events. We also face increased costs of maintaining our positions on-airport through increased competitive bidding and minimum airport guarantees.

We are dependent on third party distribution channels, and the success of our business depends in significant part on these relationships.

The operators of third party distribution channels, through which we generate approximately 44% of our domestic reservations, generally can cancel or modify their agreements with us upon relatively short notice. Changes in our pricing agreements, commission schedules or arrangements with third party distribution channels, the termination of any of our relationships or a reduction in the transaction volume of such channels could have a material adverse effect on our business, financial condition and results of operations. Most of these reservations are made in connection with GDS (Amadeus, Galileo, Sabre and Worldspan), which aggregate reservations from various sources. Our largest third party source of reservations (other than from GDS) in 2006 was responsible for less than 2% of our domestic reservations.

Our business is seasonal, and a disruption in rental activity during our peak season could materially adversely affect our results of operations.

In our business, the third quarter of the year has historically been our strongest quarter due to the increased level of leisure travel and household moving activity. In 2006, the third quarter accounted for approximately 28% of our vehicle rental revenue and 36% of ABCR s income before income taxes. Any occurrence that disrupts rental activity during the third quarter could have a disproportionately material adverse effect on our liquidity and/or our results of operations.

An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability.

A significant amount of our borrowings, primarily our seasonal borrowings, bear interest at variable rates and expose us to interest rate risk. If interest rates increase, whether because of an increase in market interest rates or an increase in our own cost of borrowing, our debt service obligations for our variable rate indebtedness would increase even though the amount of borrowings remained the same, and our net income could be materially adversely affected. As of December 31, 2006, our total outstanding debt of approximately $7.1 billion included interest rate sensitive debt of approximately $500 million (either by its original terms or through the use of interest rate derivatives), which had a weighted average interest rate of approximately 6% per annum. During our seasonal borrowing peak in 2006, outstanding interest rate sensitive debt totaled approximately $1.5 billion, with a weighted average interest rate of approximately 6% per annum.

We face risks arising from our heavy reliance on communications networks and centralized information systems.

We rely heavily on information systems, including our reservation system, to accept reservations, process rental and sales transactions, manage our fleet of vehicles, account for our activities and otherwise conduct our business. We have centralized our information systems, and we rely on communications services providers to link our systems with the business locations these systems serve. A failure of a major system, or a major disruption of communications between the system and the locations it serves, could cause a loss of reservations, interfere with our ability to manage our fleet, slow rental and sales processes and otherwise materially adversely affect our ability to manage our business effectively. Our systems business continuity plans and insurance programs are designed to mitigate such a risk, not eliminate it.

In addition, because our systems contain personally identifiable non-public information about millions of individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance of others, could harm our reputation or give rise to legal liabilities leading to lower revenue, increased costs and other material adverse effects on our results of operations.

We face risks related to liability and insurance.

Our businesses expose us to claims for personal injury, death and property damage related to the use of our vehicles and for workers compensation claims and other employment-related claims by our employees. We may become exposed to uninsured liability at levels in excess of our historical levels resulting from unusually high losses or otherwise. In addition, liabilities in respect of existing or future claims may exceed the level of our reserves and/or our insurance, and we may not have sufficient capital available to pay any uninsured claims. Furthermore, insurance with unaffiliated carriers may not continue to be available to us on economically reasonable terms or at all.

Environmental regulations could subject us to liability for fines or damages.

We are subject to federal, state, local and foreign environmental laws and regulations in connection with our operations, including, among other things, with respect to the ownership and operation of tanks for the storage of petroleum products, such as gasoline, diesel fuel and motor and waste oils. We have established a compliance program for our tank systems that is intended to ensure that the tanks are properly registered with the state or other jurisdiction in which the tanks are located and have been either replaced or upgraded to meet applicable leak detection and spill, overfill, corrosion protection and vapor recovery requirements. These tank systems may not at all times remain free from undetected leaks, and the use of these tanks may result in significant spills.

We have made, and will continue to make, expenditures to comply with environmental laws and regulations, including, among others, expenditures for the cleanup of contamination at our owned and leased properties, as well as contamination at other locations at which our wastes have reportedly been identified. Our compliance with existing or future environmental laws and regulations may, however, require material expenditures by us or otherwise have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Changes in the U.S. and foreign legal and regulatory environment that affect our operations, including laws and regulations relating to the insurance products we sell, consumer privacy, data security, automobile-related liability and insurance rates, could disrupt our business, increase our expenses or otherwise have a material adverse effect on our results of operations.

We are subject to a wide variety of laws and regulations in the United States and the other countries and jurisdictions in which we operate, and changes in the level of government regulation of our business have the potential to materially alter our business practices or our profitability. Depending on the jurisdiction, those changes may come about through new legislation, the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official.

The optional insurance products, including, but not limited to, supplemental liability insurance, personal accident insurance and personal effects protection, offered to renters providing various insurance coverages in our domestic vehicle rental operations are regulated under state laws governing the licensing of such products. In our international car rental operations, our offering of optional products providing insurance coverage historically has not been regulated.

Any changes in U.S. or foreign law that change our operating requirements with respect to optional insurance products could increase our costs of compliance or make it uneconomical to offer such products, which would lead to a reduction in revenue. If customers decline to purchase supplemental liability insurance products through us as a result of any changes in these laws or otherwise, our results of operations could be materially adversely affected.

In almost every state, we recover various costs associated with the title and registration of our vehicles. In addition, where permitted, we also recover the concession cost imposed by an airport authority or the owner and/or operator of the premises from which our vehicle is rented. Our long standing business practice has been to separately state these additional surcharges in our rental agreements and invoices and disclose the existence of these surcharges to consumers together with an estimated total price, inclusive of these surcharges, in all distribution channels. This standard practice comports with the Federal Trade Commission Act and has been upheld by several courts. However, there are several legislative proposals which, if enacted, would define which surcharges are permissible and establish calculation formulas which may differ from the manner in which we set our surcharges. We cannot assure you that if any of these proposals were to be enacted there will not be an adverse impact or limitation on our ability to recover all of the surcharges we currently charge.

We may be held responsible by third parties, regulators or courts for the actions of, or failures to act by, our licensees, which exposes us to possible fines, other liabilities and bad publicity.

Our car and truck rental licensee locations, which include both franchisees and dealers, are independently owned and operated. Our agreements with our licensees require that they comply with all laws and regulations applicable to their businesses, including our internal policies and standards. Under these licensee agreements, licensees retain control over the employment and management of all personnel. Third parties, regulators or courts may seek to hold us responsible for the actions of, or failures to act by, our licensees. Although we maintain the right to monitor the operations of licensees and have the ability to terminate licensee agreements for failure to adhere to contracted operational standards, we are unlikely to detect all problems. Moreover, there are occasions when our and our licensees activities may not be clearly distinguishable. It is our policy to vigorously seek to be dismissed from any such claims and to pursue indemnity for any adverse decisions. Failure to comply with laws and regulations by our licensees may expose us to liability and damages that may adversely affect our business.

Significant increases in fuel costs or limitations in fuel supplies could harm our business.

We could be adversely affected by limitations in fuel supplies or significant increases in fuel prices. A severe or protracted disruption in fuel supplies or significant increases in fuel prices could have a material adverse effect on our financial condition and results of operations, either by directly discouraging consumers from renting cars and trucks or by causing a decline in airline passenger traffic.

Risks Related to the Separation

We have little recent operating history as a stand-alone vehicle rental company.

The financial information included in this prospectus does not reflect the financial condition, results of operations or cash flows we would have achieved as a stand-alone vehicle rental company during the periods presented or those that we will achieve in the future. This is primarily a result of the following factors:

Prior to the completion of the Cendant Separation, the vehicle rental business was operated by Cendant as part of its broader corporate organization, rather than as an independent company. Cendant or one of its affiliates performed various corporate functions for our vehicle rental business, including, but not limited to, tax administration, certain governance functions (including compliance with the Sarbanes-Oxley Act of 2002 and internal audit) and external reporting. Our financial results for all periods other than fourth quarter 2006 for our operating segments reflect allocations of corporate expenses from Cendant for these and similar functions. These allocations may be more or less than the comparable expenses we would have incurred had we operated as a stand-alone vehicle rental company during those periods.

Generally, prior to completion of the Cendant Separation, working capital requirements and capital for general corporate purposes for the vehicle rental business, including acquisitions and capital expenditures, were historically satisfied as part of the corporate-wide cash management policies of Cendant s broader corporate organization. With the completion of the Cendant Separation, we will not have access to the cash generated by the businesses of Realogy, Wyndham Worldwide or Travelport in order to finance our working capital or other cash requirements (except for obligations of these entities to make payments to us for certain specified items). Without access to the cash generated by these companies, we may need to obtain additional financing from banks, or through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements.

With the completion of the Cendant Separation, the cost of capital for our business may be higher than our cost of capital prior to the completion of the Cendant Separation.

While we have entered into short-term transition agreements that govern certain commercial and other relationships among us, Realogy, Wyndham Worldwide and Travelport, those temporary arrangements may not capture the benefits (including economies of scope and scale in customer and vendor relationships) our business has enjoyed as a result of being integrated with those companies. The loss of these benefits could have an adverse effect on our business, results of operations and financial condition.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of our operating as a company separate from Realogy, Wyndham Worldwide and Travelport.

We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate now that the Cendant Separation is complete, and we may experience increased costs as a result of the Cendant Separation.

Realogy, Wyndham Worldwide and Travelport are contractually obligated to provide to us only those services specified in the transition services agreement and the other agreements we entered into with them in connection with the separation. We may be unable to replace, in a timely manner or on comparable terms, the services that Realogy, Wyndham Worldwide or Travelport previously provided to us that are not specified in the transition services agreement or the other agreements. In addition, if Realogy, Wyndham Worldwide or Travelport do not continue to perform effectively the transition services and other services that are called for under the transition services agreement and the other agreements, we may not be able to operate our business effectively and our profitability may decline. Furthermore, after the expiration of the transition services and other agreements, we may be unable to replace, in a timely manner or on comparable terms, the services specified in such agreements.

Our agreements with Realogy, Wyndham Worldwide and Travelport may not reflect terms that would have resulted from arm s-length negotiations among unaffiliated parties.

The agreements related to the separation, including the Separation and Distribution Agreement, Tax Sharing Agreement, Transition Services Agreement and other agreements, were not the result of arm s-length negotiations and thus may not reflect terms that would have resulted from arm s-length negotiations among unaffiliated parties. Such terms include, among other things, those related to allocation of assets, liabilities, rights, indemnifications and other obligations among the companies.

We are relying on Realogy, Wyndham Worldwide and Travelport to fulfill their obligations under the Separation and Distribution Agreement and other agreements.

Pursuant to the Separation and Distribution Agreement, Realogy and Wyndham Worldwide are responsible for 62.5% and 37.5%, respectively of certain contingent and other of our corporate liabilities including those relating to unresolved tax and legal matters. More specifically, Realogy and Wyndham Worldwide have generally assumed and are responsible for the payment of their allocated percentage of (i) all taxes imposed on us and certain of our subsidiaries and (ii) certain of our contingent and other corporate liabilities and/or our subsidiaries to the extent incurred prior to August 23, 2006. These contingent and other corporate liabilities include liabilities relating to (i) Cendant s terminated or divested businesses, including among others, the former PHH and Marketing Services (Affinion) businesses, (ii) liabilities relating to the Travelport sale, if any, (iii) the Securities Action and related litigation (for a further description of these litigation matters, see Legal Proceedings) and (iv) generally any actions with respect to the Cendant Separation or the distributions brought by any third party. If any party responsible for such liabilities were to default in its payment, when due, of any such assumed obligations, each non-defaulting party, including us, would be required to pay an equal portion of the amounts in default.

Moreover, the Separation and Distribution Agreement provides for cross-indemnities designed to place financial responsibility of certain liabilities and other obligations with the proper company. Any failure by Realogy, Wyndham Worldwide or Travelport to pay any of their assumed liabilities when due or to indemnify us when required may cause a material adverse affect on our results of operations.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained herein are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on various facts and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives. Statements preceded by, followed by or that otherwise include the words believes , expects , anticipates , intends , projects , estimates , plans , may increase , may fluctuate and similar expressions or future or conditional verbs such as will , should , would , may are generally forward-looking in nature and not historical facts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

the high level of competition in the vehicle rental industry and the impact such competition may have on pricing and rental volume;

an increase in the cost of new vehicles;

a decrease in our ability to acquire or dispose of cars generally through repurchase or guaranteed depreciation programs and/or dispose of vehicles through sales of vehicles in the used car market;

a decline in the results of operations or financial condition of the manufacturers of our cars;

a downturn in airline passenger traffic in the United States or in the other international locations in which we operate;

an occurrence or threat of terrorism, pandemic disease, natural disasters or military conflict in the markets in which we operate;

our dependence on third-party distribution channels;

a disruption or decline in rental activity, particularly during our peak season or in key market segments;

a disruption in our ability to obtain financing for our operations, including the funding of our vehicle fleet via the asset-backed securities and lending market;

a significant increase in interest rates or in borrowing costs;

our failure to increase or decrease appropriately the size of our fleet due to the seasonal nature of our business;

our ability to accurately estimate our future results;

our ability to implement our strategy for growth;

a major disruption in our communication or centralized information networks;

our failure or inability to comply with regulations or any changes in regulations;

our failure or inability to make the changes necessary to operate effectively now that we operate independently from the former real estate, hospitality and travel distribution businesses following the separation of those businesses from us during third quarter 2006, when we were known as Cendant Corporation;

other business, economic, competitive, governmental, regulatory, political or technological factors affecting our operations, pricing or services;

risks inherent in the restructuring of the operations of Budget Truck Rental;

risks inherent in the separation and related transactions, including risks related to our new borrowings, and costs of the separation; and the terms of agreements among the separated companies, including the allocations of assets and liabilities, including contingent liabilities and guarantees, commercial arrangements and the performance of each of the separated companies obligations under these agreements.

Other factors and assumptions not identified above, including those described under Risk Factors, were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

You should consider the areas of risk described above, as well as those described under Risk Factors, in connection with any forward-looking statements that may be made by us and our businesses generally. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required by law. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. Any Restricted Notes that are properly tendered and exchanged pursuant to the exchange offer will be retired and cancelled.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges on a historical basis for the periods indicated.

	For the Year Ended December 31,				
	2002	**2003**	**2004**	**2005**	**2006**
Ratio of Earnings to Fixed Charges			1.01x		

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before provision for income taxes and before adjustment for losses from equity investments plus fixed charges. Fixed charges consist of interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor. For the years ended December 31, 2002, 2003, 2005 and 2006, earnings were less than fixed charges by $375,000,000, $263,000,000, $62,000,000 and $677,000,000, respectively.

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected historical consolidated financial data and other statistical data presented below should be read in conjunction with our Consolidated Financial Statements and accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

SELECTED FINANCIAL DATA

	At or For the Year Ended December 31,				
	2006	2005	2004	2003	2002
	(In millions, except per share data)				
Results of Operations					
Net revenues	$ 5,689	$ 5,400	$ 4,820	$ 4,682	$ 3,015
Income (loss) from continuing operations	$ (451)	$ (11)	$ 71	$ (149)	$ (241)
Income (loss) from discontinued operations, net of tax	(1,479)	1,637	2,020	1,558	1,012
Cumulative effect of accounting changes, net of tax	(64)	(8)		(329)	
Net income (loss)	$ (1,994)	$ 1,618	$ 2,091	$ 1,080	$ 771
Per Share Data					
Income (loss) from continuing operations:					
Basic	$ (4.48)	$ (0.10)	$ 0.69	$ (1.46)	$ (2.37)
Diluted	(4.48)	(0.10)	0.67	(1.46)	(2.37)
Income (loss) from discontinued operations:					
Basic	$ (14.71)	$ 15.74	$ 19.60	$ 15.32	$ 9.94
Diluted	(14.71)	15.74	18.99	15.32	9.94
Cumulative effect of accounting changes:					
Basic	$ (0.63)	$ (0.08)	$	$ (3.24)	$
Diluted	(0.63)	(0.08)		(3.24)	
Net income (loss):					
Basic	$ (19.82)	$ 15.56	$ 20.29	$ 10.62	$ 7.57
Diluted	(19.82)	15.56	19.66	10.62	7.57
Cash dividends declared(a)	$ 1.10	$ 4.00	$ 3.20	$	$
Financial Position					
Total assets	$ 13,271	$ 34,493	$ 42,698	$ 39,551	$ 36,337
Assets of discontinued operations		20,512	29,452	27,232	24,469
Assets under vehicle programs	7,700	8,500	7,072	6,485	6,379
Long-term debt, including current portion	1,842	3,508	4,234	5,900	6,396
Debt under vehicle programs(b)	5,270	7,909	6,727	6,295	6,138
Stockholders equity	2,443	11,342	12,464	9,946	9,167

(a) Cash dividends declared have been adjusted to reflect the 1-for-10 reverse stock split of our common stock, which became effective in September 2006. See Note 1 to our Consolidated Financial Statements.

(b) Includes related-party debt due to Avis Budget Rental Car Funding (AESOP) LLC. See Note 15 to our Consolidated Financial Statements.

In presenting the financial data above in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported. See Critical Accounting Policies included elsewhere herein for a detailed discussion of the accounting policies that we believe require subjective and complex judgments that could potentially affect reported results.

Income (loss) from discontinued operations, net of tax, includes the after tax results of the following disposed businesses for all periods presented (through their dates of disposition): (i) Travelport, which we sold in August 2006, (ii) Realogy and Wyndham, which were spun-off on July 31, 2006, (iii) our former Marketing Services division, which we sold in October 2005, (iv) Wright Express Corporation, which we sold in February 2005, (v) our former mortgage, fleet leasing and appraisal businesses, which were included in the spin-off of PHH Corporation on January 31, 2005, (vi) Jackson Hewitt Tax Service Inc., which we sold in June 2004, and (vii) National Car Parks (NCP), which we sold in May 2002. Income (loss) from discontinued operations, net of tax, also includes the after tax losses on the sale of Travelport and the spin-offs of Realogy and Wyndham in 2006, the after tax gains on the sale of our Marketing Services division and Wright Express in 2005, the after tax loss on the spin-off of PHH in 2005, the after tax gain on the sale of Jackson Hewitt in 2004 and the after tax loss on disposal of NCP in 2002. See Note 3 to our Consolidated Financial Statements for more detailed information regarding these discontinued operations.

During 2006, we recorded $10 million of restructuring charges related to restructuring initiatives within our Truck Rental and Domestic Car Rental segments. In 2005, we recorded $26 million of restructuring and transaction-related charges as a result of restructuring activities undertaken following the spin-off of PHH Corporation and the initial public offering of Wright Express Corporation. See Note 9 to our Consolidated Financial Statements for a detailed description of such charges.

During 2006, 2005, 2004, 2003 and 2002, we incurred $40 million, $35 million, $(28) million, $11 million and $103 million, respectively, for litigation and related costs (credits) primarily in connection with the 1998 discovery of accounting irregularities in the former business units of CUC International, Inc. The amount in 2004 includes a $55 million credit recorded in connection with previously established liabilities for severance and other termination benefits for which we no longer believe we are liable.

During 2003, we consolidated a number of entities pursuant to Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, and/or as a result of amendments to the underlying structures of certain of the facilities we used to securitize assets. See Notes 2 and 15 to the Consolidated Financial Statements for more information.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the section titled Business and our Consolidated Financial Statements and accompanying notes included elsewhere in this prospectus. Unless otherwise noted, all dollar amounts are in millions and those relating to our results of operations are presented before taxes.

Following the distributions of the shares of Realogy Corporation and Wyndham Worldwide Corporation to our stockholders on July 31, 2006 and the sale of Travelport, Inc. on August 23, 2006, which are further described below, we changed our name to Avis Budget Group, Inc. Our continuing operations consist primarily of our Avis Budget Car Rental, LLC subsidiary, the parent company of the companies that comprise our vehicle rental operations, which provide car and truck rentals and ancillary services to businesses and consumers in the United States and internationally.

We operate in the following business segments:

Domestic Car Rental provides car rentals and ancillary products and services in the United States.

International Car Rental provides car rentals and ancillary products and services primarily in Canada, Argentina, Australia, New Zealand, Puerto Rico and the U.S. Virgin Islands.

Truck Rental provides truck rentals and related services to consumers and light commercial users in the United States.

Our revenues are derived principally from car and truck rentals in our company-owned operations and include (i) time and mileage (T&M) fees charged to our customers for vehicle rentals, (ii) reimbursement from our customers for certain operating expenses we incur, including gasoline and vehicle licensing fees, as well as airport concession fees, which we pay in exchange for the right to operate at airports and other locations, and (iii) sales of loss damage waivers and insurance, and rentals of navigation units and other items in conjunction with vehicle rentals. We also earn royalty revenue from our franchisees in conjunction with their vehicle rental transactions.

Car rental volumes are closely associated with the travel industry, particularly airline passenger volumes, or enplanements. Because, we operate primarily in the United States and generate a significant portion of our revenue from our on-airport operations, we expect that our ability to generate revenue growth will be somewhat dependent on increases in domestic enplanements. We have also experienced significant per-unit fleet cost increases on model-year 2006 and 2007 vehicles, which have negatively impacted our margins. Accordingly, our ability to achieve profit margins consistent with prior periods remains dependent on our ability to successfully reflect corresponding changes in our pricing programs.

Our vehicle rental operations are seasonal. Historically, the third quarter of the year has been our strongest quarter due to the increased level of leisure travel and household moving activity. Any occurrence that disrupts rental activity during the third quarter could have a disproportionately material adverse effect on our results of operations. We have a predominantly variable cost structure and routinely adjust the size and, therefore, the cost of our rental fleet in response to fluctuations in demand. However, certain expenses, such as rent, are fixed and cannot be reduced in response to seasonal fluctuations in our operations.

We believe that the following trends, among others, may affect and/or have impacted our financial condition and results of operations:

Domestic enplanements, which remained relatively flat compared to 2005, but are expected to increase modestly in 2007, assuming there are no major disruptions in travel;

Rising per-unit car fleet costs, which we began to experience in 2005 and anticipate will continue with model-year 2007 vehicles;

Pricing increases, which we instituted throughout 2006 in response to rising fleet costs and intend to continue to pursue, where appropriate; and

Our continued expansion in off-airport, or local market segments, including insurance replacement rentals.

In 2004 and 2005, we undertook a strategic realignment to simplify our business model through exiting non-core businesses or businesses that produced volatility to our earnings inconsistent with our business model and the remainder of our core businesses. We began this strategic realignment by completing the initial public offering of Jackson Hewitt Tax Service Inc. in June 2004. We completed the spin-off of our former mortgage, fleet leasing and appraisal businesses in a tax-free distribution of the common stock of PHH Corporation to our stockholders in January 2005. In February 2005, we completed the initial public offering of Wright Express Corporation, raising $964 million of cash. In October 2005, we completed the sale of our Marketing Services division, which was comprised of our former individual membership and loyalty/insurance marketing businesses, for approximately $1.7 billion of cash (approximately $1.8 billion of gross proceeds), representing the culmination of our 2004 and 2005 strategic realignment.

Following this strategic realignment, our management team and Board of Directors, with the aid of financial and legal advisors, performed a comprehensive review of the growth opportunities and estimated market valuations for each of our core businesses. As a result of this review, from October 2005 to July 2006, our Board of Directors approved a plan to separate Cendant into four independent companies:

Realogy Corporation encompasses our former Realogy segment, which is now presented as a discontinued operation.

Wyndham Worldwide Corporation encompasses our former Hospitality Services and Timeshare Resorts segments, which are now presented as discontinued operations.

Travelport, Inc. encompasses our former Travel Distribution Services segment, which is now presented as a discontinued operation.

Avis Budget Group, Inc. encompasses our vehicle rental operations.

On July 31, 2006, we completed the spin-offs of Realogy Corporation and Wyndham Worldwide Corporation in tax-free distributions of one share each of Realogy and Wyndham common stock for every four and five shares, respectively, of then outstanding Cendant common stock held on July 21, 2006. On August 1, 2006, Realogy and Wyndham stock began regular-way trading on the New York Stock Exchange under the symbols H and WYN, respectively. Prior to the completion of the spin-offs, we received special cash dividends of $2,225 million and $1,360 million from Realogy and Wyndham, respectively, and utilized such proceeds to fund a portion of the repayment of our outstanding debt, as discussed below. On August 23, 2006, we completed the sale of Travelport for proceeds of approximately $4.1 billion, net of closing adjustments, of which approximately $1.8 billion was used to repay indebtedness of Travelport. Pursuant to the Separation and Distribution Agreement, during third quarter 2006, we distributed $1,423 million and $760 million of such proceeds to Realogy and Wyndham, respectively. In connection with executing our plan, we incurred costs of $574 million and $15 million during 2006 and 2005, respectively. These costs consist primarily of legal, accounting, other professional and consulting fees and various employee costs, and for 2006 include costs associated with the retirement of corporate debt.

In connection with our execution of the separation plan, we repaid certain corporate and other debt and entered into new financing arrangements, including (i) the completion of $1,875 million of fixed and floating rate financing by Avis Budget Car Rental (ii) the establishment of a $1.5 billion revolving credit facility by Avis Budget Car Rental (iii) the completion of a tender offer for $2.6 billion of our corporate debt by repurchasing approximately $2.5 billion outstanding aggregate principal amount of our 6 $^{1}/4$% notes due in January 2008 and March 2010, 7 $^{3}/8$% notes due in January 2013 and 7 $^{1}/8$% notes due in March 2015 and the subsequent redemption of the untendered portion of such debt and (iv) the repayment of aggregate principal of $950 million due in August 2006 under our 6 7/8% and 4.89% notes. As a result of the spin-offs of Realogy and Wyndham, we repaid outstanding borrowings of $560 million (including $265 million which was recorded within discontinued operations) and $600 million under our former $2.0 billion revolving credit facility and asset-linked facility, respectively, and terminated these facilities during July 2006.

In connection with the separation, we entered into a separation agreement, tax sharing agreement and transition services agreement with Realogy, Wyndham and Travelport.

On August 29, 2006, our stockholders approved certain amendments to our Certificate of Incorporation, including a change in our name from Cendant Corporation to Avis Budget Group, Inc. and a 1-for-10 reverse stock split of our common stock, each of which became effective on the New York Stock Exchange at the opening of the market on September 5, 2006 and, at that time, our ticker symbol changed to CAR .

RESULTS OF OPERATIONS

Discussed below are our consolidated results of operations and the results of operations for each of our reportable segments. Generally accepted accounting principles require us to segregate and report as discontinued operations, for all periods presented, the account balances and activities of Jackson Hewitt, PHH, Wright Express, our former Marketing Services division, Realogy, Wyndham and Travelport. Previously, we could not classify our former mortgage business as a discontinued operation due to Realogy's participation in a mortgage origination venture that was established with PHH in connection with our January 2005 spin-off of PHH. However, due to the spin-off of Realogy on July 31, 2006, this business is classified as a discontinued operation.

We measure performance using the following key operating statistics: (i) rental days, which represents the total number of days (or portion thereof) a vehicle was rented, and (ii) T&M revenue per rental day, which represents the average daily revenue we earned from rental and mileage fees charged to our customers. Our car rental operating statistics (rental days and T&M revenue per rental day) are all calculated based on the actual usage of the vehicle during a 24-hour period. We believe that this methodology, while conservative, provides our management with the most relevant statistics in order to manage the business. Our calculation may not be comparable to other companies calculation of similarly-titled statistics.

The reportable segments presented below represent our operating segments for which separate financial information is available and is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon revenue and EBITDA, which we define as income from continuing operations before non-vehicle related depreciation and amortization, non-vehicle related interest and income taxes. Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

Year Ended December 31, 2006 vs. Year Ended December 31, 2005

Our consolidated results of operations comprised the following:

	2006	2005	Change
Net revenues	$ 5,689	$ 5,400	$ 289
Total expenses	6,366	5,462	904
Loss before income taxes	(677)	(62)	(615)
Benefit from income taxes	(226)	(51)	(175)
Loss from continuing operations	(451)	(11)	(440)
Income from discontinued operations, net of tax	478	1,088	(610)
Gain (loss) on disposal of discontinued operations, net of tax	(1,957)	549	(2,506)
Cumulative effect of accounting changes, net of tax	(64)	(8)	(56)
Net income (loss)	$ (1,994)	$ 1,618	$ (3,612)

During 2006, our total revenues increased $289 million (5%) principally due to a 5% increase in T&M revenue reflecting a 2% increase in rental days and a 5% increase in T&M revenue per day within our car rental operations, partially offset by a 14% reduction in truck rental days. Total expenses increased $904 million (17%) principally reflecting separation-related charges of $574 million we incurred during 2006 and increased fleet depreciation and lease charges of $178 million resulting from higher per unit fleet costs and a larger car rental fleet. The separation charges relate primarily to the early extinguishment of debt, stock-based compensation, severance and retention and legal, accounting, and other professional fees. The year-over-year increase in total expenses also reflects (i) increases in operating costs associated with increased car rental volume and fleet size, including vehicle maintenance and damage costs, commissions and shuttling costs, and (ii) incremental expenses representing inflationary increases in rent, salaries and wages and other costs. Interest expense related to corporate debt increased $64 million primarily due to the absence in 2006 of a $73 million reversal of accrued interest during first quarter 2005 associated with the resolution of amounts due under a litigation settlement reached in 1999. We also incurred $101 million of incremental corporate interest expense related to $1,875 million of borrowings by Avis Budget Car Rental in second quarter 2006, which was substantially offset by a reduction in corporate interest expense resulting from the repayment of approximately $3.5 billion of corporate debt in third quarter 2006. As a result of these items, as well as a $175 million increase in our benefit from income taxes, our loss from continuing operations increased $440 million. Our effective tax rate for continuing operations was a benefit of 33.4% and 82.3% for 2006 and 2005, respectively. The 2005 rate was higher due to the favorable resolution of prior years examination matters and state taxes. Selling, general and administrative expenses include unallocated corporate expenses related to the discontinued operations treatment of our former subsidiaries. We will not incur the majority of these corporate costs going forward.

Income from discontinued operations decreased $610 million, which primarily reflects (i) a decrease of $745 million in net income generated by Realogy and Wyndham in 2006 compared to 2005 (these businesses were included in our 2006 results through July 31, 2006, the date of disposition, but were included in our results for the full year ended December 31, 2005) and (ii) the absence in 2006 of net income of $53 million related to our former Marketing Services division (this business was disposed in fourth quarter 2005). These decreases were partially offset by (i) an increase of $160 million in net income generated by Travelport during 2006, which reflects the absence in 2006 of a $425 million pretax impairment charge recorded in 2005, partially offset by the inclusion of this business in our 2006 results through August 23, 2006, the date of disposition, but for the full year ended December 31, 2005 and (ii) the absence of a $24 million loss incurred by PHH in 2005.

The net loss we recognized on the disposal of discontinued operations increased approximately $2.5 billion year-over-year, which reflects (i) a $1.8 billion loss on the disposal of Travelport in 2006, (ii) $112 million of costs we incurred in connection with the spin-offs of Realogy and Wyndham and (iii) the absence of a net gain on disposals of $549 million in 2005, which includes a $581 million gain on the sale of our former Marketing Services division and a $253 million gain recognized primarily in connection with the initial public offering of Wright Express, partially offset by a $285 million charge related to the spin-off of PHH.

During 2006, we recorded non-cash charges of $103 million ($64 million, after tax) to reflect the cumulative effect of accounting changes as a result of our adoption of (i) SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions, and American Institute of Certified Public Accountants Statement of Position No. 04-2, Accounting for Real Estate Time-Sharing Transactions on January 1, 2006, which resulted in a non-cash charge of $65 million after tax, and (ii) SFAS No. 123R, Share-Based Payment, on January 1, 2006, which resulted in a non-cash credit of $1 million after tax. In addition, during 2005, we recorded a $14 million ($8 million, after tax) non-cash charge to reflect the cumulative effect of accounting change as a result of our adoption of FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations.

As a result of the above-mentioned items, which arose from the dramatic change in composition of our operations effected over 2005 and 2006, net income decreased approximately $3.6 billion.

Following is a more detailed discussion of the results of each of our reportable segments:

	Revenues			EBITDA		
	2006	2005	% Change	2006	2005	% Change
Domestic Car Rental	$ 4,395	$ 4,109	7%	$ 214	$ 225	(5)%
International Car Rental	761	661	15	111	111	
Truck Rental	472	546	(14)	45	103	(56)
Total Reportable Segments	5,628	5,316	6	370	439	(16)
Corporate and Other(a)	61	84	(27)	(393)	(213)	
Total Company	$ 5,689	$ 5,400	5	(23)	226	
Less: Non-vehicle related depreciation and amortization				105	116	
Interest expense related to corporate debt, net(b)				549	172	
Loss before income taxes				$ (677)	$ (62)	

(a) Includes unallocated corporate overhead, the elimination of transactions between segments and the results of operations of certain non-strategic businesses.

(b) The 2006 amount includes a $313 million charge related to the early extinguishment of corporate debt. The 2005 amount includes a credit resulting from the reversal of $73 million of accrued interest associated with the resolution of amounts due under a litigation settlement reached in 1999.

Domestic Car Rental

Revenues increased $286 million (7%) while EBITDA decreased $11 million (5%) in 2006 compared with 2005. We achieved higher car rental pricing in 2006 compared to 2005, but EBITDA margin comparisons were negatively impacted by higher fleet costs.

The revenue increase of $286 million was comprised of a $222 million (7%) increase in T&M revenue and a $64 million (8%) increase in ancillary revenues. The increase in T&M revenue was principally driven by a 1% increase in the number of days a car was rented and a 6% increase in T&M revenue per day. We expect to realize continuing year-over-year price increases into 2007 as we seek to offset the impact of higher fleet costs and interest rates, which we began to experience in the second half of 2005. Fleet depreciation and lease charges increased $122 million (12%) in 2006 primarily due to (i) an increase of 1% in the average size of our domestic rental fleet and (ii) increased per unit fleet costs for model year 2007 and 2006 vehicles compared, respectively, to model year 2006 and 2005 vehicles. We incurred $5 million more vehicle-related interest expense during 2006 compared to 2005, primarily due to a decrease in intercompany interest income. The impact of rising interest rates was substantially offset by the reduction in vehicle related debt in April 2006 with the proceeds from our new corporate borrowings. Interest expense related to such corporate debt is not included in EBITDA, whereas interest related to vehicle-backed debt is included in EBITDA.

The $64 million increase in ancillary revenues was due primarily to (i) a $27 million increase in counter sales of insurance and other items, (ii) a $24 million increase in airport concession and vehicle licensing revenues, which was offset in EBITDA by higher airport concession and vehicle licensing expenses remitted to airport and other regulatory authorities, and (iii) a $13 million increase in gasoline revenues, which was offset in EBITDA by $24 million of additional gasoline costs. EBITDA from our domestic car rental operations also reflects (i) $87 million of additional expenses primarily associated with increased car rental volume and fleet size, including vehicle maintenance and damage costs, (ii) $43 million of incremental expenses primarily representing inflationary increases in rent, salaries and wages and other costs, (iii) $28 million of incremental agency-operator and credit card commission expense associated with increased T&M revenue and (iv) $19 million of separation-related charges we incurred during 2006 primarily related to accelerated vesting of stock-based compensation awards. Such activity was partially offset by (i) a $26 million decrease in public liability and property damage costs reflecting more favorable claims experience, (ii) the absence of $12 million of expenses relating to damages caused by the hurricanes experienced in the Gulf Coast in September 2005, (iii) a $10 million reduction in incentive compensation expenses and (iv) the absence of $10 million of litigation expense incurred in 2005 resulting from the settlement of a dispute.

International Car Rental

Revenues increased $100 million (15%) while EBITDA was unchanged in 2006 compared with 2005, primarily reflecting growth in rental day volume and the impact on our 2006 results of franchisees acquired during or subsequent to 2005, as discussed below. Our EBITDA margins were negatively impacted by higher fleet and interest costs.

The revenue increase of $100 million was comprised of a $69 million (14%) increase in car rental T&M revenue and a $31 million (18%) increase in ancillary revenues. The increase in T&M revenue was principally driven by a 13% increase in the number of days a car was rented (which includes 4% organic growth) and a 2% increase in T&M revenue per day. The favorable effect of incremental T&M revenues was partially offset in EBITDA by $35 million (24%) of increased fleet depreciation and lease charges resulting from an increase of 13% in the average size of our international rental fleet and increased per-unit fleet costs. We incurred $10 million more vehicle-related interest expense during 2006 compared to 2005, primarily due to increased interest rates.

The $31 million increase in ancillary revenues was due primarily to (i) a $16 million increase in counter sales of insurance and other items, (ii) an $11 million increase in airport concession and vehicle licensing revenues, the majority of which was offset in EBITDA by higher airport concession and vehicle licensing expenses remitted to airport and other regulatory authorities, and (iii) a $4 million increase in gasoline revenues, which was partially offset in EBITDA by $1 million of additional gasoline costs. EBITDA also reflects (i) $20 million of higher operating expenses primarily due to increased car rental volume and fleet size, including vehicle maintenance and damage costs, (ii) $20 million of incremental expenses primarily representing inflationary increases in rent, salaries and wages and other costs and (iii) $7 million of incremental agency-operator and credit card commission expense associated with increased T&M revenue. The increases discussed above also include (i) $55 million of revenue and $1 million of EBITDA losses resulting from our acquisitions of international franchisees during or subsequent to 2005 and (ii) a $12 million increase in revenue related to favorable foreign currency exchange rate fluctuations, which was substantially offset in EBITDA by the opposite impact of foreign currency exchange rate fluctuations on expenses.

Truck Rental

Revenues and EBITDA declined $74 million (14%) and $58 million (56%), respectively, for 2006 compared with 2005, primarily reflecting lower rental day volume and lower T&M revenue per day. EBITDA was also impacted by higher fleet costs.

Substantially all of the revenue decrease of $74 million was due to a decrease in T&M revenue, which reflected a 14% reduction in rental days and a 2% decrease in T&M revenue per day. The 14% reduction in rental days reflected declines primarily in commercial volumes and a 5% reduction in the average size of our rental fleet. Despite the reduction in the average size of our truck rental fleet, reflecting our efforts to focus on newer and more efficient trucks, we incurred $23 million (23%) of incremental fleet depreciation, interest and lease charges primarily due to higher per-unit fleet costs. EBITDA was also unfavorably impacted by the absence of a $13 million credit relating to a refinement made during 2005 in how we estimate repair and refurbishment costs of our truck fleet. During 2006, we recorded $3 million of separation-related charges, including debt termination and other costs. These items were partially offset by (i) a $31 million decrease in operating expenses primarily due to operating a smaller and more efficient fleet and reduced rental volumes, (ii) a $13 million decrease in our public liability and property damage costs as a result of more favorable claims experience and a reduction in rental days, (iii) a decrease of $12 million in credit card and other commission expense partially associated with decreased T&M revenue and (iv) the absence of a $5 million restructuring charge recorded in 2005, which represented costs incurred in connection with the closure of a reservation center and unprofitable rental locations, which was more than offset by an $8 million charge in 2006 principally related to the closure of the Budget Truck Rental headquarters and other facilities and reductions in staff.

Corporate and Other

Revenues decreased $23 million and the EBITDA loss increased from $213 million in 2005 to $393 million in 2006.

Revenues and EBITDA were unfavorably impacted in 2006 by the absence of an $18 million realized gain on the sale of Homestore stock in 2005. Revenues were also impacted by a $12 million reduction in earnings on a credit card marketing program under which we earned fees based on a percentage of credit card spending through the date of the separation.

EBITDA was also unfavorably impacted year-over-year by a $182 million increase in general and administrative costs in 2006, including separation-related charges, unallocated corporate expenses and executive salaries. These increases were partially offset by a $32 million decrease in incentive compensation costs in 2006, and the absence in 2006 of $19 million of restructuring charges recorded during 2005.

Year Ended December 31, 2005 vs. Year Ended December 31, 2004

Our consolidated results of operations comprised the following:

	2005	**2004**	**Change**
Net revenues	$ 5,400	$ 4,820	$ 580
Total expenses	5,462	4,813	649
Income (loss) before income taxes	(62)	7	(69)
Benefit from income taxes	(51)	(64)	13
Income (loss) from continuing operations	(11)	71	(82)
Income from discontinued operations, net of tax	1,088	1,822	(734)
Gain on disposal of discontinued operations, net of tax	549	198	351
Cumulative effect of accounting change, net of tax	(8)		(8)
Net income	$ 1,618	$ 2,091	$ (473)

During 2005, our total revenues increased $580 million (12%) principally due to an 11% increase in T&M revenue reflecting a 14% increase in domestic rental days and a 17% increase in international rental days. Total expenses increased $649 million (13%) principally reflecting (i) $306 million of additional vehicle related operating expenses primarily associated with increased car rental volume and fleet size, including vehicle maintenance and damage costs, commissions and shuttling costs and (ii) $250 million of additional vehicle depreciation and lease charges, as well as $65 million of additional vehicle interest expense, both primarily resulting from an increase of 15% in the average size of our domestic and international car rental fleets and, in the case of vehicle depreciation, reductions to manufacturer incentives received on our domestic car rental fleet. As a result of these items, as well as a $13 million decrease in our benefit from income taxes, our income from continuing operations decreased $82 million. The benefit from income taxes for 2005 and 2004 reflects the favorable resolution of prior years examination matters.

Income from discontinued operations decreased $734 million, which primarily reflects (i) a decrease of $291 million in net income generated by Travelport which reflects a $425 million impairment charge recorded during 2005 partially offset by increased revenue, (ii) a decrease of $259 million in net income generated by our

Marketing Services division, which principally reflects the reversal of a tax valuation allowance of $121 million in January 2004, and (iii) a decrease of $131 million in net income generated by PHH (this business was included in our 2005 results through January 31, 2005, the date of disposition, but was included in our results for all of 2004).

The net gain we recognized on the disposal of discontinued operations increased $351 million year-over-year, which includes a $581 million gain recognized in connection with the sale of our former Marketing Services division during 2005 and a $253 million gain recognized during 2005 in connection with the initial public offering of Wright Express, partially offset by (i) a $281 million non-cash impairment charge and $4 million of transaction costs relating to the PHH spin-off and (ii) the absence of a $198 million gain recognized in connection with the June 2004 sale of Jackson Hewitt. In 2005, we also recorded a $14 million ($8 million, after tax) non-cash charge to reflect the cumulative effect of accounting change as a result of our adoption of FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations in fourth quarter 2005.

As a result of the above-mentioned items, net income decreased $473 million.

Following is a more detailed discussion of the results of each of our reportable segments:

	Revenues			EBITDA		
	2005	2004	% Change	2005	2004	% Change
Domestic Car Rental	$ 4,109	$ 3,658	12%	$ 225	$ 265	(15)%
International Car Rental	661	534	24	111	97	14
Truck Rental	546	517	6	103	105	(2)
Total Reportable Segments	5,316	4,709	13	439	467	(6)
Corporate and Other(a)	84	111	(24)	(213)	(76)	
Total Company	$ 5,400	$ 4,820	12	226	391	
Less: Non-vehicle related depreciation and amortization				116	115	
Interest expense related to corporate debt, net(b)				172	269	
Income (loss) before income taxes				$ (62)	$ 7	

(a) Includes unallocated corporate overhead, the elimination of transactions between segments and the results of operations of certain non-strategic businesses.

(b) The 2005 amount includes a credit resulting from the reversal of $73 million of accrued interest associated with the resolution of amounts due under a litigation settlement reached in 1999.

Domestic Car Rental

Revenues increased $451 million (12%) while EBITDA decreased $40 million (15%) in 2005 compared with 2004, primarily reflecting growth in rental day volume offset by both reduced T&M revenue per rental day and higher fleet costs.

The revenue increase of $451 million was comprised of a $339 million (11%) increase in T&M revenue and a $112 million (18%) increase in ancillary revenues. The increase in T&M revenues was principally driven by a 14% increase in rental days, partially offset by a 3% decrease in T&M revenue per day. The increase in rental days reflects, in part, our strategic decision to implement more competitive pricing in the second half of 2004. This program was continued into the first half of 2005 when we instituted a price increase in response to rising fleet costs. Accordingly, T&M revenue per day decreased 3% during 2005 when compared with 2004 as a whole, but year-over-year price comparisons strengthened over the course of 2005. Fleet depreciation, interest and lease charges increased $226 million (21%) in 2005 primarily due to (i) an increase of 14% in the average size of our domestic rental fleet and (ii) reductions to manufacturer incentives received on our 2005 model year rental car fleet (which was utilized during 2005) as compared with those received on our 2004 model year rental car fleet (which was utilized during 2004). We also incurred $181 million of additional expenses primarily associated with increased car rental volume and fleet size, including vehicle maintenance and damage costs, commissions and shuttling costs.

The $112 million increase in ancillary revenues was due primarily to (i) a $48 million increase in airport concession and vehicle licensing revenues, which was more than offset in EBITDA by $51 million of higher airport concession and vehicle licensing expenses remitted to airport and other regulatory authorities, (ii) a $35 million increase in counter sales of insurance and other items, and (iii) a $29 million increase in gasoline revenues, which was more than offset in EBITDA by $39 million of higher gasoline costs.

EBITDA from our domestic car rental operations also reflects $28 million of incremental interest income earned on intercompany balances with our corporate parent, which was forgiven in connection with the separation, partially offset by (i) $12 million of incremental expenses relating to the estimated damages caused by the hurricanes experienced in the Gulf Coast in 2005 and (ii) $10 million of additional litigation expense resulting from the settlement of a dispute.

International Car Rental

Revenues and EBITDA increased $127 million (24%) and $14 million (14%), respectively, in 2005 compared with 2004, primarily reflecting growth in rental day volume.

The revenue increase of $127 million was comprised of an $86 million (22%) increase in T&M revenue and a $41 million (29%) increase in ancillary revenues. The increase in T&M revenues was principally driven by a 17% increase in rental days and a 4% increase in T&M revenue per day. The favorable effect of incremental T&M revenues was partially offset in EBITDA by $49 million (45%) of increased fleet depreciation, interest and lease charges principally resulting from an increase of 21% in the average size of our international rental fleet to support increased demand. We also incurred $48 million of additional expenses primarily associated with increased car rental volume and fleet size, including vehicle maintenance and damage costs, commissions and shuttling costs.

The $41 million increase in ancillary revenues was due primarily to (i) a $24 million increase in counter sales of insurance and other items, (ii) a $12 million increase in airport concession and vehicle licensing revenues, substantially all of which are remitted to airport and other regulatory authorities thereby having a minimal impact on EBITDA, and (iii) a $5 million increase in gasoline revenues, which was more than offset in EBITDA by $6 million of higher gasoline costs.

The increases discussed above include $46 million of revenue and $1 million of EBITDA losses resulting from our acquisitions of international franchisees during 2005, as well as the effect of favorable foreign currency exchange rate fluctuations of $28 million, which was largely offset in EBITDA by the opposite impact of foreign currency exchange rate fluctuations on expenses.

Truck Rental

Revenues increased $29 million (6%), while EBITDA decreased $2 million (2%) in 2005 compared with 2004.

The revenue increase of $29 million was comprised of an $18 million (4%) increase in T&M revenue and an $11 million (16%) increase in counter sales of insurance and other items. The increase in T&M revenues was principally driven by a 3% increase in T&M revenue per day and a modest increase in rental days. The favorable effect of incremental T&M revenues was more than offset in EBITDA by $39 million of increased fleet depreciation, interest and lease charges principally resulting from an increase of 10% in the average size of our truck rental fleet and higher per unit fleet costs.

EBITDA from our truck rental operations also reflects (i) $6 million of additional dealer commission expense associated with increased T&M revenue, as discussed above and (ii) $5 million of restructuring costs, representing facility, employee relocation and severance costs incurred in connection with the closure of a reservation center and unprofitable Budget truck rental locations. These increases were partially offset by (i) a $13 million credit relating to a refinement made during 2005 in how we estimate repair and refurbishment costs of our truck fleet and (ii) a $7 million decrease in our self-insurance reserve for public liability and property damage costs as a result of more favorable claims experience.

Corporate and Other

Revenues decreased $27 million and the EBITDA loss increased from $76 million in 2004 to $213 million in 2005.

Revenues and EBITDA were unfavorably impacted in 2005 by a $22 million reduction to realized gains on the sale of Homestore stock during 2005 compared with 2004 and a $13 million reduction in earnings on a credit card marketing program under which we earned fees based on a percentage of credit card spending. Such amounts were partially offset by a $5 million increase in revenues earned in 2005 under agreements where we provided certain transitional administrative services to businesses we recently sold or distributed (including Jackson Hewitt, PHH and our former Marketing Services division).

EBITDA was further unfavorably impacted year-over-year by (i) the absence of a $55 million credit recorded in 2004 in connection with previously established liabilities for severance and other termination benefits for which we no longer believed we were liable, (ii) $15 million in expenses recorded during 2005 in connection with our separation plan and (iii) a credit of $12 million in 2004 relating to the termination of a lease on more favorable terms than originally estimated.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We present separately the financial data of our vehicle programs. These programs are distinct from our other activities as the assets are generally funded through the issuance of debt that is collateralized by such assets. Assets under vehicle programs are funded through borrowings under asset-backed funding or other similar arrangements. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of our vehicle programs. We believe it is appropriate to segregate the financial data of our vehicle programs because, ultimately, the source of repayment of such debt is the realization of such assets.

Financial Condition

	2006	2005	Change
Total assets exclusive of assets under vehicle programs	$ 5,571	$ 25,993	$ (20,422)
Total liabilities exclusive of liabilities under vehicle programs	4,149	13,889	(9,740)
Assets under vehicle programs	7,700	8,500	(800)
Liabilities under vehicle programs	6,679	9,262	(2,583)
Stockholders equity	2,443	11,342	(8,899)

Total assets exclusive of assets under vehicle programs decreased approximately $20.4 billion, principally due to (i) a $20.5 billion decrease in assets of discontinued operations due to our completion of the spin-offs of

Realogy and Wyndham on July 31, 2006 and the sale of Travelport on August 23, 2006 (see Note 1 to our Consolidated Financial Statements), (ii) a $402 million decrease in deferred income taxes primarily due to utilization of our net operating loss carryforwards and a decrease in certain tax items as a result of the separation during 2006, and (iii) a decrease of $374 million in cash and cash equivalents (see Liquidity and Capital Resources Cash Flows for a detailed discussion). These decreases were partially offset by an $868 million increase in other current and other non-current assets primarily attributable to receivables recorded in third quarter 2006 related to certain contingent and other corporate liabilities assumed by Realogy and Wyndham in connection with the separation.

Total liabilities exclusive of liabilities under vehicle programs decreased approximately $9.7 billion, principally due to (i) a $7.3 billion decrease in liabilities of discontinued operations due to the spin-offs of Realogy and Wyndham and the sale of Travelport, discussed above, (ii) the retirement of approximately $3.5 billion of corporate debt during third quarter 2006, in connection with the execution of our separation plan, (iii) a $256 million decrease in income taxes payable, and (iv) a $242 million decrease in litigation-related accruals primarily resulting from the settlement of a litigation matter related to claims made by the purchaser of a business sold by Avis prior to our acquisition of that company in 2001 and the settlement of a matter related to our former Marketing Services division. These decreases were partially offset by the issuance of $1,000 million of fixed and floating rate notes and completion of an $875 million term loan by Avis Budget Car Rental in April 2006 (see Liquidity and Capital Resources Debt and Financing Arrangements for a detailed account of the change in our long-term debt).

Assets under vehicle programs decreased $800 million primarily due to (i) a $460 million decrease in vehicles principally within our Domestic Car Rental operation and (ii) a $326 million decrease in amounts due from vehicle manufacturers primarily associated with a reduction in the size of our rental fleet and growth in the portion of our rental fleet that is not subject to manufacturer repurchase and guaranteed depreciation agreements. During 2006, we also instituted a change in the manner in which we return certain vehicles to manufacturers under repurchase and guaranteed depreciation agreements, which reduced the duration between the sale of a vehicle and the receipt of related cash.

Liabilities under vehicle programs decreased approximately $2.6 billion, reflecting (i) the repayment of vehicle-backed debt with substantially all of the net proceeds from the issuance of fixed and floating rate notes and term loan borrowings, discussed above, and (ii) a decrease in outstanding borrowings within our Domestic Car Rental segment, reflecting a decrease in our rental fleet at December 31, 2006 compared to December 31, 2005, as discussed above.

Stockholders equity decreased approximately $8.9 billion primarily due to (i) the $7.0 billion dividend of the aggregate equity of Realogy and Wyndham to our stockholders and (ii) a net loss of approximately $2.0 billion (including charges of approximately $1.8 billion related to the sale of Travelport and separation costs) in 2006. We also repurchased $243 million of common stock and paid cash dividends of $107 million during 2006. These decreases were partially offset by a $163 million increase to stockholders equity primarily related to the accelerated vesting of restricted stock units during 2006 in connection with the separation.

Liquidity and Capital Resources

Our principal sources of liquidity are cash on hand and our ability to generate cash through operations and financing activities, including available funding arrangements and committed credit facilities, each of which is discussed below.

Cash Flows

At December 31, 2006, we had $172 million of cash on hand, a decrease of $374 million from $546 million at December 31, 2005. The following table summarizes such decrease:

	Year Ended December 31,		
	2006	**2005**	**Change**
Cash provided by (used in):			
Operating activities	$ 252	$ 1,000	$ (748)
Investing activities	3,293	27	3,266
Financing activities	(4,704)	(1,001)	(3,703)
Effects of exchange rate changes	2		2
Cash provided by discontinued operations	783	357	426
Net change in cash and cash equivalents	$ (374)	$ 383	$ (757)

During 2006, we generated $748 million less cash from operating activities in comparison to 2005. This change principally reflects (i) a decrease in operating results in 2006, primarily due to our separation, (ii) a $262 million decrease related to income taxes and (iii) greater working capital requirements.

We generated approximately $3.3 billion more cash from investing activities during 2006 compared with 2005. This change is primarily due to (i) an increase of approximately $1.9 billion related to payments received on vehicles repurchased by manufacturers partially offset by a $134 million increase in vehicles purchased and (ii) a $1.4 billion increase in cash proceeds from dispositions of businesses, net of transaction-related payments, which reflects net proceeds of approximately $4.1 billion we received in connection with the sale of Travelport in 2006, partially offset by $1.7 billion and $964 million in proceeds related to the disposition of our former Marketing Services division and the initial public offering of Wright Express in 2005, respectively. These increases were partially offset by a $95 million payment made during 2006 associated with a litigation matter. During 2007, we expect to utilize at least $4.7 billion of cash to purchase rental vehicles, which will primarily be funded with proceeds received on the sale of rental vehicles to manufacturers under our repurchase or guaranteed depreciation agreements, as well as borrowings under our vehicle-backed debt programs. We anticipate aggregate capital expenditure investments for 2007 to approximate $75 million to $85 million.

We used approximately $3.7 billion more cash in financing activities in 2006 compared to 2005. Such change principally reflects (i) a $3.8 billion decrease in net borrowings to fund the acquisition of vehicles, consistent with the reduction in net vehicle purchases discussed above and (ii) the utilization of $3.6 billion to repay corporate debt previously issued by Cendant, partially offset by proceeds received in connection with the issuance of $1,875 million of fixed and floating rate notes in April 2006. These incremental cash outflows were partially offset by (i) a reduction in cash utilized for net repurchases of common stock and dividend payments of $863 million and $310 million, respectively, and (ii) the absence of $650 million of cash used to repay short-term borrowings during 2005.

Debt And Financing Arrangements

At December 31, 2006, we had approximately $7.1 billion of indebtedness (including corporate indebtedness of approximately $1.8 billion and debt under vehicle programs of approximately $5.3 billion).

Corporate indebtedness consisted of:

	Maturity Date	As of December 31, 2006	2005	Change
Corporate debt:				
6 7/8% notes(a)		$	$ 850	$ (850)
4.89% notes(a)			100	(100)
6 1/4% notes(a)			798	(798)
6 1/4% notes(a)			349	(349)
7 3/8% notes(a)			1,192	(1,192)
7 1/8% notes(a)			250	(250)
Revolver borrowings(b)			7	(7)
Net hedging losses(c)			(47)	47
			3,499	(3,499)
Avis Budget Car Rental corporate debt:				
Floating rate term loan(d)	April 2012	838		838
Floating rate notes(d)	May 2014	250		250
7 5/8% notes(d)	May 2014	375		375
7 3/4% notes(d)	May 2016	375		375
		1,838		1,838
Other		4	9	(5)
		$ 1,842	$ 3,508	$ (1,666)

(a) During third quarter 2006, we repaid an aggregate principal amount of $950 million due in August 2006 under the 6 7/8% and 4.89% notes. In connection with the execution of our separation plan, during July 2006, we completed a tender offer for $2.6 billion of our corporate debt by redeeming approximately $2.5 billion aggregate principal amount of our 6 1/4% notes due in January 2008 and March 2010, 7 3/8% notes due in January 2013 and 7 1/8% notes due in March 2015 for cash of approximately $2.9 billion, including accrued interest. We redeemed the remaining portion of such corporate debt in third quarter 2006. In connection with such debt extinguishment, we recorded a pretax charge of $313 million during third quarter 2006.

(b) Outstanding borrowings at December 31, 2005 do not include $350 million of borrowings for which our former Travelport subsidiary was the primary obligor. This amount is included within liabilities of discontinued operations on our Consolidated Balance Sheet at December 31, 2005.

(c) As of December 31, 2005, the balance represents $153 million of net mark-to-market adjustments on current interest rate hedges, partially offset by $106 million of net gains resulting from the termination of interest rate hedges. As discussed above, we repaid all of the outstanding debt associated with these derivatives and retired all such derivatives during third quarter 2006.

(d) In connection with the execution of our separation plan, Avis Budget Car Rental borrowed $1,875 million in April 2006, which consisted of (i) $1 billion of unsecured fixed and floating rate notes and (ii) an $875 million secured floating rate term loan under a credit facility. The floating rate term loan and floating rate notes bear interest at three month LIBOR plus 125 basis points and three month LIBOR plus 250 basis points, respectively. We swapped a substantial portion of this floating rate indebtedness to fixed rate exposure in 2006 through the use of interest rate derivatives.

The following table summarizes the components of our debt under vehicle programs (including related party debt due to Avis Budget Rental Car Funding (AESOP) LLC):

	As of December 31,		
	2006	2005	Change
Avis Budget Rental Car Funding(a)	$ 4,511	$ 6,957	$ (2,446)
Budget Truck financing:			
HFS Truck Funding program(b)		149	(149)
Budget Truck Funding program(b)	135		135
Capital leases(c)	257	370	(113)
Other(d)	367	433	(66)
	$ 5,270	$ 7,909	$ (2,639)

(a) The change in the balance at December 31, 2006 principally reflects the payment of vehicle backed notes with a portion of the proceeds from the $1,875 million of fixed and floating rate financings completed by Avis Budget Car Rental in April 2006 and a decrease in required financing, due to a decrease in the size of our domestic fleet.

(b) We terminated the HFS Truck Funding program in November 2006, at which time remaining obligations thereunder were repaid. The Budget Truck Funding program was established to finance the acquisition of a portion of our truck rental fleet.

(c) The change in the balance at December 31, 2006 reflects a decrease in the utilization of capital lease arrangements to finance the acquisition of our truck rental fleet.

(d) The change in the balance at December 31, 2006 primarily reflects decreased borrowings under our bank loan and commercial paper conduit facilities supporting the fleet of our international operations.

The following table provides the contractual maturities for our corporate debt and our debt under vehicle programs (including related party debt due to Avis Budget Rental Car Funding) at December 31, 2006:

	Corporate Debt	Debt Under Vehicle Programs
Due in 2007	$ 29	$ 891
Due in 2008	9	1,850
Due in 2009	9	590
Due in 2010	9	1,036
Due in 2011	9	600
Thereafter	1,777	303
	$ 1,842	$ 5,270

At December 31, 2006, we had approximately $3.8 billion of available funding under our various financing arrangements (comprised of approximately $1.2 billion of availability at the corporate level and approximately $2.6 billion available for use in our vehicle programs). As of December 31, 2006, the committed credit facilities available to us and/or our subsidiaries at the corporate or Avis Budget Car Rental level included:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
$1.5 billion revolving credit facility(a)	$ 1,500	$	$ 284	$ 1,216
Letter of credit facility(b)	303		295	8

(a) This secured revolving credit facility was entered into by Avis Budget Car Rental in April 2006, has a five year term and currently bears interest at one month LIBOR plus 125 basis points.

(b) Final maturity date is July 2010.

The following table presents available funding under our debt arrangements related to our vehicle programs at December 31, 2006.

	Total Capacity(a)	Outstanding Borrowings	Available Capacity
Debt due to Avis Budget Rental Car Funding(b)	$ 6,286	$ 4,511	$ 1,775
Budget Truck Financing:			
Budget Truck Funding program(c)	200	135	65
Capital leases(d)	257	257	
Other(e)	1,104	367	737
	$ 7,847	$ 5,270	$ 2,577

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.

(b) The outstanding debt is collateralized by approximately $6.6 billion of underlying vehicles (the majority of which are subject to manufacturer repurchase or guaranteed depreciation agreements) and related assets.

(c) The outstanding debt is collateralized by approximately $136 million of underlying vehicles and related assets.

(d) In connection with these capital leases, there are corresponding unamortized assets of $247 million classified within vehicles, net on our Consolidated Balance Sheet as of December 31, 2006.

(e) The outstanding debt is collateralized by $726 million of vehicles and related assets.

The significant terms for our outstanding debt instruments, credit facilities and available funding arrangements as of December 31, 2006 can be found in Notes 14 and 15 to our Consolidated Financial Statements.

LIQUIDITY RISK

We believe that access to our existing financing arrangements is sufficient to meet liquidity requirements for the foreseeable future.

Our liquidity position may be negatively affected by unfavorable conditions in the vehicle rental industry. Additionally, our liquidity as it relates to vehicle programs could be adversely affected by (i) the deterioration in the performance of the underlying assets of such programs or (ii) increased costs associated with the principal financing program for our vehicle rental subsidiaries if General Motors Corporation or Ford Motor Company is not able to honor its obligations to repurchase or guarantee the depreciation on the related vehicles. Access to our credit facilities may be limited if we were to fail to meet certain financial ratios or other requirements.

Additionally, we monitor the maintenance of required financial ratios and, as of December 31, 2006, we were in compliance with all financial covenants under our credit facilities.

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual obligations as of December 31, 2006:

	2007	2008	2009	2010	2011	Thereafter	Total
Long-term debt, including current portion(a)	$ 29	$ 9	$ 9	$ 9	$ 9	$ 1,777	$ 1,842
Asset-backed debt under programs(b)	891	1,850	590	1,036	600	303	5,270
Operating leases	393	302	208	147	102	635	1,787
Commitments to purchase vehicles(c)	4,736	3,244					7,980
Other purchase commitments(d)	31						31
	$ 6,080	$ 5,405	$ 807	$ 1,192	$ 711	$ 2,715	$ 16,910

(a) Consists primarily of borrowings of Avis Budget Car Rental including $1,000 million of fixed and floating rate senior notes and $838 million outstanding under a secured floating rate term loan.

(b) Represents debt under vehicle programs (including related party debt due to Avis Budget Rental Car Funding), which was issued to support the purchase of vehicles.

(c) Primarily represents commitments to purchase vehicles from either General Motors Corporation or Ford Motor Company. These commitments are subject to the vehicle manufacturers satisfying their obligations under the repurchase and guaranteed depreciation agreements. The purchase of such vehicles is financed through the issuance of debt under vehicle programs in addition to cash received upon the sale of vehicles primarily under repurchase and guaranteed depreciation agreements (see Note 15 to our Consolidated Financial Statements).

(d) Primarily represents commitments under service contracts for information technology and telecommunications.

The above table does not include future cash payments related to interest expense or any potential amount of future payments that we may be required to make under standard guarantees and indemnifications that we have entered into in the ordinary course of business. For more information regarding guarantees and indemnifications, see Note 16 to our Consolidated Financial Statements.

ACCOUNTING POLICIES

Critical Accounting Policies

In presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events and/or events that are outside of our control. If there is a significant unfavorable change to current conditions, it could result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies that we believe require subjective and complex judgments that could potentially affect reported results. However, our businesses operate in environments where we are paid a fee for a service performed, and therefore the results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex.

Goodwill and Other Indefinite-lived Intangible Assets. We have reviewed the carrying value of our goodwill and other indefinite-lived intangible assets as required by Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. In performing this review, we are required to make an assessment of fair value for our goodwill and other indefinite-lived intangible assets. When determining fair value, we utilize various assumptions, including projections of future cash flows. A change in these underlying assumptions will cause a change in the results of the tests and, as such, could cause the fair value to be less than the respective carrying amount. In such event, we would then be required to record a charge, which would impact earnings. We review the carrying value of goodwill and other indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred.

The aggregate carrying value of our goodwill and other indefinite-lived intangible assets was approximately $2.2 billion and $666 million, respectively, at December 31, 2006.

Our goodwill and other indefinite-lived intangible assets are allocated among three reporting units. Accordingly, it is difficult to quantify the impact of an adverse change in financial results and related cash flows, as such change may be isolated to one of our reporting units or spread across our entire organization. In either case, the magnitude of any impairment to goodwill or other indefinite-lived intangible assets resulting from adverse changes cannot be estimated. However, our businesses are concentrated in one industry and, as a result, an adverse change in the vehicle rental industry will impact our consolidated results and may result in impairment of our goodwill or other indefinite-lived intangible assets.

Income Taxes. We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets that we believe will not be ultimately realized. In performing this review, we make estimates and assumptions regarding projected future taxable income, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies. A change in these assumptions could cause an increase or decrease to our valuation allowance resulting in an increase or decrease in our effective tax rate, which could materially impact our results of operations. Additionally, our income tax returns are periodically examined by various tax authorities. We establish reserves for tax treatments when, despite our belief that the treatments are fully supportable, certain treatments are likely to be challenged and where we may not succeed in defending our position. We adjust our reserves upon the closing of a tax audit, which in some cases can occur several years following the related transaction or the filing of the tax return under examination, or upon the occurrence of other changes in facts and circumstances that indicate an adjustment may be necessary (including subsequent rulings and interpretations by tax authorities or court decisions on similar matters). Changes to the reserves related to matters for which we are not indemnified by Realogy and Wyndham could materially impact our results of operations.

See Notes 2 and 10 to our Consolidated Financial Statements for more information regarding income taxes.

Financial Instruments. We estimate fair values for each of our financial instruments, including derivative instruments. Most of these financial instruments are not publicly traded on an organized exchange. In the absence of quoted market prices, we must develop an estimate of fair value using dealer quotes, present value cash flow models, option pricing models or other conventional valuation methods, as appropriate. The use of these fair value techniques involves significant judgments and assumptions, including estimates of future interest rate levels based on interest rate yield curves, volatility factors, and an estimation of the timing of future cash flows. The use of different assumptions may have a material effect on the estimated fair value amounts recorded in the financial statements, which are disclosed in Note 20 to our Consolidated Financial Statements. In addition, hedge accounting requires that at the beginning of each hedge period, we justify an expectation that the relationship between the changes in fair value of derivatives designated as hedges compared to changes in the fair value of the underlying hedged items will be highly effective. This effectiveness assessment, which is performed at least quarterly, involves an estimation of changes in fair value resulting from changes in interest rates, as well as the probability of the occurrence of transactions for cash flow hedges. The use of different assumptions and changing market conditions may impact the results of the effectiveness assessment and ultimately the timing of when changes in derivative fair values and the underlying hedged items are recorded in earnings. See Quantitative and Qualitative Disclosures about Market Risk for a discussion of the effect of hypothetical changes to these assumptions.

Public Liability, Property Damage and Other Insurance Liabilities, Net. Insurance liabilities on our Consolidated Balance Sheets include additional liability insurance, personal effects protection insurance, public liability, property damage and personal accident insurance claims for which we are self insured. We estimate the required liability of such claims on an undiscounted basis utilizing an actuarial method that is based upon various assumptions which include, but are not limited to, our historical loss experience and projected loss development factors. The required liability is also subject to adjustment in the future based upon changes in claims experience, including changes in the number of incidents (frequency) and changes in the ultimate cost per incident (severity).

Changes in Accounting Policies

During 2006, we adopted the following standards as a result of the issuance of new accounting pronouncements:

- SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements
- SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans
- SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions and Statement of Position No. 04-2, Accounting for Real Estate Time-Sharing Transactions
- SFAS No. 123R, Share-Based Payment

We will adopt the following recently issued standards as required:

- SFAS No. 157, Fair Value Measurements
- FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes

For detailed information regarding any of these pronouncements and the impact thereof on our business, see Note 2 to our Consolidated Financial Statements.

Quantitative and Qualitative Disclosures About Market Risk

We use various financial instruments, particularly swap contracts, futures and options contracts to manage and reduce the interest rate risk related specifically to our debt. Foreign currency forwards are also used to manage and reduce the foreign currency exchange rate risk associated with our foreign currency denominated receivables and forecasted royalties, forecasted earnings of foreign subsidiaries and other transactions. We also use derivative commodity instruments to manage and reduce the risk of changing unleaded gasoline prices.

We are exclusively an end user of these instruments, which are commonly referred to as derivatives. We do not engage in trading, market-making or other speculative activities in the derivatives markets. More detailed information about these financial instruments is provided in Note 20 Financial Instruments to our Consolidated Financial Statements.

Our principal market exposures are interest, foreign currency rate and commodity risks.

- Our primary interest rate exposure at December 31, 2006 was to interest rate fluctuations in the United States, specifically LIBOR and commercial paper interest rates due to their impact on variable rate borrowings and other interest rate sensitive liabilities. We anticipate that LIBOR and commercial paper rates will remain a primary market risk exposure for the foreseeable future.

We have foreign currency rate exposure to exchange rate fluctuations worldwide and particularly with respect to the British pound, Canadian dollar, Australian dollar and the New Zealand dollar. We anticipate that such foreign currency exchange rate risk will remain a market risk exposure for the foreseeable future.

We have commodity price exposure related to fluctuations in the price of unleaded gasoline. We anticipate that such commodity risk will remain a market risk exposure for the foreseeable future.

We assess our market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and currency rates.

We use a duration-based model in determining the impact of interest rate shifts on our debt portfolio and interest rate derivative portfolios. The primary assumption used in this model is that a 10% increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

Our total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. While probably the most meaningful analysis, these shock tests are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

We used December 31, 2006, 2005 and 2004 market rates on outstanding financial instruments to perform the sensitivity analyses separately for each of our market risk exposures. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves and exchange rates.

We have determined that the impact of a 10% change in interest and foreign currency exchange rates and prices on our earnings, fair values and cash flows would not be material. While these results may be used as benchmarks, they should not be viewed as forecasts.

BUSINESS

We operate two of the most recognized brands in the global vehicle rental industry through Avis and Budget. Avis is a leading rental car supplier to the premium commercial and leisure segments of the travel industry and Budget is a leading rental car supplier to the price-conscious segments of the industry. We believe we are the largest general-use vehicle rental operator in each of North America, Australia, New Zealand and certain other regions we serve, based on total revenue. We maintain the leading share of airport car rental revenue and we believe we operate the second largest consumer truck rental business in the United States based on available information.

Our car rental operations generate significant benefits from operating two distinctive brands that target different industry segments but share the same fleet, maintenance facilities, systems, technology and administrative infrastructure. We believe that Avis and Budget both enjoy complementary demand patterns with mid-week commercial demand balanced by weekend leisure demand. For 2006, our vehicle rental operations generated revenues of $5,628 million. The Avis, Budget and Budget Truck brands accounted for approximately 61%, 31% and 8% of our vehicle rental revenue, respectively, in 2006.

Our operations have an extended global reach that includes approximately 6,700 car and truck rental locations in the United States, Canada, Australia, New Zealand, Latin America, the Caribbean and parts of the Pacific region. On average, our rental fleet totaled more than 410,000 vehicles, and we completed more than 28 million vehicle rental transactions worldwide in 2006. Domestically, we derived approximately 81% of our nearly $4.0 billion in car rental revenue from on-airport locations in 2006 and approximately 19% of our domestic car rental revenue from off-airport locations, which we refer to as the local rental segment. In 2006, we significantly expanded our presence in the local segment and plan to continue this expansion in 2007. We rent our fleet of approximately 30,500 Budget trucks through a network of approximately 2,400 dealer operated, 210 company operated and 100 franchisee operated locations throughout the continental United States. We also license the use of the Avis and Budget trademarks to multiple licensees in areas in which we do not operate. The Avis and/or Budget vehicle rental systems in Europe, Africa, the Middle East and parts of Asia are operated at approximately 3,700 locations by subsidiaries and sub-licensees of an independent third party primarily under virtually royalty-free trademark license agreements.

Following the completion of the Cendant Separation, discussed in detail below, we categorize our operations in three operating segments: domestic car rental, consisting of our Avis and Budget U.S. car rental operations; international car rental, consisting of our international Avis and Budget car rental operations; and truck rental, consisting of our Budget truck rental operations. In 2006:

- our domestic car rental business generated approximately 89 million rental days and time and mileage revenue per day of $40.01 with an average rental fleet of approximately 329,350 vehicles;

- our international car rental business generated approximately 14 million rental days and time and mileage revenue per day of $39.61 with an average rental fleet of approximately 53,310 vehicles; and

- our truck rental business generated approximately 4.6 million rental days and time and mileage revenue per day of $86.28 with an average rental fleet of approximately 30,500 trucks.

For 2007, our objective is to enhance growth, profitability and our position as a leader in the vehicle rental industry. We expect to achieve our goals by focusing our efforts on the following core strategic initiatives:

Optimizing Our Two-Brand Strategy. We plan to continue to position our two distinct and well-recognized brands to capture different segments of customer demand. With Avis as a premium brand preferred by corporate and upscale leisure travelers and Budget as a value brand preferred by cost-conscious travelers, we believe we are able to target a broad range of demand, particularly since the two brands share the same operational and administrative infrastructure while providing differentiated though consistently high levels of customer service. We aim to provide products, service and pricing, and to maintain marketing affiliations and corporate account contracts, which complement each brand s positioning. In addition, we use various marketing channels as appropriate to each of our brands and seek to continue to grow the volume of reservations t