AVIS BUDGET GROUP, INC.
Form 10-Q
August 06, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-10308

Avis Budget Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**06-0918165**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

6 Sylvan Way

Parsippany, NJ **07054**
(Address of principal executive offices) *(Zip Code)*

(973) 496-4700

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares outstanding of the issuer s common stock was 101,978,177 shares as of July 31, 2009.

Table of Contents

Table of Contents

		Page
PART I	Financial Information (Unaudited)	
Item 1.	Financial Statements	
	Consolidated Condensed Statements of Operations for the Three and Six Months Ended June 30, 2009 and 2008 (Unaudited)	3
	Consolidated Condensed Balance Sheets as of June 30, 2009 and December 31, 2008 (Unaudited)	4
	Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008 (Unaudited)	5
	Notes to Consolidated Condensed Financial Statements (Unaudited)	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	40
Item 4.	Controls and Procedures	40
PART II	Other Information	
Item 1.	Legal Proceedings	41
Item 4.	Submission of Matters to a Vote of Security Holders	41
Item 6.	Exhibits	43
	Signatures	44

Table of Contents

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 our fleet costs as a result of an increase in the cost of new vehicles and/or a decrease in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;
- the results of operations or financial condition of the manufacturers of our cars, which could impact their ability to perform their payment obligations under repurchase and/or guaranteed depreciation arrangements they have with us, and/or their willingness or ability to make cars available to us or the rental car industry as a whole on commercially reasonable terms or at all;
- risks associated with the impact of the Chapter 11 bankruptcy filings of General Motors and Chrysler;
- weakness in travel demand, including the downturn in airline passenger traffic in the United States and in the international locations in which we operate;
- the decline in general economic conditions and weakness in the housing market, which could lead to a disruption or decline in rental activity, and the impact such a disruption or decline may have on us, particularly during our peak season or in key market segments;
- our ability to obtain financing for our operations, including the funding of our vehicle fleet via the asset-backed securities and lending market as outstanding indebtedness matures, as a result of the significant disruption in the credit market or other factors, and the financial condition of financial-guaranty firms that have insured a portion of our outstanding vehicle-backed debt;
- an occurrence or threat of terrorism, pandemic disease, natural disasters or military conflict in the locations in which we operate;
- our dependence on third-party distribution channels;
- our ability to successfully implement our cost-savings and efficiency improvement initiatives and business strategy;
- the impact of our derivative instruments, which can be affected by fluctuations in interest rates;

our ability to accurately estimate our future results;

a major disruption in our communication or centralized information networks;

our exposure to uninsured claims in excess of historic levels;

our failure or inability to comply with regulations or any changes in regulations, including with respect to personally identifiable information;

any impact on us from the actions of our licensees, dealers and independent contractors;

Table of Contents

substantial increases in the cost, or decreases in the supply, of fuel, vehicle parts, energy or other resources on which we depend to operate our business;

risks related to our indebtedness, including our substantial amount of debt and our ability to incur substantially more debt;

our ability to meet the financial and other covenants contained in our senior credit facilities, our outstanding unsecured senior notes and certain asset-backed funding arrangements;

the terms of agreements among us and 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 (the Separation), particularly with respect to the allocation of assets and liabilities, including contingent liabilities and guarantees, commercial arrangements, the ability of each of the separated companies to perform its obligations, including its indemnification obligations, under these agreements, and the former real estate business right to control the process for resolving disputes related to contingent liabilities and assets;

the trading price of our stock, which could limit our access to capital;

our exposure to fluctuations in foreign exchange rates; and

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

Other factors and assumptions not identified above, including those described under headings such as Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009, 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 headings such as Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009 and those that may be disclosed from time to time in filings and furnishings with the Securities and Exchange Commission, 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.

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Avis Budget Group, Inc.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues				
Vehicle rental	$ 995	$ 1,194	$ 1,913	$ 2,313
Other	317	383	593	709
Net revenues	1,312	1,577	2,506	3,022
Expenses				
Operating	648	811	1,288	1,588
Vehicle depreciation and lease charges, net	393	441	747	823
Selling, general and administrative	133	173	267	344
Vehicle interest, net	71	74	140	159
Non-vehicle related depreciation and amortization	24	20	45	39
Interest expense related to corporate debt, net	37	32	77	61
Restructuring charges	8		13	
Impairment			1	
Separation costs		1		1
Total expenses	1,314	1,552	2,578	3,015
Income (loss) before income taxes	(2)	25	(72)	7
Provision for (benefit from) income taxes	4	10	(17)	3
Net income (loss)	$ (6)	$ 15	$ (55)	$ 4
Earnings (loss) per share, basic and diluted:				
Net income (loss)	$ (0.06)	$ 0.15	$ (0.54)	$ 0.04

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Table of Contents

Avis Budget Group, Inc.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 434	$ 258
Receivables, net	313	360
Deferred income taxes	73	75
Other current assets	385	380
Total current assets	1,205	1,073
Property and equipment, net	460	485
Deferred income taxes	570	503
Goodwill	75	75
Other intangibles, net	471	467
Other non-current assets	846	889
Total assets exclusive of assets under vehicle programs	3,627	3,492
Assets under vehicle programs:		
Program cash	1	12
Vehicles, net	6,964	7,164
Receivables from vehicle manufacturers and other	100	533
Investment in Avis Budget Rental Car Funding (AESOP) LLC related party	117	117
	7,182	7,826
Total assets	$ 10,809	$ 11,318
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable and other current liabilities	$ 867	$ 901
Current portion of long-term debt	11	10
Total current liabilities	878	911
Long-term debt	1,876	1,779
Other non-current liabilities	1,109	1,121
Total liabilities exclusive of liabilities under vehicle programs	3,863	3,811
Liabilities under vehicle programs:		
Debt	1,006	892
Debt due to Avis Budget Rental Car Funding (AESOP) LLC related party	4,346	5,142

Deferred income taxes	1,246	1,188
Other	225	192
	6,823	7,414
Commitments and contingencies (Note 13)		
Stockholders equity:		
Preferred stock, $.01 par value authorized 10 million shares; none issued and outstanding		
Common stock, $.01 par value authorized 250 million shares; issued 136,900,385 and 136,812,802 shares	1	1
Additional paid-in capital	9,090	9,197
Accumulated deficit	(2,699)	(2,644)
Accumulated other comprehensive income (loss)	(117)	(194)
Treasury stock, at cost 34,624,346 and 35,030,086 shares	(6,152)	(6,267)
Total stockholders equity	123	93
Total liabilities and stockholders equity	$ 10,809	$ 11,318

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Table of Contents

Avis Budget Group, Inc.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended June 30,	
	2009	**2008**
Operating Activities		
Net income (loss)	$ (55)	$ 4
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities exclusive of vehicle programs:		
Non-vehicle related depreciation and amortization	45	39
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Receivables	16	(24)
Income taxes and deferred income taxes	(26)	(3)
Accounts payable and other current liabilities	(36)	23
Other, net	11	(19)
Net cash (used in) provided by operating activities exclusive of vehicle programs	(45)	20
Vehicle programs:		
Vehicle depreciation	733	820
	733	820
Net cash provided by operating activities	688	840
Investing Activities		
Property and equipment additions	(14)	(47)
Net assets acquired, net of cash acquired, and acquisition-related payments		(71)
Proceeds received on asset sales	7	9
Proceeds received from Realogy and Wyndham, net	2	1
Other, net	(1)	(9)
Net cash used in investing activities exclusive of vehicle programs	(6)	(117)
Vehicle programs:		
Decrease in program cash	11	1
Investment in vehicles	(3,949)	(6,202)
Proceeds received on disposition of vehicles	3,966	4,027
Distribution from (investment in) Avis Budget Rental Car Funding (AESOP) LLC related party	47	(343)
	75	(2,517)
Net cash provided by (used in) investing activities	69	(2,634)

Table of Contents

Avis Budget Group, Inc.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Continued)

(In millions)

(Unaudited)

	Six Months Ended June 30,	
	2009	**2008**
Financing Activities		
Proceeds from borrowings	100	
Principal payments on borrowings	(6)	(5)
Repurchases of common stock		(33)
Other, net	(2)	
Net cash provided by (used in) financing activities exclusive of vehicle programs	92	(38)
Vehicle programs:		
Proceeds from borrowings	4,261	5,799
Principal payments on borrowings	(5,097)	(4,136)
Net change in short-term borrowings	144	226
Other, net		(8)
	(692)	1,881
Net cash (used in) provided by financing activities	(600)	1,843
Effect of changes in exchanges rates on cash and cash equivalents	19	(1)
Net increase in cash and cash equivalents	176	48
Cash and cash equivalents, beginning of period	258	214
Cash and cash equivalents, end of period	$ 434	$ 262

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Table of Contents

Avis Budget Group, Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

(Unless otherwise noted, all amounts in tables are in millions, except per share amounts)

1. Basis of Presentation and Recently Issued Accounting Pronouncements

Basis of Presentation

Avis Budget Group, Inc. provides car and truck rentals and ancillary services to businesses and consumers in the United States and internationally. The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Avis Budget Group, Inc. and its subsidiaries (Avis Budget), as well as entities in which Avis Budget directly or indirectly has a controlling financial interest (collectively, the Company), and have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for interim financial reporting.

The Company operates in the following business segments:

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

International Car Rental provides vehicle rentals and ancillary products and services primarily in Argentina, Australia, Canada, 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.

In presenting the Consolidated Condensed Financial Statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgments and available information. Accordingly, actual results could differ from those estimates. In management s opinion, the Consolidated Condensed Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These financial statements should be read in conjunction with the Company s 2008 Annual Report on Form 10-K filed on February 26, 2009.

Vehicle Programs. The Company presents separately the financial data of its vehicle programs. These programs are distinct from the Company s other activities since the assets under vehicle programs are generally funded through the issuance of debt, asset-backed funding or other similar arrangements which are collateralized by such assets. 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 the Company s vehicle programs. The Company believes it is appropriate to segregate the financial data of its vehicle programs because, ultimately, the source of repayment of such debt is the realization of such assets.

Separation. In connection with the separation of Cendant Corporation (as the Company was formerly known) into four independent companies (the Separation), the Company completed the spin-offs of Realogy Corporation (Realogy) and Wyndham Worldwide Corporation (Wyndham) on July 31, 2006 and completed the sale of Travelport, Inc. (Travelport) on August 23, 2006.

Compliance with Debt Covenants, Business Risks and Management s Plans

Compliance with Debt Covenants. Many of the Company s debt instruments, including its senior credit facilities, contain financial and other covenants that impose significant requirements on the Company and limit its ability to engage in certain transactions or activities. The Company s financial covenants require it to maintain minimum trailing twelve month EBITDA (as defined in the Company s senior credit facilities) amounts on a quarterly basis. Commencing with the Company s fiscal quarter ending June 30, 2010, the requirement to maintain a

quarterly minimum trailing twelve month EBITDA under the financial covenants of its amended senior credit facilities will be replaced by the maximum leverage ratio that was in place prior to the December 2008 amendment to the senior credit facilities.

The U.S. economy appears to have been in recession throughout 2008 and the first half of 2009, and such conditions are likely to persist further into 2009. Historically, the Company s results of operations have declined during periods of general economic weakness. The effects of the current recession contributed to the significant year-over-year decline in the results of the Company s operations for the three and six months ended June 30, 2009 compared to the three and six

Table of Contents

months ended June 30, 2008. If economic conditions in the United States worsen, the Company s results of operations could be materially and adversely impacted.

The Company relies upon financing for its operations, particularly asset-backed financing, through asset-backed securities and the lending market, for its vehicle fleet. In fourth quarter 2008, the Company amended and renewed its two asset-backed domestic rental car conduit facilities; such facilities now mature from September through December 2009. As a result of these amendments and renewals, the Company s borrowing costs and collateral requirements for 2009 will increase compared to 2008. In addition, approximately $42 million and $1.1 billion of term asset-backed financings for the Company s car rental operations will mature in 2009 and 2010, respectively. The existing availability under the asset-backed vehicle financing programs including the asset-backed conduit facilities should be sufficient to increase the Company s fleet for the third quarter, which has historically been its strongest quarter due to the increased level of leisure travel and household moving activity. A default by, or insolvency of, any of the financial-guaranty firms that have insured a portion of the Company s outstanding vehicle-backed debt could affect the timing for repayment of such debt. There has been significant disruption in the asset-backed financing market; therefore, there can be no assurance that the Company will be able to obtain refinancing for its operations at current levels, or at all, when its asset-backed rental car financings mature, and any new financing or refinancing of the Company s existing financing could increase its borrowing costs, including an increase in its collateral requirements.

Dependence on Vehicle Manufacturers. The Company is dependent on vehicle manufacturers for its fleet purchases and related incentive payments, and a substantial portion of the rental cars that comprise its domestic car fleet (program cars) are subject to manufacturer repurchase or guaranteed depreciation programs. A default on any repurchase or guaranteed depreciation agreement or incentive payment could leave the Company with a substantial unpaid claim against the manufacturer particularly with respect to program cars that were either (i) resold at an amount less than the amount guaranteed under the applicable agreement, and therefore subject to a true-up payment obligation from the manufacturer or (ii) returned to the manufacturer but for which the Company was not paid. In addition, the Company could incur additional expenses if, following a manufacturer default, the prices at which it were able to dispose of program cars were less than the specified prices under the repurchase or guaranteed depreciation program and/or if the prices at which the Company were able to dispose of non-program cars were less than previously assumed.

Cost Reduction Initiatives. In light of the challenging conditions facing its business as well as for competitive reasons, the Company has taken numerous actions to reduce expenses, including implementing a five-point plan designed to reduce costs and improve efficiency. This plan includes (i) targeting significant reductions in operating costs, fleet costs, selling, general and administrative expenses, headcount, discretionary spending and other variable costs, (ii) reviewing and improving station, channel and customer profitability, (iii) reviewing and strengthening the Company s pricing strategies and marketing, selling and affinity efforts, (iv) consolidation of both customer facing and non-customer facing activities and locations to reduce costs and provide synergies, and (v) consolidation of purchasing and procurement programs and practices. The Company closed and consolidated certain facilities and terminated employees in fourth quarter 2008 and the six months ended June 30, 2009 in conjunction with this initiative (see Note 2 Restructuring Charges). The Company also anticipates generating additional cost savings in 2009 through implementation of its Performance Excellence process improvement initiative, which began in late 2007. The Company has also identified a number of additional cost reduction measures that it could implement, if necessary, to offset additional costs.

Notwithstanding the December 2008 amendments to the Company s senior credit facilities and its cost reduction initiatives, due to reduced demand for travel services, disruption in the credit markets, rising borrowing costs, the Company s dependence on vehicle manufacturers, and other factors, there can be no assurance that the Company will be able to generate sufficient earnings to enable it to satisfy the minimum EBITDA requirement or other covenants included in its senior credit facilities, the asset-backed conduit facilities used to finance a portion of its domestic car rental operations or other borrowing agreements. The Company s failure to comply with these covenants, if not waived, would cause a default under the senior credit facilities and could result in principal under the conduit facilities being required to be repaid from a portion of vehicle disposition proceeds and lease payments the Company makes to its vehicle program subsidiaries and adversely affect the Company s liquidity position. If such a failure were to occur, there can be no assurance that the Company would be able to refinance or obtain a replacement for such facilities and in certain circumstances such failure could also give rise to a default under the instruments that govern its other indebtedness.

Adoption of New Accounting Standards during 2009

In April 2009, FASB issued FSP No. FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP FAS 141(R)-1). The Company adopted FSP FAS 141(R)-1 on January 1, 2009, as required, and it had no impact on its financial statements at the time of adoption.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 provides additional

Table of Contents

guidance on how to evaluate whether an impairment of a debt security is other than temporary and for recognition of any such impairment in the financial statements. The Company adopted FSP FAS 115-2 and FAS 124-2 on June 30, 2009, as required, and it had no impact on its financial statements.

In April 2009, FASB issued FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements , when the volume and level of activity for the asset or liability have significantly decreased. FSP FAS 157-4 applies prospectively for interim and annual reporting periods ending after June 15, 2009. The Company adopted FSP FAS 157-4 on June 30, 2009, as required, and it had no impact on its financial statements.

In April 2009, FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 amends FASB Statement No. 107, Disclosures about Fair Values of Financial Instruments , and requires a publicly traded entity to include disclosures about the fair value of its financial instruments for its interim reporting periods as well as its annual financial statements. FSP FAS 107-1 and APB 28-1 is effective for interim periods ending after June 15, 2009. The Company adopted FSP FAS 107-1 and APB 28-1 on June 30, 2009, as required, and it did not have a significant impact on its financial statements; however, it did result in enhanced disclosure about the fair value of financial instruments in the Company s interim financial statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted SFAS No. 165 on June 30, 2009, as required, and it did not have a significant impact on its financial statements.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS No. 168). SFAS No. 168 replaces FASB Statement No. 162 to allow the FASB Accounting Standards Codification to become the single source of authoritative U.S. accounting and reporting standards, other than guidance issued by the SEC. The Company adopted SFAS No. 168 on July 1, 2009, as required, and it did not have a significant impact on its financial statements.

Recently Issued Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS No. 166). SFAS No. 166: (i) removes the concept of a Qualifying Special Purpose Entity (QSPE) from FASB No. 140 and eliminates the exception from applying FIN 46(R) to variable interest entities that are QSPEs, (ii) amends the accounting for transfers of financial assets and (iii) increases the related disclosures about transfers of financial assets. SFAS No. 166 applies to fiscal years beginning on or after November 15, 2009 and transfers that occurred both before and after its effective date. The Company will adopt SFAS No. 166 on January 1, 2010, as required, and does not believe it will have a significant impact on its financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS No. 167). SFAS No. 167 changes the method for determining the primary beneficiary of a variable interest entity (VIE) from a quantitative-based risks and rewards calculation to a qualitative approach to identify which entity has the power to direct the activities of a VIE that most significantly impact the entity s economic performance, subject to certain exceptions. SFAS No. 167 applies prospectively for fiscal years beginning on or after November 15, 2009. The Company will adopt SFAS No. 167 on January 1, 2010, as required, and does not believe it will have a significant impact on its financial statements.

2. Restructuring Charges

During 2008, the Company implemented various strategic initiatives within the Company s Domestic Car Rental, International Car Rental and Truck Rental segments as part of its five-point plan announced in November 2008. These initiatives are targeted principally at reducing costs, enhancing organizational efficiency and consolidating and rationalizing existing processes and facilities. During the six months ended June 30, 2009, as part of the five-point plan, the Company eliminated approximately 1,400 positions, resulting in the termination of approximately 970 employees within its Domestic Car Rental, International Car Rental and Truck Rental segments and the closure and consolidation of certain facilities, including data center, back-office administrative locations and local market vehicle rental locations. As a result of these actions, the Company incurred $8 million and $13 million in restructuring-related charges for the three and six months ended June 30, 2009, respectively.

9

Table of Contents

At June 30, 2009, the remaining liability relating to restructuring actions amounted to $9 million, primarily for lease obligation costs. As part of the five-point plan, the Company continues to implement steps to reduce costs and consolidate certain customer facing and non-customer facing activities and locations. The Company expects further restructuring costs of approximately $6 million to be incurred through December 31, 2009 and is continuing to look at other initiatives expected to reduce costs and may incur further restructuring costs.

The restructuring charges and corresponding utilization are recorded within the Company s segments as follows:

	Domestic Car Rental	International Car Rental	Truck Rental	Total
Balance as of January 1, 2009 [(a)]	$ 12	$ 2	$ 2	$ 16
2008 Restructuring plan charge [(b)]	11	1	1	13
2008 Restructuring cash payment/utilization	(16)	(2)	(2)	(20)
Balance at June 30, 2009	$ 7	$ 1	$ 1	$ 9

The initial recognition of the restructuring charges and the corresponding utilization from inception are summarized by category as follows:

	Personnel Related	Facility Related	Asset Impairments[(c)]	Total
Balance as of January 1, 2009 [(a)]	$ 10	$ 5	$ 1	$ 16
2008 Restructuring plan charge [(b)]	9	3	1	13
2008 Restructuring cash payment/utilization	(17)	(2)	(1)	(20)
Balance June 30, 2009	$ 2	$ 6	$ 1	$ 9

(a) The January 1, 2009 balance includes the 2008 initial charge that primarily represented severance benefits resulting from the reductions in staff. As of June 30, 2009, the Company had terminated all of these employees.

(b) During the six months ended June 30, 2009, the Company incurred additional restructuring charges primarily for severance benefits resulting from the reductions in staff and the closure of certain facilities. The Company formally communicated the termination of employment to approximately 970 employees, representing a wide range of employee groups. As of June 30, 2009, the Company had terminated substantially all of these employees.

(c) At June 30, 2009, the remaining asset impairment liability relates primarily to shuttle buses held available for sale.

3. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (EPS):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income (loss)	$ (6)	$ 15	$ (55)	$ 4
Basic and diluted weighted average shares outstanding [(a)]	102.2	101.4	102.0	102.1

Earnings per share basic and diluted:				
Net income (loss)	$ (0.06)	$ 0.15	$ (0.54)	$ 0.04

(a) As the Company incurred a net loss for the three and six months ended June 30, 2009, all outstanding stock options and restricted stock units have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding. Accordingly, basic and diluted weighted average shares outstanding are equal for such periods. The dilutive effect of stock options and restricted stock units for the three and six months ended June 30, 2008 had no impact on the weighted average shares outstanding.

The following table summarizes the Company s outstanding common stock equivalents that were anti-dilutive and therefore excluded from the computation of diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Options [(a)]	7.8	5.3	7.8	5.3

(a) For the three and six months ended June 30, 2009, all outstanding stock options were anti-dilutive, as the Company incurred a loss from continuing operations. The weighted average exercise price for anti-dilutive options for the three and six months ended June 30, 2008 was $24.97 and $24.96, respectively.

Table of Contents

4. Acquisitions

Assets acquired and liabilities assumed in business combinations were recorded on the Company s Consolidated Condensed Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company have been included in the Company s Consolidated Condensed Statements of Operations since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired, including trademark assets related to franchisees, and liabilities assumed is allocated to goodwill. In certain circumstances, the allocations of the excess purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations may be subject to revision when the Company receives final information, including appraisals and other analyses. Any revisions to the fair values, within the allocation period, will be recorded by the Company as further adjustments to the purchase price allocations.

During the six months ended June 30, 2009, the Company made no acquisitions.

During the six months ended June 30, 2008, the Company acquired the exclusive rights to certain vehicle rental franchise territories and related assets, which included $23 million of associated vehicles, for $70 million in cash, resulting in trademark intangible assets of $46 million. These acquisitions for 2008 relate primarily to the Company s Domestic Car Rental segment and were not significant individually or in the aggregate to the Company s results of operations, financial position or cash flows.

5. Intangible Assets

Intangible assets consisted of:

	As of June 30, 2009			As of December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets						
Franchise agreements	$ 73	$ 21	$ 52	$ 73	$ 20	$ 53
Customer lists	19	8	11	19	8	11
Other	2	1	1	2	1	1
	$ 94	$ 30	$ 64	$ 94	$ 29	$ 65
Unamortized Intangible Assets						
Goodwill	$ 75			$ 75		
Trademarks [(a)]	$ 407			$ 402		

(a) The increase in trademarks is primarily due to fluctuations in foreign currency.

Amortization expense relating to all intangible assets was approximately $1 million during the second quarter of 2009 and 2008. For the six months ended June 30, 2009 and 2008, amortization expense was approximately $2 million.

Based on the Company s amortizable intangible assets at June 30, 2009, the Company expects amortization expense of approximately $2 million for the remainder of 2009 and approximately $3 million for each of the five fiscal years thereafter.

6. Financial Instruments

Debt Instruments

The fair value of the Company s debt instruments are generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market. In some cases where quoted market prices are not available, prices are derived by considering the yield of the benchmark security that was issued to initially price the instruments and adjusting this rate by the estimated credit spread that market participants would demand for the instruments as of the measurement date. In situations where long-term borrowings are part of a conduit facility backed by short-term floating rate debt, the Company has determined that its carrying value approximates the fair value of this debt. The carrying amounts of cash and cash equivalents, accounts receivable, program cash and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities.

Table of Contents

The carrying amounts and estimated fair values of debt instruments are as follows:

	June 30, 2009	
	Carrying Amount	Estimated Fair Value
Corporate debt		
Current portion of long-term debt	$ 11	$ 11
Long-term debt	1,876	1,367
Debt under vehicle programs		
Vehicle-backed debt	1,004	988
Vehicle-backed debt due to Avis Budget Rental Car Funding	4,346	4,041

Derivative instruments and hedging activities

The Company uses foreign exchange forward contracts to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and forecasted royalties, forecasted earnings of foreign subsidiaries and forecasted foreign currency denominated acquisitions. The Company primarily hedges its foreign currency exposure to the Australian dollar, British pound, Canadian dollar and the New Zealand dollar. The majority of forward contracts do not qualify for hedge accounting treatment under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). The fluctuations in the fair value of these forward contracts do, however, largely offset the impact of changes in the value of the underlying risk they economically hedge. Forward contracts used to hedge forecasted third party receipts and disbursements up to twelve months are designated and do qualify as cash flow hedges. The amount of gains or losses reclassified from other comprehensive income to earnings resulting from ineffectiveness during the three and six months ended June 30, 2009 and 2008 was not material.

The Company uses various hedging strategies including interest rate swaps and interest rate caps to manage its exposure to changes in interest rates. The Company uses interest rate swaps, designated as cash flow hedges, to manage the risk related to its floating rate corporate debt. In connection with such cash flow hedges, the Company records net unrealized losses to other comprehensive income. To manage the risk associated with its floating rate vehicle-backed debt, the Company uses both interest rate swaps and caps. These derivatives include derivatives not designated as a hedge for accounting purposes and derivatives designated as cash flow hedges. In connection with such cash flow hedges, the Company records the effective portion of the change in fair value in other comprehensive income, net of tax. The Company records the change in fair value gains or losses related to derivatives not designated as a hedge in its consolidated results of operations.

The Company periodically enters into derivative commodity contracts to manage its exposure to changes in the price of unleaded gasoline. These instruments are not designated as hedges for accounting purposes and the changes in fair value are recorded in the Company s consolidated results of operations.

Certain of the Company s derivative instruments contain collateral support provisions that require the Company to post cash collateral to the extent that these derivatives are in a liability position. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on June 30, 2009 was approximately $5 million, for which the Company has posted cash collateral of $9 million in the normal course of business.

As of June 30, 2009, the Company held derivative instruments with absolute notional values as follows: interest rate caps of $6.4 billion, interest rate swaps of $1.2 billion, foreign exchange forward contracts of $46 million and commodity contracts for the purchase of 6 million gallons of unleaded gasoline.

The Company used significant observable inputs (Level 2 inputs) to determine the fair value of its derivative assets and liabilities. Derivatives entered into by the Company are typically executed over-the-counter and are valued using internal valuation techniques, as no quoted market prices exist for such instruments. The valuation technique and inputs depend on the type of derivative and the nature of the underlying exposure. The principal techniques used to value these instruments are discounted cash flows and Black-Scholes option valuation models. These models take into account a variety of factors including, where applicable, maturity, commodity prices, interest rate yield curves, credit curves of the Company and counterparties, counterparty creditworthiness and forward and spot currency exchange rates. These factors are applied on a consistent basis and are based upon observable inputs where available.

Table of Contents

Fair values of derivative instruments as of June 30, 2009 were as follows:

	Derivative Assets Balance Sheet		Derivative Liabilities Balance Sheet	
	Category	Fair Value	Category	Fair Value
Derivatives designated as hedging instruments [(a)]				
Interest rate swaps	Other non-current assets	$ 1	Other non-current liabilities	$ 40
Total		$ 1		$ 40
Derivatives not designated as hedging instruments [(a)]				
Foreign exchange forward contracts		$	Other current liabilities	$ 5
Interest rate contracts			Liabilities under vehicle programs	2
Commodity contracts			Other current liabilities	1
Total		$		$ 8

(a) Amounts in this table exclude derivatives issued by Avis Budget Rental Car Funding (AESOP) LLC (Avis Budget Rental Car Funding), as it is not consolidated by the Company; however, certain amounts related to the derivatives held by Avis Budget Rental Car Funding are included within other comprehensive income, as discussed in Note 14 Stockholders Equity.

The effect of derivative instruments on the Statement of Operations for the three months ended June 30, 2009, was (i) a loss of $3 million recognized as a component of operating expenses related to foreign exchange forward contracts, (ii) a $3 million gain recognized as a component of operating expenses related to our commodity contracts and (iii) an insignificant loss recognized as a component of interest expense related to interest rate swaps not designated as hedging instruments. The loss on the interest rate swaps had no impact on net interest expense as it was offset by reduced interest expense on the underlying floating rate debt which it hedges.

The effect of derivative instruments on the Statement of Operations for the six months ended June 30, 2009, was (i) a loss of $4 million recognized as a component of operating expenses related to foreign exchange forward contracts, (ii) a gain of $3 million recognized as a component of operating expenses related to our commodity contracts and (iii) a loss of $2 million recognized as a component of interest expense related to interest rate swaps not designated as hedging instruments. The loss on the interest rate swaps had no impact on net interest expense as it was offset by reduced interest expense on the underlying floating rate debt which it hedges.

The Company also recognized a gain of $17 million and $24 million, as a component of other comprehensive income, net of tax, for the three and six months ended June 30, 2009, respectively, which relates to interest rate swaps designated as cash flow hedges.

7. Vehicle Rental Activities

The components of the Company s vehicles, net within assets under vehicle programs are as follows:

	As of June 30, 2009	As of December 31, 2008
Rental vehicles	$ 8,060	$ 7,502

Less: Accumulated depreciation	(1,208)	(1,219)
	6,852	6,283
Vehicles held for sale	112	881
Vehicles, net	$ 6,964	$ 7,164

Table of Contents

The components of vehicle depreciation and lease charges, net are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Depreciation expense	$ 387	$ 441	$ 733	$ 820
Lease charges	8	8	15	16
Gain on sales of vehicles, net and cost of vehicle disposition	(2)	(8)	(1)	(13)
Vehicle depreciation and lease charges, net	$ 393	$ 441	$ 747	$ 823

During the three months ended June 30, 2009 and 2008, vehicle interest, net on the accompanying Consolidated Condensed Statements of Operations excludes $39 million and $33 million, respectively, and for the six months ended June 30, 2009 and 2008, excludes $78 million and $66 million, respectively, of interest expense related to the fixed and floating rate borrowings of the Company s Avis Budget Car Rental, LLC (Avis Budget Car Rental) subsidiary. Such interest is recorded within interest expense related to corporate debt, net on the accompanying Consolidated Condensed Statements of Operations.

8. Income Taxes

The Company s effective tax rate from continuing operations for the six months ended June 30, 2009 is a benefit of 23.6%. Such rate differs from the Federal statutory rate of 35.0% primarily due to differences in the amount of stock-based compensation recorded for book and tax purposes. In addition, the Company established a valuation allowance related to certain state deferred tax assets.

The Company s effective tax rate from continuing operations for the six months ended June 30, 2008 is a provision of 42.9%. Such rate differs from the Federal statutory rate of 35.0% primarily due to state taxes and differences in the amount of stock-based compensation recorded for book and tax purposes.

9. Equity Investment

At June 30, 2009, the Company s equity-method investee and approximate ownership interest, based on outstanding shares, are as follows:

Company	Percentage Ownership
Carey Holdings, Inc.	47.9%

The Company s investment in Carey Holdings, Inc. (Carey) is recorded within other non-current assets on the Consolidated Condensed Balance Sheets and the Company s share of Carey s operating results is reported within operating expenses on the Consolidated Condensed Statements of Operations. At June 30, 2009, the Company s investment totaled $37 million, including a net loss of $6 million, representing the Company s share of Carey s operating results for the six months ended June 30, 2009. At December 31, 2008, the Company s investment totaled $43 million.

10. Other Non-Current Liabilities

Other non-current liabilities consisted of:

	As of June 30, 2009	As of December 31, 2008
Long-term income taxes payable	$ 476	$ 480
Public liability and property damage insurance liability	211	219
Accrued interest tax contingencies	121	111
Pension liability	72	69
Other	229	242
	$ 1,109	$ 1,121

Table of Contents

11. Long-term Debt and Borrowing Arrangements

Long-term debt consisted of:

	Maturity Date	As of June 30, 2009	As of December 31, 2008
Floating rate term loan [(a)]	April 2012	$ 783	$ 787
Floating rate notes	May 2014	250	250
7 5/8% notes	May 2014	375	375
7 3/4% notes	May 2016	375	375
Other		104	2
Total long-term debt		1,887	1,789
Less: Current portion		11	10
Long-term debt		$ 1,876	$ 1,779

(a) The floating rate term loan and our revolving credit facility are secured by pledges of all of the capital stock of all of the Company s direct or indirect domestic subsidiaries and up to 66% of the capital stock of each direct foreign subsidiary, subject to certain exceptions, and liens on substantially all of the Company s intellectual property and certain other real and personal property.

In February 2007, the Company agreed to guarantee (the Guarantee) the payment of principal, premium, if any, and interest on the $1.0 billion aggregate principal amount of senior notes issued by Avis Budget Car Rental in April 2006 (the Notes). The Notes consist of Avis Budget Car Rental s 7 7/8% Senior Notes due 2014, 7 3/4% Senior Notes due 2016 and Floating Rate Senior Notes due 2014. In consideration for providing the Guarantee, the Company received $14 million, before fees and expenses, from certain institutional investors. The $14 million consideration is being treated as deferred income and being amortized over the life of the debt. As of June 30, 2009, the deferred consideration remaining to be amortized amounted to $10 million.

Committed Credit Facilities and Available Funding Arrangements

At June 30, 2009, the committed credit facilities available to the Company and/or its subsidiaries at the corporate or Avis Budget Car Rental level were as follows:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Revolving credit facility [(a)]	$ 1,150	$ 100	$ 735	$ 315
Letter of credit facility [(b)]	228		228	

(a) This secured revolving credit facility was entered into by Avis Budget Car Rental in April 2006 and amended in December 2008, has a five year term and as of June 30, 2009 bears interest at one month LIBOR plus 400 basis points. The senior credit facilities, which encompass the floating rate term loan and the revolving credit facility, are secured by pledges of all of the capital stock of all of the Company s direct or indirect domestic subsidiaries and up to 66% of the capital stock of each direct foreign subsidiary, subject to certain exceptions, and liens on substantially all of the Company s intellectual property and certain other real and personal property. There is $315 million available capacity for the issuance of letters of credit, while the remaining borrowing capacity is $175 million as total outstanding borrowings are limited to $275 million under this secured revolving credit facility.

(b) Final maturity date is March 2010.

The Company s debt agreements contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries, the incurrence of indebtedness by the Company and certain of its subsidiaries, acquisitions, mergers, liquidations, and sale and leaseback transactions. The senior credit facilities also contain a minimum EBITDA requirement (as defined in the senior credit facilities). As of June 30, 2009, the Company was in compliance with the financial covenants in its senior credit facilities.

15

Table of Contents

12. Debt Under Vehicle Programs and Borrowing Arrangements

Debt under vehicle programs (including related party debt due to Avis Budget Rental Car Funding (AESOP) LLC (Avis Budget Rental Car Funding)) consisted of:

	As of June 30, 2009	As of December 31, 2008
Debt due to Avis Budget Rental Car Funding [(a)]	$ 4,346	$ 5,142
Budget Truck financing:		
Budget Truck Funding program	281	316
Capital leases	109	126
Other	616	450
	$ 5,352	$ 6,034

-

(a) The decrease reflects reduced borrowings within Domestic Car Rental operations principally due to a decrease in the size of the Company s car rental fleet.

The following table provides the contractual maturities of the Company s debt under vehicle programs (including related party debt due to Avis Budget Rental Car Funding) at June 30, 2009:

	Vehicle-Backed Debt	Capital Leases	Total
Within 1 year	$ 2,632	$ 91	$ 2,723
Between 1 and 2 years	1,240	18	1,258
Between 2 and 3 years	892		892
Between 3 and 4 years	258		258
Between 4 and 5 years			
Thereafter	221		221
	$ 5,243	$ 109	$ 5,352

As of June 30, 2009, available funding under the Company s vehicle programs (including related party debt due to Avis Budget Rental Car Funding) consisted of:

	Total Capacity [(a)]	Outstanding Borrowings	Available Capacity
Debt due to Avis Budget Rental Car Funding [(b)]	$ 5,621	$ 4,346	$ 1,275
Budget Truck financing:			
Budget Truck Funding program [(c)]	281	281	
Capital leases [(d)]	109	109	
Other [(e)]	773	616	157
	$ 6,784	$ 5,352	$ 1,432

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.
(b) The outstanding debt is collateralized by approximately $5.8 billion of underlying vehicles and related assets.
(c) The outstanding debt is collateralized by approximately $314 million of underlying vehicles and related assets.
(d) These capital leases are collateralized by approximately $126 million of underlying vehicles.
(e) The outstanding debt is collateralized by approximately $926 million of underlying vehicles and related assets.

Debt agreements under the Company s vehicle-backed funding programs contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries and restrictions on indebtedness, mergers, liens, liquidations, and sale and leaseback transactions. As of June 30, 2009, the Company was not aware of any instances of non-compliance with such covenants.

13. Commitments and Contingencies

Contingencies

The Internal Revenue Service (IRS) has commenced an audit of the Company s taxable years 2003 through 2006, the year of the Separation. The Company has recorded a $476 million liability in respect of such taxable years, reflecting the Company s current best estimates of the probable outcome with respect to certain tax positions. The Company believes that its accruals for tax liabilities, including the liabilities for which it is entitled to indemnification from Realogy and

Table of Contents

Wyndham, are adequate for all remaining open years based on its assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter.

The rules governing taxation are complex and subject to varying interpretations. Therefore, the Company s tax accruals reflect a series of complex judgments about future events and rely heavily on estimates and assumptions. Although the Company believes the estimates and assumptions supporting its tax accruals are reasonable, the potential result of an audit or litigation related to tax could include a range of outcomes, and could result in tax liabilities for the Company that are materially different from those reflected in the Consolidated Condensed Financial Statements. Notwithstanding this, as discussed above, the Company is entitled to indemnification by Realogy and Wyndham for substantially all of its recorded liabilities for open tax matters and therefore does not expect such resolution to have a significant impact on its earnings, financial position or cash flows. As further discussed below, Realogy posted a letter of credit in April 2007 for the benefit of the Company related to its indemnification obligations to the Company.

In May 2009, President Obama s administration proposed significant changes to the U.S. international tax laws. The Company is currently unable to predict whether any such new tax legislation could have a significant adverse impact to the Company s effective tax rate, if and when it becomes effective.

The Company is involved in litigation alleging breach of contract and fraud arising out of the acquisition of a business in 1998 which occurred just prior to Cendant s announcement of the discovery of accounting irregularities at its former CUC business units. The Company has accrued liabilities of approximately $105 million regarding such claims. Pursuant to the Separation Agreement (described below), Realogy and Wyndham have assumed all liabilities related to this litigation, as discussed below, and therefore a corresponding receivable has been established for such amount. Changes in liabilities related to such legal matters for which the Company is entitled to indemnification, and corresponding changes in the Company s indemnification assets, are shown net on the Consolidated Condensed Statements of Operations. A judgment has been entered in favor of the plaintiffs with respect to this claim and as a result of payments made by Realogy and Wyndham in July 2009, the judgment was satisfied, subject to plaintiffs right to petition the court for reasonable attorneys fees. There was no net impact to the Company s financial statements or cash balances as a result of the satisfaction of such payments.

In connection with the spin-offs of Realogy and Wyndham, the Company entered into the Separation Agreement, pursuant to which Realogy assumed 62.5% and Wyndham assumed 37.5% of certain contingent and other corporate liabilities of the Company or its subsidiaries, which are not primarily related to any of the respective businesses of Realogy, Wyndham, Travelport and/or the Company s vehicle rental operations, in each case incurred or allegedly incurred on or prior to the separation of Travelport from the Company (Assumed Liabilities). Realogy is entitled to receive 62.5% and Wyndham is entitled to receive 37.5% of the proceeds from certain contingent corporate assets of the Company, which are not primarily related to any of the respective businesses of Realogy, Wyndham, Travelport and/or the Company s vehicle rental operations, arising or accrued on or prior to the separation of Travelport from the Company (Assumed Assets). Additionally, if Realogy or Wyndham were to default on its payment of costs or expenses to the Company related to any Assumed Liabilities, the Company would be responsible for 50% of the defaulting party s obligation. In such event, the Company would be allowed to use the defaulting party s share of the proceeds of any Assumed Assets as a right of offset. Realogy and Wyndham have also agreed to guarantee each other s as well as the Company s obligation under each entity s deferred compensation plans for amounts deferred in respect of 2005 and earlier years.

The Company does not believe that the impact of any unresolved proceedings constituting Assumed Liabilities related to the litigation described above or other pre-Separation activities should result in a material liability to the Company in relation to its consolidated financial position or liquidity, as Realogy and Wyndham each have agreed to assume responsibility for these liabilities, which include liabilities associated with litigation which was retained by the Company in connection with the sale of its former Marketing Services division.

In April 2007, Realogy was acquired by an affiliate of Apollo Management VI, L.P. The acquisition does not affect Realogy s obligation to satisfy 62.5% of the contingent and other corporate liabilities of the Company or its subsidiaries pursuant to the terms of the Separation Agreement. As a result of the acquisition, Realogy has greater debt obligations and its ability to satisfy its portion of the contingent and other corporate liabilities may be adversely impacted. In accordance with the terms of the Separation Agreement, Realogy posted a letter of credit in April 2007 for the benefit of the Company to cover its estimated share of the Assumed Liabilities discussed above, subject to adjustment, although there can be no assurance that such letter of credit will be sufficient or effective to cover Realogy s actual obligations if and when they arise.

In addition to the matters discussed above, the Company is also involved in claims, legal proceedings and governmental inquiries related to its vehicle rental operations, including contract disputes, business practices issues, insurance claims, intellectual property claims, environmental issues and other commercial, employment and tax matters, and breach of

17

Table of Contents

contract claims by licensees. The Company believes that it has adequately accrued for such matters as appropriate or, for matters not requiring accrual, believes that they will not have a material adverse impact on its results of operations, financial position or cash flows based on information currently available. However, litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur, which could adversely impact the Company s results of operations or cash flows in a particular reporting period.

Commitments to Purchase Vehicles

The Company maintains agreements with vehicle manufacturers which require the Company to purchase approximately $1.0 billion of vehicles from manufacturers over the next twelve months. The majority of these commitments are subject to the vehicle manufacturers satisfying their obligations under the repurchase and guaranteed depreciation agreements. The Company s featured suppliers for the Avis and Budget brands are General Motors Company and Ford Motor Company, respectively, although the Company purchases vehicles produced by numerous other manufacturers. The purchase of such vehicles is financed primarily through the issuance of vehicle-backed debt in addition to cash received upon the sale of vehicles in the used car market and under repurchase or guaranteed depreciation programs.

Concentrations

Concentrations of credit risk at June 30, 2009 include (i) risks related to the Company s repurchase or guaranteed depreciation agreements with domestic and foreign car manufacturers, including General Motors Company, Ford Motor Company, Chrysler Group LLC and Hyundai Motor America, primarily with respect to receivables for program cars that have been returned to the car manufacturers and (ii) risks related to receivables from Realogy and Wyndham of $563 million and $343 million, respectively, related to certain contingent, income tax and other corporate liabilities assumed by Realogy and Wyndham in connection with the Separation.

Other Guarantees

The Company has provided certain guarantees to, or for the benefit of, subsidiaries of Realogy, Wyndham and Travelport which, as previously discussed, were disposed of during third quarter 2006. These guarantees relate to various real estate operating leases. The maximum potential amount of future payments that the Company may be required to make under the guarantees relating to the various real estate operating leases is estimated to be approximately $269 million. At June 30, 2009, the liability recorded by the Company in connection with these guarantees was approximately $5 million. To the extent that the Company would be required to perform under any of these guarantees, the Company is entitled to indemnification by Realogy, Wyndham and Travelport. The Company monitors the credit ratings and other relevant information for Realogy, Wyndham and Travelport s parent company in order to assess the status of the payment/performance risk of these guarantees.

14. Stockholders Equity

Dividends

For the six months ended June 30, 2009 and 2008, the Company did not pay cash dividends.

Share Repurchases

During the six months ended June 30, 2009, the Company did not repurchase any of its common stock. The Company used approximately $33 million of available cash to repurchase approximately 2.9 million shares of Avis Budget Group, Inc. common stock under its common stock repurchase program during the six months ended June 30, 2008.

Table of Contents

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) were as follows:

	Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2009	$ 7	$ (149)	$ (52)	$ (194)
Current period change	53	24		77
Balance, June 30, 2009	$ 60	$ (125)	$ (52)	$ (117)

All components of accumulated other comprehensive income (loss) are net of tax except currency translation adjustments, which exclude income taxes related to indefinite investments in foreign subsidiaries.

Total Comprehensive Income

Comprehensive income consists of net income (loss) and other gains and losses affecting stockholders equity that, under U.S. GAAP, are excluded from net income.

The components of other comprehensive income (loss) were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income (loss)	$ (6)	$ 15	$ (55)	$ 4
Other comprehensive income (loss):				
Currency translation adjustments	62	14	53	25
Gains (losses) on cash flow hedges, net of tax	17	68	24	(2)
	79	82	77	23
Total comprehensive income	$ 73	$ 97	$ 22	$ 27

During the six months ended June 30, 2009 and 2008, the Company recorded unrealized gains on cash flow hedges of $39 million ($24 million, net of tax) and unrealized losses on cash flow hedges of $2 million, net of tax, respectively, in accumulated other comprehensive income (loss), which primarily related to the derivatives used to manage the interest-rate risk associated with the Company s vehicle-backed debt and the Company s floating rate debt. Such amount in the six months ended June 30, 2009 and 2008, included $48 million of unrealized gains and $5 million of unrealized losses, excluding tax, respectively, on cash flow hedges related to the Company s vehicle-backed debt and is offset by a corresponding change in the Company s Investment in Avis Budget Rental Car Funding on the Consolidated Condensed Balance Sheets.

15. Stock-Based Compensation

The Company records compensation expense for all outstanding employee stock awards based on the provisions of SFAS No. 123(R). The Company recorded stock-based compensation expense of $4 million and $2 million ($2 million and $1 million, after tax) during second quarter 2009 and 2008, respectively, and $7 million and $6 million ($4 million and $4 million, after tax) during the six months ended June 30, 2009 and 2008, respectively, related to employee stock awards that were granted by the Company.

The Company applies the direct method and tax law ordering approach to calculate the tax effects of stock-based compensation. In jurisdictions with net operating loss carryforwards, tax deductions for 2009 and 2008 exercises of stock-based awards did not generate a cash benefit. Approximately $30 million of tax benefits will be recorded in additional paid-in capital when realized in these jurisdictions.

In first quarter 2009, the Company granted approximately 4 million stock options to its employees under the Company s 2007 Equity and Incentive Plan. The grant consisted of approximately 2.7 million time-vesting stock options, approximately 0.9 million performance-vesting stock options and approximately 0.4 million market-vesting stock options. The performance-vesting and market-vesting stock options also contain a time-vesting component.

The time-based awards cliff vest on the two-year anniversary of the date of grant while the performance-based awards vest on the one-year anniversary of the date of grant provided certain minimum EBITDA levels are attained. The market-based

Table of Contents

awards were granted to the Company s CEO and President and vest on the two-year anniversary of the date of grant if, at any point during that two-year period, the average closing stock price of the Company s common stock equals or exceeds $5 for a 20 consecutive trading day period. The option exercise price was set at the closing price of the Company s common stock on the date of the grant and the options expire 10 years from the date of the grant. The performance-vesting and market-vesting stock options expire immediately if vesting criteria are not met by the deadline of such criteria.

The Company used the Black-Scholes option pricing model to calculate the fair value of the time-vesting and performance-vesting stock option awards granted in first quarter 2009. The Company determined the fair value of its market-vesting awards using a Monte Carlo simulation model with assumptions including, but not limited to, the options expected life and the price volatility of the underlying stock. Based on facts and circumstances at the time of the grant, the Company used a blended volatility rate that combines market-based measures of implied volatility with historical volatility as the most appropriate indicator of the Company s expected volatility. The Company considered several factors in estimating the life of the options granted, including the historical option exercise behavior of employees and the option vesting periods. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant and, since the Company does not currently pay or plan to pay a dividend on its common stock, the expected dividend yield was zero. Based on these assumptions, the fair value of each of the Company s time-vesting, performance-vesting and market-vesting stock options issued in first quarter 2009 was estimated to be approximately $0.64, $0.59 and $0.45, respectively.

The following table presents the assumptions used to estimate the fair value of stock options at the time of the grant using the Black-Scholes and Monte Carlo simulation option pricing models:

	Three Months Ended March 31, 2009
Expected volatility of stock price	130%
Risk-free interest rate	1.22% - 1.46%
Expected life of options	3-4 years
Dividend yield	0.0%

The activity related to the Company s restricted stock units (RSUs) and stock option plans consisted of (in thousands of shares):

	Six Months Ended June 30, 2009			
	RSUs		Options	
	Number of RSUs	Weighted Average Grant Price	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2009	2,673	$ 20.18	$ 5,003	$ 24.90
Granted at fair market value			4,012	0.79
Vested/exercised	(602)	21.98		
Cancelled	(132)	22.21	(1,217)	25.73
Balance at June 30, 2009 [(a)]	1,939	19.49	7,798	12.36

(a) As of June 30, 2009, the Company s outstanding RSUs and stock options had an aggregate intrinsic value of $11 million and $19 million, respectively. Aggregate unrecognized compensation expense related to RSUs and unvested stock options amounted to $33 million and $2 million, respectively, as of June 30, 2009. The balance of RSUs at June 30, 2009 consisted of 1,034,000 related to time-based awards and 905,000 related to performance-based awards.

The table below summarizes information regarding the Company s outstanding and exercisable stock options as of June 30, 2009 (in thousands of shares):

Range of Exercise Prices	Weighted Average Contractual Life (years)	Number of Options
Less than $10.00	9.6	4,011
$10.01 to $15.00	1.4	777
$15.01 to $20.00	2.0	355
$20.01 to $25.00	0.9	205
$25.01 to $30.00	1.9	1,373
$30.01 and above	0.5	1,077
	5.7	7,798

Table of Contents

As of June 30, 2009, the Company also had approximately 0.5 million outstanding stock appreciation rights with a weighted average exercise price of $24.40, a weighted average remaining contractual life of 4.1 years and unrecognized compensation expense of $1 million.

16. Segment Information

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

	Three Months Ended June 30,			
	2009		2008	
	Revenues	EBITDA	Revenues	EBITDA
Domestic Car Rental	$ 1,031	$ 37	$ 1,241	$ 46
International Car Rental	183	18	230	25
Truck Rental	97	9	105	8
Corporate and Other [(a)]	1	(5)	1	(2)
Total Company	$ 1,312	59	$ 1,577	77
Less: Non-vehicle related depreciation and amortization		24		20
Interest expense related to corporate debt, net		37		32
Income (loss) before income taxes		$ (2)		$ 25

	Six Months Ended June 30,			
	2009		2008	
	Revenues	EBITDA	Revenues	EBITDA
Domestic Car Rental	$ 1,991	$ 26	$ 2,377	$ 61
International Car Rental	347	37	460	55
Truck Rental	167	(1)	183	(2)
Corporate and Other [(a)]	1	(11)	2	(7)
Total Company	$ 2,506	51	$ 3,022	107
Less: Non-vehicle related depreciation and amortization		45		39
Interest expense related to corporate debt, net		77		61
Impairment		1		
Income (loss) before income taxes		$ (72)		$ 7

(a) Includes unallocated corporate overhead and the elimination of transactions between segments.

Since December 31, 2008, there have been no significant changes in segment assets with the exception of the Company s Domestic Car Rental segment, for which assets under vehicle programs amounted to approximately $5.8 billion and approximately $6.5 billion at June 30, 2009 and December 31, 2008, respectively.

17. Guarantor and Non-Guarantor Consolidating Condensed Financial Statements

The following consolidating financial information presents Consolidating Condensed Statements of Operations for the three months and six months ended June 30, 2009 and 2008, Consolidating Condensed Balance Sheets as of June 30, 2009 and December 31, 2008, and Consolidating Condensed Statements of Cash Flows for the six months ended June 30, 2009 and 2008 for: (i) Avis Budget Group, Inc. (the Parent); (ii) Avis Budget Car Rental and Avis Budget Finance, Inc. (the Subsidiary Issuers); (iii) the guarantor subsidiaries; (iv) the non-guarantor subsidiaries; (v) elimination entries necessary to consolidate the Parent with the Subsidiary Issuers, the guarantor and non-guarantor subsidiaries; and (vi) the Company on a consolidated basis. The Subsidiary Issuers and the guarantor and non-guarantor subsidiaries are 100% owned by the Parent, either directly or indirectly. All guarantees are full and unconditional and joint and several. This financial information is being presented in relation to the Company s Guarantee of the Notes issued by Avis Budget Car Rental. See Note 11 Long-term Debt and Borrowing Arrangements for additional description of these Notes. The Notes have separate investors than the equity investors of the Company and the Notes are guaranteed by certain subsidiaries.

Table of Contents

Investments in subsidiaries are accounted for using the equity method of accounting for purposes of the consolidating presentation. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions. For purposes of the accompanying Consolidating Condensed Statements of Operations, certain expenses incurred by the Subsidiary Issuers are allocated to the guarantor and non-guarantor subsidiaries.

In September 2007, Avis Budget Car Rental transferred certain assets and liabilities to Wizard Services, Inc., (Wizard Services) a newly created subsidiary. Wizard Services executed a Supplemental Indenture in January 2009 to become a subsidiary guarantor under the Indenture governing the Notes. Accordingly, financial information for Wizard Services for the three and six months ended June 30, 2009 and as of June 30, 2009, is presented in the Guarantor Subsidiaries column. Previously, such information was included in the Subsidiary Issuers column. Financial information for the three and six months ended June 30, 2008 and as of December 31, 2008 for Wizard Services has been recast to reflect Wizard Services as a Guarantor for comparability purposes.

Consolidating Condensed Statements of Operations

Three Months Ended June 30, 2009

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Vehicle rental	$	$	$ 871	$ 124	$	$ 995
Other			238	471	(392)	317
Net revenues			1,109	595	(392)	1,312
Expenses						
Operating	3	2	540	103		648
Vehicle depreciation and lease charges, net			347	320	(274)	393
Selling, general and administrative	3		112	18		133
Vehicle interest, net			66	16	(11)	71
Non-vehicle related depreciation and amortization			22	2		24
Interest expense related to corporate debt, net:						
Interest expense		38		(1)		37
Intercompany interest expense (income)		(38)	38			
Restructuring charges			7	1		8
Total expenses	6	2	1,132	459	(285)	1,314
Income (loss) before income taxes and equity in earnings of subsidiaries	(6)	(2)	(23)	136	(107)	(2)
Provision (benefit) for income taxes	(3)		(3)	10		4
Equity in earnings (loss) of subsidiaries	(3)	(1)	19		(15)	
Net income (loss)	$ (6)	$ (3)	$ (1)	$ 126	$ (122)	$ (6)

Table of Contents

Six Months Ended June 30, 2009

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Vehicle rental	$	$	$ 1,677	$ 236	$	$ 1,913
Other	1		439	913	(760)	593
Net revenues	1		2,116	1,149	(760)	2,506
Expenses						
Operating	7	4	1,076	201		1,288
Vehicle depreciation and lease charges, net			658	608	(519)	747
Selling, general and administrative	5		230	32		267
Vehicle interest, net			131	33	(24)	140
Non-vehicle related depreciation and amortization			41	4		45
Interest expense related to corporate debt, net:						
Interest expense		78		(1)		77
Intercompany interest expense (income)		(78)	78			
Restructuring charges			12	1		13
Impairment		1				1
Total expenses	12	5	2,226	878	(543)	2,578
Income (loss) before income taxes and equity in earnings of subsidiaries	(11)	(5)	(110)	271	(217)	(72)
Provision (benefit) for income taxes	(6)	2	(32)	19		(17)
Equity in earnings (loss) of subsidiaries	(50)	(43)	35		58	
Net income (loss)	$ (55)	$ (50)	$ (43)	$ 252	$ (159)	$ (55)

Table of Contents

Three Months Ended June 30, 2008

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Vehicle rental	$	$	$ 1,038	$ 156	$	$ 1,194
Other	1		284	537	(439)	383
Net revenues	1		1,322	693	(439)	1,577
Expenses						
Operating	1	7	678	125		811
Vehicle depreciation and lease charges, net			385	219	(163)	441
Selling, general and administrative	3		149	21		173
Vehicle interest, net			67	52	(45)	74
Non-vehicle related depreciation and amortization			18	2		20
Interest expense related to corporate debt, net:						
Interest expense		33		(1)		32
Intercompany interest expense (income)		(33)	33			
Separation costs, net		1				1
Total expenses	4	8	1,330	418	(208)	1,552
Income (loss) before income taxes and equity in earnings of subsidiaries	(3)	(8)	(8)	275	(231)	25
Provision (benefit) for income taxes	(1)	3	(7)	15		10
Equity in earnings (loss) of subsidiaries	17	28	29		(74)	
Net income (loss)	$ 15	$ 17	$ 28	$ 260	$ (305)	$ 15

Table of Contents

Six Months Ended June 30, 2008

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Vehicle rental	$	$	$ 1,992	$ 321	$	$ 2,313
Other	1		519	1,032	(843)	709
Net revenues	1		2,511	1,353	(843)	3,022
Expenses						
Operating	2	7	1,319	260		1,588
Vehicle depreciation and lease charges, net			714	624	(515)	823
Selling, general and administrative	6		296	42		344
Vehicle interest, net			146	111	(98)	159
Non-vehicle related depreciation and amortization			35	4		39
Interest expense related to corporate debt, net:						
Interest expense	(1)	64		(2)		61
Intercompany interest expense (income)		(64)	64			
Separation costs, net		1				1
Total expenses	7	8	2,574	1,039	(613)	3,015
Income (loss) before income taxes and equity in earnings of subsidiaries	(6)	(8)	(63)	314	(230)	7
Provision (benefit) for income taxes	(3)	3	(26)	29		3
Equity in earnings (loss) of subsidiaries	7	18	55		(80)	
Net income (loss)	$ 4	$ 7	$ 18	$ 285	$ (310)	$ 4

Table of Contents

Consolidating Condensed Balance Sheets

As of June 30, 2009

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 6	$ 105	$ 5	$ 318	$	$ 434
Receivables, net		68	168	77		313
Deferred income taxes	1		95	3	(26)	73
Other current assets	181	76	73	55		385
Total current assets	188	249	341	453	(26)	1,205
Property and equipment, net		59	361	40		460
Deferred income taxes	12	281	256	21		570
Goodwill			74	1		75
Other intangibles, net		7	386	78		471
Other non-current assets	765	64	14	3		846
Intercompany receivables (payables)	(27)	710	(968)	285		
Investment in subsidiaries	12	789	2,025		(2,826)	
Total assets exclusive of assets under vehicle programs	950	2,159	2,489	881	(2,852)	3,627
Assets under vehicle programs:						
Program cash				1		1
Vehicles, net		35	158	6,771		6,964
Receivables from vehicle manufacturers and other				100		100
Investment in Avis Budget Rental Car Funding (AESOP) LLC-related party				117		117
		35	158	6,989		7,182
Total assets	$ 950	$ 2,194	$ 2,647	$ 7,870	$ (2,852)	$ 10,809
Liabilities and stockholders equity						
Current liabilities:						
Accounts payable and other current liabilities	$ 191	$ 183	$ 432	$ 87	$ (26)	$ 867
Current portion of long-term debt		9	2			11
Total current liabilities	191	192	434	87	(26)	878
Long-term debt		1,875	1			1,876
Other non-current liabilities	636	114	241	118		1,109
Total liabilities exclusive of liabilities under vehicle programs	827	2,181	676	205	(26)	3,863
Liabilities under vehicle programs:						
Debt		26	109	871		1,006

Due to Avis Budget Rental Car Funding (AESOP) LLC-related party				4,346		4,346
Deferred income taxes			1,073	173		1,246
Other				225		225
		26	1,182	5,615		6,823
Total stockholders equity	123	(13)	789	2,050	(2,826)	123
Total liabilities and stockholders equity	$ 950	$ 2,194	$ 2,647	$ 7,870	$ (2,852)	$ 10,809

Table of Contents

As of December 31, 2008

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 11	$ 51	$ 15	$ 181	$	$ 258
Receivables, net		108	179	73		360
Deferred income taxes	1		95	3	(24)	75
Other current assets	189	66	88	41	(4)	380
Total current assets	201	225	377	298	(28)	1,073
Property and equipment, net		60	385	40		485
Deferred income taxes	12	217	255	19		503
Goodwill			74	1		75
Other intangibles, net		7	387	73		467
Other non-current assets	765	99	21	4		889
Intercompany receivables (payables)	(29)	794	(1,075)	310		
Investment in subsidiaries	(19)	752	1,961		(2,694)	
Total assets exclusive of assets under vehicle programs	930	2,154	2,385	745	(2,722)	3,492
Assets under vehicle programs:						
Program cash				12		12
Vehicles, net			174	6,990		7,164
Receivables from vehicle manufacturers and other				533		533
Investment in Avis Budget Rental Car Funding (AESOP) LLC-related party				117		117
			174	7,652		7,826
Total assets	$ 930	$ 2,154	$ 2,559	$ 8,397	$ (2,722)	$ 11,318
Liabilities and stockholders equity						
Current liabilities:						
Accounts payable and other current liabilities	$ 205	$ 234	$ 410	$ 80	$ (28)	$ 901
Current portion of long-term debt		10				10
Total current liabilities	205	244	410	80	(28)	911
Long-term debt		1,779				1,779
Other non-current liabilities	632	125	251	113		1,121
Total liabilities exclusive of liabilities under vehicle programs	837	2,148	661	193	(28)	3,811
Liabilities under vehicle programs:						
Debt		50	126	716		892
Due to Avis Budget Rental Car Funding (AESOP) LLC-related party				5,142		5,142
Deferred income taxes			1,020	168		1,188

Other				192		192
		50	1,146	6,218		7,414
Total stockholders equity	93	(44)	752	1,986	(2,694)	93
Total liabilities and stockholders equity	$ 930	$ 2,154	$ 2,559	$ 8,397	$ (2,722)	$ 11,318

Table of Contents

Consolidating Condensed Statements of Cash Flows

Six Months Ended June 30, 2009

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided by (used in) operating activities	$ (4)	$ 16	$ 30	$ 715	$ (69)	$ 688
Investing activities						
Property and equipment additions		(8)	(5)	(1)		(14)
Proceeds received on asset sales		6		1		7
Proceeds received from Realogy and Wyndham, net	2					2
Other, net		(1)				(1)
Net cash provided by (used in) investing activities exclusive of vehicle programs	2	(3)	(5)			(6)
Vehicle programs:						
Decrease in program cash				11		11
Investment in vehicles		(11)		(3,938)		(3,949)
Proceeds received on disposition of vehicles		21	3	3,942		3,966
Distribution from Avis Budget Rental Car Funding (AESOP) LLC-related party				47		47
		10	3	62		75
Net cash provided by investing activities	2	7	(2)	62		69
Financing activities						
Proceeds from borrowings		100				100
Principal payments on borrowings		(5)	(1)			(6)
Net intercompany transactions	(1)	(43)	(20)	(5)	69	
Other, net	(2)					(2)
Net cash provided by (used in) financing activities exclusive of vehicle programs	(3)	52	(21)	(5)	69	92
Vehicle programs:						
Proceeds from borrowings				4,261		4,261
Principal payments on borrowings		(21)	(17)	(5,059)		(5,097)
Net change in short-term borrowings				144		144
		(21)	(17)	(654)		(692)
Net cash provided by (used in) financing activities	(3)	31	(38)	(659)	69	(600)
Effect of changes in exchange rates on cash and cash equivalents				19		19
	(5)	54	(10)	137		176

Net increase (decrease) in cash and cash equivalents																
Cash and cash equivalents, beginning of period		11			51			15			181					258
Cash and cash equivalents, end of period	$	6	$		105	$		5	$		318	$		$		434

Table of Contents

Six Months Ended June 30, 2008

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided by (used in) operating activities	$ (2)	$ 76	$ (1)	$ 876	$ (109)	$ 840
Investing activities						
Property and equipment additions		(7)	(34)	(6)		(47)
Net assets acquired, net of cash acquired, and acquisition-related payments			(71)			(71)
Proceeds received on asset sales		6	1	2		9
Proceeds received from Realogy and Wyndham, net	1					1
Other, net	(1)	(3)	(6)	1		(9)
Net cash used in investing activities exclusive of vehicle programs		(4)	(110)	(3)		(117)
Vehicle programs:						
Decrease in program cash				1		1
Investment in vehicles		(131)	(9)	(6,062)		(6,202)
Proceeds received on disposition of vehicles		67	1	3,959		4,027
Investment in Avis Budget Rental Car Funding (AESOP) LLC-related party				(343)		(343)
		(64)	(8)	(2,445)		(2,517)
Net cash used in investing activities		(68)	(118)	(2,448)		(2,634)
Financing activities						
Principal payments on borrowings	(1)	(4)				(5)
Repurchases of common stock	(33)					(33)
Net intercompany transactions	16	(8)	144	(261)	109	
Net cash provided by (used in) financing activities exclusive of vehicle programs	(18)	(12)	144	(261)	109	(38)
Vehicle programs:						
Proceeds from borrowings		30		5,769		5,799
Principal payments on borrowings		(9)	(25)	(4,102)		(4,136)
Net change in short-term borrowings				226		226
Other, net		(6)	(2)			(8)
		15	(27)	1,893		1,881
Net cash provided by (used in) financing activities	(18)	3	117	1,632	109	1,843
Effect of changes in exchange rates on cash and cash equivalents				(1)		(1)
	(20)	11	(2)	59		48

Net increase (decrease) in cash and cash equivalents																				
Cash and cash equivalents, beginning of period		37			99			12			66									214
Cash and cash equivalents, end of period	$	$ 17		$	$ 110		$	$ 10		$	$ 125		$		$		$		$	262

18. Subsequent Event

The Company evaluated events through August 5, 2009 for consideration as a subsequent event to be included in its June 30, 2009 Financial Statements issued August 5, 2009.

Table of Contents

On July 23, 2009, the Company s Avis Budget Rental Car Funding (AESOP) LLC subsidiary issued $450 million in asset-backed notes to provide funds for repayment of maturing vehicle-backed debt and the acquisition of rental cars in the United States. These notes expected final payment date is in October 2012.

* * * *

Table of Contents

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

The following discussion should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes thereto included elsewhere herein and with our 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2009 (the 2008 Form 10-K). Unless otherwise noted, all dollar amounts in tables are in millions and those relating to our results of operations are presented before taxes.

We operate two of the most recognized brands in the global vehicle rental industry through Avis Rent A Car System, LLC and Budget Rent A Car System, Inc. We 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 vehicle rentals and ancillary products and services primarily in Argentina, Australia, Canada, 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 over the last four years, which have negatively impacted our margins. Accordingly, our ability to achieve profit margins consistent with prior periods remains dependent on our ability to successfully manage our costs and to implement 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 disproportionate adverse effect on our results of operations. We have a partially 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 declined in 2008 compared to 2007 and are expected to decline again in 2009;

Rising per-unit car fleet costs and changes in conditions in the used vehicle marketplace;

Changes in the financial condition of vehicle manufacturers;

Difficulty in achieving sustained pricing increases;

Our expansion in off-airport or local vehicle rentals, including insurance replacement rentals;

Increases in borrowing costs, and decreases in market appetite for, corporate and vehicle-related debt;

Changes in foreign exchange rates; and

Demand for truck rentals, which have been impacted by the decline in economic activity.

Many of these trends are the result of the current downturn in the U.S. and worldwide economies and have caused our results for the three and six months ended June 30, 2009 to be significantly lower than for the three and six months ended June 30,

Table of Contents

2008. Due to reduced demand for travel services, rising borrowing costs and other factors, there can be no assurance that we will be able to satisfy the minimum EBITDA requirement and other covenants contained in our senior credit facilities and our asset-backed car rental conduit facilities. Failure to comply with such covenants could significantly impact our liquidity if we were unable to obtain an amendment or waiver or were unable to refinance or obtain a replacement for such facilities. The financial covenants to our senior credit facilities were amended in December 2008 and commencing with our fiscal quarter ending June 30, 2010, the requirement to maintain a quarterly minimum trailing twelve month EBITDA (as defined in our senior credit facilities) under these financial covenants will cease and be replaced by the maximum leverage ratio that was in place prior to the December 2008 amendments. There can also be no assurance that past results will be indicative of results we will achieve in 2009 or future periods. We have also been impacted by, and may be further impacted by, the current financial market disruptions as we rely heavily on financing for our operations, particularly asset-backed financing. See Risk Factors set forth in Item 1A of our 2008 Form 10-K.

RESULTS OF OPERATIONS

Discussed below are our consolidated results of operations and the results of operations for each of our reportable segments.

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 rental 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, any impairment of goodwill, other intangible asset or equity investment, non-vehicle related interest and income taxes. Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

THREE MONTHS ENDED JUNE 30, 2009 VS. THREE MONTHS ENDED JUNE 30, 2008

Our consolidated results of operations comprised the following:

	Three Months Ended June 30,		
	2009	2008	Change
Net revenues	$ 1,312	$ 1,577	$ (265)
Total expenses	1,314	1,552	(238)
Income (loss) before income taxes	(2)	25	(27)
Provision for income taxes	4	10	(6)
Net income (loss)	$ (6)	$ 15	$ (21)

During second quarter 2009, our net revenues decreased $265 million (17%) principally due to (i) a 17% decrease in T&M revenue in our car rental operations resulting primarily from a 21% decrease in car rental days, partially offset by a 7% increase in T&M revenue per day in our domestic car rental operations, (ii) a 17% decrease in total ancillary revenues, also resulting from decreased car rental days, and (iii) an 8% decrease in truck rental T&M revenue. In addition, the revenue decrease includes a negative impact of $34 million related to the effect of foreign currency exchange rate fluctuations on the translation of our international operations results into U.S. dollars.

Total expenses decreased $238 million (15%) principally due to decreases of (i) $163 million (20%) in operating expenses largely resulting from the 21% decrease in car rental days and reduced staffing levels, (ii) $51 million (10%) in vehicle depreciation, vehicle interest and lease charges resulting from a 21% decline in our average car rental fleet and (iii) $40 million (23%) in selling, general and administrative expenses mainly related to reduced marketing and commission expenditures, most of which are volume-related. The decrease in total expenses includes a positive impact from foreign currency exchange rates of $29 million, including our foreign exchange earnings hedges, and also reflects numerous actions

taken in late 2008 and the first half of 2009 to reduce non-volume-related expenses. These year-over-year expense decreases were partially offset by (i) an $8 million restructuring charge recorded in second quarter 2009, primarily for severance costs tied to recent headcount reductions, and (ii) a $5 million increase in interest expense on corporate debt related to the December 2008 amendments to our senior credit facilities.

Table of Contents

As a result of these items, partially offset by a $6 million decrease in our provision for income taxes, our net income decreased $21 million to a net loss of $6 million.

In second quarter 2009, we had income tax expense of $4 million on a loss before income taxes of $2 million, compared to an effective tax rate of 40.0% in second quarter 2008.

Following is a discussion of the results of each of our reportable segments during the three months ended June 30:

	Revenues			EBITDA		
	2009	2008	% Change	2009	2008	% Change
Domestic Car Rental	$ 1,031	$ 1,241	(17%)	$ 37	$ 46	(20%)
International Car Rental	183	230	(20)	18	25	(28)
Truck Rental	97	105	(8)	9	8	13
Corporate and Other [(a)]	1	1	*	(5)	(2)	*
Total Company	$ 1,312	$ 1,577		59	77	
Less: Non-vehicle related depreciation and amortization				24	20	
Interest expense related to corporate debt, net				37	32	
Income (loss) before income taxes				$ (2)	$ 25	

(*) Not meaningful.

(a) Includes unallocated corporate overhead and the elimination of transactions between segments.

Domestic Car Rental

Revenues and EBITDA decreased $210 million (17%) and $9 million (20%), respectively, in second quarter 2009 compared with 2008, primarily due to decreased demand for car rental services.

The revenue decrease of $210 million was comprised of a $160 million (17%) decrease in T&M revenue and a $50 million (17%) decrease in ancillary revenues. The decrease in T&M revenue was principally the result of a 22% decrease in rental days, partially offset by a 7% year-over-year increase in T&M revenue per day. The $50 million decrease in ancillary revenues was also primarily due to the decline in rental days and reflected (i) a $30 million decrease in gasoline sales, which was more than offset in EBITDA by $40 million of decreased gasoline expense, (ii) a $13 million decrease in airport concession and vehicle licensing revenues, $8 million of which was offset in EBITDA by lower airport concessions and vehicle licensing expense remitted to airport and other regulatory authorities, and (iii) a $7 million decrease in GPS rentals, counter sales of insurance and other items (although revenues per transaction increased year-over-year).

We continued to reduce costs during the second quarter in response to the decline in demand. EBITDA reflected a $125 million (19%) decrease in operating expenses including (i) a $64 million decrease in expenses associated with car rental volume and fleet size, primarily related to agency operator commissions, shuttling expenses, credit card fees and other items, (ii) a $34 million decrease in selling, general and administration expenses related to decreases in marketing and commission expenditures, most of which are volume-related, and other items due primarily to management s actions to reduce expenditures, and (iii) a $25 million decrease in employee costs, rents and other expenses related primarily to reduced domestic staffing levels and the closure of unprofitable locations. EBITDA also reflected $33 million (9%) of decreased fleet depreciation and lease charges resulting from the 22% decrease in the average size of our domestic rental fleet, while per-unit fleet costs increased 17%. The decreases in expenses were slightly offset by $6 million of restructuring charges recorded in second quarter 2009 related to the Company s previously announced cost reduction initiatives.

International Car Rental

Revenues and EBITDA decreased $47 million (20%) and $7 million (28%), respectively, in second quarter 2009 compared with second quarter 2008, primarily due to the impact of foreign currency exchange rate movements and lower demand for car rentals.

The revenue decrease of $47 million was comprised of a $33 million (21%) decrease in car rental T&M revenue and a $14 million (19%) decrease in ancillary revenues. The total decline in revenue includes a $34 million decrease related to foreign currency exchange rates, impacting T&M revenue by $23 million and ancillary revenues by $11 million, and was largely offset in EBITDA by the opposite impact on expenses of $29 million. The decrease in T&M revenue was principally driven by a 12% decrease in T&M revenue per day, all of which is due to movements in foreign currency exchange rates, and a 10% decrease in rental days. The $14 million decrease in ancillary revenues was primarily due to the impact of foreign currency exchange rates, as well as the decline in rental days, and reflected (i) a $7 million decrease in counter sales of insurance, GPS

Table of Contents

rentals and other items, (ii) a $4 million decrease in airport concession and vehicle licensing revenues, which was offset in EBITDA by lower airport concessions and vehicle licensing expense remitted to airport and other regulatory authorities, and (iii) a $3 million decrease in gasoline sales, which was offset in EBITDA by lower gasoline costs.

EBITDA reflected a $23 million (20%) decrease in operating expenses including (i) a $12 million decrease in costs associated with decreased rental volume and fleet size primarily related to agency operator commissions, credit card fees, maintenance and damage, vehicle licensing and other costs, (ii) a $6 million decrease in salaries and wages, rents and other costs related primarily to reduced staffing levels and (iii) a $4 million decrease in selling, general and administrative expenses related primarily to decreased marketing and commission expenditures and other expenses. EBITDA also benefited from $10 million (18%) of decreased fleet depreciation and lease charges, reflecting a 10% decrease in the average size of our international rental fleet and a 9% decrease in per-unit fleet costs. The decreases in expenses were slightly offset by $1 million of restructuring charges recorded in second quarter 2009 related to the Company s previously announced cost reduction initiatives.

Truck Rental

Revenues decreased $8 million (8%) while EBITDA increased $1 million (13%) in second quarter 2009 compared with second quarter 2008.

The revenue decrease was primarily due to a decline of $7 million (8%) in T&M revenue, which reflected an 8% decrease in rental days, while T&M revenue per day remained unchanged year-over-year. EBITDA benefited from (i) a decrease of $8 million (14%) in direct operating costs primarily due to decreased employee costs and decreased operating commissions related to lower transaction volumes and (ii) a decline of $5 million (17%) in fleet depreciation, interest and lease charges reflecting lower per-unit fleet costs, partially offset by an increase of $5 million in insurance related expenses. Second quarter 2009 results also include a $1 million restructuring charge related to the Company s previously announced cost reduction initiatives.

SIX MONTHS ENDED JUNE 30, 2009 VS. SIX MONTHS ENDED JUNE 30, 2008

Our consolidated results of operations comprised the following:

	Six Months Ended June 30,		
	2009	**2008**	**Change**
Net revenues	$ 2,506	$ 3,022	$ (516)
Total expenses	2,578	3,015	(437)
Income (loss) before income taxes	(72)	7	(79)
Provision for (benefit from) for income taxes	(17)	3	(20)
Net income (loss)	$ (55)	$ 4	$ (59)

During the six months ended June 30, 2009, our net revenues decreased $516 million (17%) principally due to (i) an 18% decrease in T&M revenue in our car rental operations resulting primarily from a 19% decrease in domestic and international car rental days, partially offset by a 1% increase in T&M revenue per day, (ii) a 16% decrease in ancillary revenues, also resulting from decreased car rental days, and (iii) a 9% decrease in truck rental T&M revenue. In addition, the total revenue decrease includes a negative impact of $84 million related to the effect of foreign currency exchange rate fluctuations on the translation of our international operations results into U.S. dollars.

Total expenses decreased $437 million (14%) principally due to decreases of (i) $300 million (19%) in operating expenses largely resulting from the 19% decrease in car rental days and reduced staffing levels, (ii) $77 million (22%) in selling, general and administrative expenses mainly related to reduced marketing and commission expenditures, most of which are volume-related, (iii) $76 million (9%) in vehicle depreciation and lease charges resulting from an 18% decline in our average car rental fleet and (iv) $19 million (12%) in vehicle interest resulting from the decline in our average car rental fleet. The decrease in total expenses includes a positive impact from foreign currency exchange rates of $74 million including our foreign exchange earnings hedges and also reflects numerous actions taken in late 2008 and the first half of 2009 to reduce non-volume-related expenses. These year-over-year decreases were partially offset by (i) a $16 million increase in interest expense on corporate debt related to the December 2008 amendments to our senior credit facilities, (ii) $13 million in restructuring costs, primarily for severance costs tied to recent headcount reductions, and (iii) a $6 million increase in non-vehicle related depreciation and amortization expense. As a result of these items, partially offset by a $20 million increase in our benefit from income taxes, we incurred a net loss of $55 million for the six months ended June 30, 2009 compared to $4 million of net income during the same period in 2008.

Our effective tax rate for continuing operations was a benefit and a provision of 23.6% and 42.9% for the six months ended June 30, 2009 and 2008, respectively.

Table of Contents

Following is a discussion of the results of each of our reportable segments during the six months ended June 30:

	Revenues			EBITDA		
	2009	2008	% Change	2009	2008	% Change
Domestic Car Rental	$ 1,991	$ 2,377	(16%)	$ 26	$ 61	(57%)
International Car Rental	347	460	(25)	37	55	(33)
Truck Rental	167	183	(9)	(1)	(2)	*
Corporate and Other [a]	1	2	*	(11)	(7)	*
Total Company	$ 2,506	$ 3,022		51	107	
Less: Non-vehicle related depreciation and amortization				45	39	
Interest expense related to corporate debt, net				77	61	
Impairment [b]				1		
Income (loss) before income taxes				$ (72)	$ 7	

(*) Not meaningful.
(a) Includes unallocated corporate overhead and the elimination of transactions between segments.
(b) In first quarter 2009, we recorded an approximately $1 million charge for the impairment of an investment.

Domestic Car Rental

Revenues and EBITDA decreased $386 million (16%) and $35 million (57%), respectively, in the six months ended June 30, 2009 compared with the prior year period, primarily due to decreased demand for car rental services.

The revenue decrease of $386 million was comprised of a $302 million (16%) decrease in T&M revenue and an $84 million (16%) decrease in ancillary revenues. The decrease in T&M revenue was principally the result of a 20% decrease in rental days, partially offset by a 5% year-over-year increase in T&M revenue per day. The $84 million decrease in ancillary revenues was also primarily due to the decline in rental days and reflected (i) a $48 million decrease in gasoline sales, which was more than offset in EBITDA by $63 million of decreased gasoline expense, (ii) a $25 million decrease in airport concession and vehicle licensing revenues, which was completely offset by lower airport concession and vehicle licensing fees remitted to airport and other regulatory authorities, and (iii) an $11 million decrease in counter sales of insurance, GPS rentals and other items.

We have aggressively reduced costs in response to the sharp decline in demand. EBITDA reflected a $226 million (17%) decrease in operating expenses including (i) a $99 million decrease in expenses associated with car rental volume and fleet size, primarily related to agency operator commissions, shuttling expenses, credit card fees, maintenance and damage and other items, (ii) a $62 million decrease in selling, general and administrative expenses related to decreases in marketing and commission expenditures, most of which are volume-related, and other items due primarily to management s actions to reduce expenditures, (iii) a $43 million decrease in employee costs, rents and other expenses related primarily to reduced domestic staffing levels and the closure of unprofitable locations, (iv) a $13 million decrease in vehicle interest related to lower fleet levels and (v) a $9 million decrease in insurance-related costs, as our liability-related and workers compensation claims experience has continued to develop favorably compared to earlier actuarial estimates. EBITDA also benefited from $48 million (7%) of decreased fleet depreciation and lease charges resulting from the 19% decrease in the average size of our domestic rental fleet, while per-unit fleet costs increased 15%. The decreases in expenses were partially offset by $11 million of restructuring costs recorded in the six months ended June 30, 2009 related to the Company s previously announced cost reduction initiatives.

International Car Rental

Revenues and EBITDA decreased $113 million (25%) and $18 million (33%), respectively, in the six months ended June 30, 2009 compared with six months ended June 30, 2008, primarily due to the impact of foreign currency exchange rate movements and lower demand for car

rentals.

The revenue decrease of $113 million was comprised of an $84 million (26%) decrease in car rental T&M revenue and a $29 million (21%) decrease in ancillary revenues. The total decline in revenue includes an $84 million decrease related to foreign currency exchange rates, impacting T&M revenue by $58 million and ancillary revenues by $26 million, and was largely offset in EBITDA by the opposite impact on expenses of $74 million, including our foreign exchange earnings hedges. The decrease in T&M revenue was principally driven by a 19% decrease in T&M revenue per day, all of which is due to movements in foreign currency exchange rates, and a 9% decrease in rental days. The $29 million decrease in ancillary revenues was due to the decline in rental days and reflected (i) a $17 million decrease in counter sales of insurance, GPS rentals and other items, (ii) a $6 million decrease in airport concession and vehicle licensing revenues, which was more than

Table of Contents

offset by $14 million lower airport concession and vehicle licensing fees remitted to airport and other regulatory authorities, and (iii) a $6 million decrease in gasoline sales, which was offset in EBITDA by lower gasoline costs.

EBITDA reflects a $55 million (24%) decrease in operating expenses including (i) a $26 million decrease in costs associated with decreased rental volume and fleet size primarily related to agency operator commissions, credit card fees, maintenance and damage, vehicle licensing and other costs, (ii) a $12 million decrease in employee costs, rents and other expenses related primarily to reduced staffing levels, (iii) an $11 million decrease in selling, general and administrative expenses related primarily to decreased marketing and commission expenditures and (iv) a $5 million decrease in vehicle interest related to lower fleet levels. EBITDA also benefited from $21 million (19%) of decreased fleet depreciation and lease charges, reflecting a 7% decrease in the average size of our international rental fleet and a 13% decrease in per-unit fleet costs. The decreases in expenses were slightly offset by a $1 million restructuring charge recorded in the six months ended June 30, 2009 related to the Company s cost reduction initiatives.

Truck Rental

Revenues decreased $16 million (9%) while EBITDA increased $1 million (50%) in the six months ended June 30, 2009 compared with the same period in 2008.

The revenue decrease was primarily due to a decline of $14 million (9%) in T&M revenue, which reflected an 8% decrease in rental days and a 1% decrease in T&M revenue per day. The decrease in rental days was primarily the result of a decrease in the volume of commercial rentals. EBITDA benefited from (i) a decrease of $13 million (13%) in direct operating costs primarily due to reduced employee costs related to lower staffing levels and (ii) $9 million (16%) less fleet depreciation, interest and lease charges reflecting lower per-unit fleet costs, partially offset by an increase of $5 million in insurance related expenses. The six months ended June 30, 2009 results also include a $1 million restructuring charge related to the Company s cost reduction initiatives.

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 under vehicle programs are generally funded through the issuance of debt that is collateralized by such assets. 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

	June 30, 2009	December 31, 2008	Change
Total assets exclusive of assets under vehicle programs	$ 3,627	$ 3,492	$ 135
Total liabilities exclusive of liabilities under vehicle programs	3,863	3,811	52
Assets under vehicle programs	7,182	7,826	(644)
Liabilities under vehicle programs	6,823	7,414	(591)
Stockholders equity	123	93	30

Total assets exclusive of assets under vehicle programs increased $135 million due to (i) a $176 million increase in cash and cash equivalents (see Liquidity and Capital Resources Cash Flows for a detailed discussion) and (ii) a $65 million increase in deferred income taxes, offset by (i) a $47 million decrease in accounts receivable, primarily due to the collection of incentives from manufacturers, (ii) a $43 million decrease in other non-current assets, mainly related to amortization of deferred debt financing cost and deferred compensation, and (iii) a $25 million decrease in property and equipment.

Total liabilities exclusive of liabilities under vehicle programs increased $52 million primarily due to a $98 million increase in corporate debt related to outstanding borrowings under our revolving credit facility, offset by (i) a $34 million decrease in accounts payable and other current liabilities, primarily related to our derivatives, and (ii) a $12 million decrease in other non-current liabilities, related to deferred compensation and insurance liabilities.

Assets under vehicle programs decreased $644 million primarily due to (i) a $433 million decrease in receivables from vehicle manufacturers and (ii) a $200 million decrease in our net vehicles.

Liabilities under vehicle programs decreased $591 million, reflecting a decrease in our borrowings due to reductions in the size of our car rental fleet to match reduced car rental demand. See Liquidity and Capital Resources Debt and Financing Arrangements for a detailed account of the change in our debt related to vehicle programs.

Table of Contents

Stockholders equity increased $30 million, primarily due to a $77 million increase in accumulated other comprehensive income resulting from currency translation and net unrealized gains in our cash flow hedges, offset by a net loss of $55 million.

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOWS

At June 30, 2009, we had $434 million of cash on hand, an increase of $176 million from $258 million at December 31, 2008. The following table summarizes such increase:

	Six Months Ended June 30,		
	2009	**2008**	**Change**
Cash provided by (used in):			
Operating activities	$ 688	$ 840	$ (152)
Investing activities	69	(2,634)	2,703
Financing activities	(600)	1,843	(2,443)
Effect of exchange rate changes	19	(1)	20
Net change in cash and cash equivalents	$ 176	$ 48	$ 128

During the six months ended June 30, 2009, we generated $152 million less cash from operating activities in comparison to the same period in 2008. This change principally resulted from revenue and volume declines in the six months ended June 30, 2009, partially offset by lower expenses driven by our cost savings initiatives and a decreased use of cash for working capital requirements.

We used approximately $2.7 billion less cash in investing activities during the six months ended June 30, 2009 compared with the same period in 2008. This change primarily reflects the activities of our vehicle programs, which (i) used approximately $2.3 billion less cash to purchase substantially fewer vehicles than in the prior-year period and, (ii) benefited from the absence of the $343 million capital contribution to Avis Budget Rental Car Funding (AESOP) LLC in the prior year, as well as the use of $71 million less cash for acquisitions and $33 million less cash for capital expenditures. These reduced outflows were partially offset by a $61 million reduction in proceeds received on the disposition of vehicles. We anticipate aggregate capital expenditures will approximate $55-$60 million in 2009.

We generated approximately $2.4 billion less cash from financing activities during the six months ended Junes 30, 2009 compared with the same period in 2008. This change primarily reflects reduced borrowings and increased principal repayments of debt under our vehicle programs, slightly offset by (i) $100 million in borrowings under our corporate credit facilities and (ii) the absence of $33 million used for the repurchase of common stock in the prior year.

Table of Contents

DEBT AND FINANCING ARRANGEMENTS

At June 30, 2009, we had approximately $7.2 billion of indebtedness (including corporate indebtedness of approximately $1.9 billion and debt under vehicle programs of approximately $5.4 billion).

Corporate indebtedness consisted of:

	Maturity Date	As of June 30, 2009	As of December 31, 2008	Change
Floating rate term loan [a] [b]	April 2012	$ 783	$ 787	$ (4)
Floating rate notes [a]	May 2014	250	250	
7 5/8% notes [a]	May 2014	375	375	
7 3/4% notes [a]	May 2016	375	375	
Other		104	2	102
		$ 1,887	$ 1,789	$ 98

[a] As of June 30, 2009 the floating rate term loan and floating rate notes bear interest at three month LIBOR plus 375 basis points and three month LIBOR plus 250 basis points, respectively. We use various hedging strategies, including derivative instruments, to manage a portion of the risks associated with our floating rate debt.

[b] The floating rate term loan and our revolving credit facility are secured by pledges of all of the capital stock of all of the Company s direct or indirect domestic subsidiaries and up to 66% of the capital stock of each direct foreign subsidiary, subject to certain exceptions, and liens on substantially all of the Company s intellectual property and certain other real and personal property.

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 (Avis Budget Rental Car Funding)):

	As of June 30, 2009	As of December 31, 2008	Change
Debt due to Avis Budget Rental Car Funding [a]	$ 4,346	$ 5,142	$ (796)
Budget Truck financing:			
Budget Truck Funding program	281	316	(35)
Capital leases	109	126	(17)
Other	616	450	166
	$ 5,352	$ 6,034	$ (682)

[a] The decrease reflects reduced borrowings within Domestic Car Rental operations principally due to a decrease in the size of our car rental fleet.

As of June 30, 2009, the committed credit facilities available to us and/or our subsidiaries at the corporate or Avis Budget Car Rental, LLC level were as follows:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity

Revolving credit facility [(a)]	$ 1,150	$ 100	$ 735	$ 315
Letter of credit facility [(b)]	228		228	

(a) This secured revolving credit facility was entered into by Avis Budget Car Rental in April 2006 and amended in December 2008, has a five year term and as of June 30, 2009 bears interest at one-month LIBOR plus 400 basis points. The senior credit facilities, which encompass the floating rate term loan and our revolving credit facility are secured by pledges of all of the capital stock of substantially all of our direct or indirect domestic subsidiaries and up to 66% of the capital stock of each direct foreign subsidiary, subject to certain exceptions, and liens on substantially all of our intellectual property and certain other real and personal property. There is $315 million available capacity for the issuance of letters of credit, while the remaining borrowing capacity is $175 million as total outstanding borrowings are limited to $275 million under this credit facility.

(b) Final maturity date is March 2010.

Table of Contents

The following table presents available funding under our debt arrangements related to our vehicle programs at June 30, 2009:

	Total Capacity [a]	Outstanding Borrowings	Available Capacity
Debt due to Avis Budget Rental Car Funding [b]	$ 5,621	$ 4,346	$ 1,275
Budget Truck financing			
Budget Truck Funding program [c]	281	281	
Capital leases [d]	109	109	
Other [e]	773	616	157
	$ 6,784	$ 5,352	$ 1,432

[a] Capacity is subject to maintaining sufficient assets to collateralize debt.
[b] The outstanding debt is collateralized by approximately $5.8 billion of underlying vehicles and related assets.
[c] The outstanding debt is collateralized by approximately $314 million of underlying vehicles and related assets.
[d] These capital leases are collateralized by approximately $126 million of vehicles.
[e] The outstanding debt is collateralized by approximately $926 million of vehicles and related assets.

LIQUIDITY RISK

Our primary liquidity needs include the payment of operating expenses, servicing of corporate and vehicle related debt and procurement of rental vehicles to be used in our operations. Our primary sources of funding are operating revenue, cash received upon sale of vehicles, borrowings under our vehicle-backed borrowing arrangements and our revolving credit facility.

As discussed above, as of June 30, 2009, we have cash and cash equivalents of more than $400 million, available letter of credit capacity under our revolving credit facility of more than $300 million, and available capacity under our vehicle programs of more than $1.4 billion.

Our liquidity position has been and may be negatively affected by the current financial market disruptions and the current downturn in the U.S. and worldwide economies, which have resulted in and may result in further unfavorable conditions in the vehicle rental industry, in the asset-backed financing market, and in the credit markets generally. These factors have contributed to and could further contribute to changes in the debt ratings assigned to us by credit rating agencies and the cost of our borrowings. Additionally, the downturn in the U.S. economy and the disruption in the credit markets could further impact our liquidity due to (i) decreased demand and pricing for vehicles in the used vehicle market, (ii) increased costs associated with, and/or reduced capacity or increased collateral needs under, our financings, such as the increased costs, including additional collateral requirements, incurred in connection with recent amendments to our asset-backed conduit facilities and increased costs and decreased capacity that resulted from recent amendments to our senior credit facilities, (iii) the adverse impact of vehicle manufacturers, including General Motors Company, Ford Motor Company, Hyundai Motor America, Kia Motors America or Chrysler Group LLC, being unable or unwilling to honor its obligations to repurchase or guarantee the depreciation on the related program vehicles, (iv) any potential disruption to our ability to obtain financing due to negative credit events specific to us or affecting the overall debt market, including our ability to renew or replace our asset-backed car rental conduit facilities as they mature in 2009, (v) the impact of an insolvency event or actual or potential default by any of the financial guaranty firms that have insured a portion of our outstanding vehicle-backed debt and (vi) the effect of any of Realogy, Wyndham or Travelport being unable or unwilling to honor its obligations under the Separation Agreement. Financial guaranty firms Ambac Assurance Corporation, MBIA Insurance Corporation, Assured Guaranty Corp. and Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) currently provide financial guaranties for approximately $1.45 billion, $725 million, $250 million and $125 million, respectively, of our domestic term asset-backed car rental financing. On April 27, 2009, Syncora announced that it has suspended payment of all claims, and if an insolvency event were to occur with respect to Syncora or any other financial guaranty firm, the financing guaranteed by Syncora or such other financial guaranty firm would be required to be repaid.

Our liquidity position also may be negatively affected if we are unable to remain in compliance with the financial and other covenants associated with our senior credit facilities and other borrowings. As of June 30, 2009, we were in compliance with the financial covenants in our senior credit facilities. Commencing with our fiscal quarter ending June 30, 2010, the requirement to maintain a quarterly minimum trailing twelve month EBITDA under the financial covenants of our amended senior credit facilities will be replaced by the maximum leverage ratio that was in place prior to the December 2008 amendment. For additional information regarding our liquidity risks, please see Part I, Item 1A, Risk Factors of our 2008 Form 10-K.

CONTRACTUAL OBLIGATIONS

Our future contractual obligations have not changed significantly from the amounts reported within our 2008 Form 10-K with the exception of our commitment to purchase vehicles, which decreased by approximately $3.6 billion from December 31,

Table of Contents

2008 to approximately $1.0 billion at June 30, 2009. Changes to our obligations related to corporate indebtedness and debt under vehicle programs are presented above within the section titled Liquidity and Capital Resources Debt and Financing Arrangements and also within Notes 11 and 12 to our Consolidated Condensed Financial Statements.

As of June 30, 2009, our liability recorded for tax obligations was $476 million. The Internal Revenue Service (IRS) has commenced an audit of our taxable years 2003 through 2006, the year of the Separation. We are entitled to indemnification by Realogy and Wyndham for substantially all of our recorded liabilities for open tax matters and therefore do not expect such resolution to have a significant impact on our earnings, financial position or cash flows. Realogy posted a letter of credit in April 2007 for the benefit of the Company related to its indemnification obligations to the Company. We do not anticipate our liability recorded for tax obligations to significantly change due to the settlement of audits or expirations of statute of limitations within twelve months. For additional information regarding our contractual obligations, including information regarding the letter of credit referred to above, see Note 13 to our Consolidated Condensed Financial Statements.

ACCOUNTING POLICIES

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. However, 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 that we are required to make pertain to matters that are inherently uncertain as they relate to future events. Presented within the section titled Critical Accounting Policies of our 2008 Form 10-K are the accounting policies (related to goodwill and other indefinite-lived intangible assets, vehicles, income taxes, financial instruments and public liability, property damage and other insurance liabilities) that we believe require subjective and/or complex judgments that could potentially affect 2009 reported results. There have been no significant changes to those accounting policies or our assessment of which accounting policies we would consider to be critical accounting policies.

During 2009, we adopted the following standards as a result of the issuance of new accounting pronouncements:

FASB Staff Position FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies

FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments

FASB Staff Position FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

FASB Staff Position FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments

SFAS No. 165, Subsequent Events

SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162

We will adopt the following recently issued accounting pronouncements as required:

SFAS No. 166, Accounting for Transfers of Financial Assets-an amendment to FASB statement No. 140

SFAS No. 167, Amendments to FASB Interpretation No. 46(R)

For detailed information regarding these pronouncements and the impact thereof on our business, see Note 1 to our Consolidated Condensed Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We assess our market risk based on changes in interest rates and foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest rates and foreign currency exchange rates. We used June 30, 2009 market rates to perform a sensitivity analysis separately for each of our market risk exposures. The estimates assume instantaneous, parallel shifts in interest rate yield curves and exchange rates. We have determined, through such analyses, that the impact of a 10% change in interest rates and foreign currency exchange rates on our earnings, fair values and cash flows would not be material.

Item 4. Controls and Procedures

(a) *Disclosure Controls and Procedures*. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Table of Contents

(b) *Internal Controls Over Financial Reporting*. There have been no changes in our internal control over financial reporting (as such term is defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Vehicle Rental Litigation

Environmental Matters

In connection with an administrative enforcement proceeding against our Avis Rent A Car System, LLC subsidiary by the New York State Department of Environmental Conservation (the DEC) alleging violations of various state environmental conservation laws and regulatory requirements at certain of its petroleum bulk storage (PBS) facilities in New York City, Avis Rent A Car paid a $154,500 civil fine and has implemented certain remedial measures as ordered by the DEC. In connection with allegations by the DEC of violations of various state environmental conservation laws and regulatory requirements at certain of its PBS and hazardous substance/chemical bulk storage facilities in New York City, our Budget Rent A Car System, Inc. subsidiary has paid a $125,000 civil fine and has implemented certain corrective actions. None of the alleged violations which were subject to these fines resulted in any environmental harm or risk to public health, but rather were technical or procedural in nature.

Previously Reported Matters

The following summarizes material developments that have occurred in our previously reported legal proceedings.

Corporate Litigation

With respect to *CSI Investments et al. v. Cendant et al.* (S.D.N.Y) (the Credentials Litigation), an action for breach of contract and fraud arising out of Cendant s acquisition of the Credentials business in 1998, the Court of Appeals for the Second Circuit has affirmed the ruling of the district court. As a result, judgment was entered in favor of the plaintiffs in the amount of approximately $98 million, plus post-judgment interest and reasonable attorneys fees. Pursuant to the Separation Agreement, Realogy and Wyndham are responsible for 62.5% and 37.5%, respectively, of the liability related to the Credentials Litigation, and as a result of payments made by Realogy and Wyndham in July 2009, the judgment was satisfied, subject to plaintiffs right to petition the court for reasonable attorneys fees. There was no net impact to our financial statements or cash balances as a result of such payments.

Item 4. Submission of Matters to a Vote of Security Holders

We held our Annual Meeting of Stockholders on June 12, 2009, pursuant to a Notice of Annual Meeting of Stockholders and Proxy Statement dated April 21, 2009, a copy of which was filed with the Securities and Exchange Commission. At such meeting, our stockholders:

approved the election of nine directors for a term of one year,

ratified the appointment of Deloitte & Touche LLP as the auditors of the financial statements for fiscal year 2009,

approved an amendment to our Amended and Restated Certificate of Incorporation to permit a reverse stock split of our Common Stock at a ratio from one-for-two to one-for-twenty, or not at all,

approved amendments to the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, and

approved the Avis Budget Group, Inc. Employee Stock Purchase Plan.

In addition, our stockholders approved a shareholder proposal requesting that the Board of Directors adopt a majority voting standard in uncontested elections for the Board of Directors. A second shareholder proposal requesting a feasibility report concerning greenhouse gas emissions was not approved. Set forth below are the voting results from the Annual Meeting.

Table of Contents

Proposal 1: To elect nine directors for a one-year term.
Results:

	In Favor	Withheld
Ronald L. Nelson	86,445,871	4,049,815
Mary C. Choksi	85,889,744	4,605,942
Leonard S. Coleman	85,796,585	4,699,101
Martin L. Edelman	86,016,891	4,478,795
John D. Hardy, Jr.	85,443,201	5,052,485
Lynn Krominga	85,386,394	5,109,292
Eduardo G. Mestre	84,962,889	5,532,797
F. Robert Salerno	87,192,332	3,303,354
Stender E. Sweeney	86,512,001	3,983,685

Proposal 2: To ratify the appointment of Deloitte & Touche LLP as Avis Budget Group s Independent Auditors for the year ending December 31, 2009.
Results:

For	Against	Abstain
88,642,603	1,512,786	340,297

Proposal 3: To approve an amendment to our Amended and Restated Certificate of Incorporation to permit a reverse stock split of our Common Stock at a ratio from one-for-two to one-for-twenty, or not at all.
Results:

For	Against	Abstain
83,043,292	6,952,866	499,528

Proposal 4: To approve amendments to the Avis Budget Group, Inc. 2007 Equity and Incentive Plan.
Results:

For	Against	Abstain
48,566,830	8,168,792	331,608

Proposal 5: To approve the Avis Budget Group, Inc. Employee Stock Purchase Plan.
Results:

For	Against	Abstain
54,260,263	2,526,650	280,317

Proposal 6: To approve a shareholder proposal requesting that the Board of Directors adopt a majority voting standard in uncontested elections for the Board of Directors.

Results:

For	Against	Abstain
83,062,161	6,761,448	672,077

Proposal 7: To approve a shareholder proposal requesting that the Board of Directors prepare a report concerning the feasibility of adopting quantitative goals for reducing total greenhouse gas emissions from Avis Budget Group s rental car operations.

Results:

For	Against	Abstain
6,350,972	47,513,823	3,202,435

Table of Contents

Item 6. Exhibits

See Exhibit Index.

Table of Contents

SIGNATURES

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

AVIS BUDGET GROUP, INC.

Date: August 5, 2009

/s/ David B. Wyshner
David B. Wyshner
Executive Vice President and

Chief Financial Officer

Date: August 5, 2009

/s/ Brett D. Weinblatt
Brett D. Weinblatt
Senior Vice President and

Chief Accounting Officer

Table of Contents

Exhibit Index

Exhibit No.	Description
2.1	Separation and Distribution Agreement by and among Cendant Corporation*, Realogy Corporation, Wyndham Worldwide Corporation and Travelport, Inc., dated as of July 27, 2006 (Incorporated by reference to Exhibit 2.1 to the Company s Current Report on Form 8-K dated August 1, 2006).
2.2	Letter Agreement dated August 23, 2006 relating to the Separation and Distribution Agreement by and among Realogy Corporation, Cendant Corporation*, Wyndham Worldwide Corporation and Travelport Inc. dated as of July 27, 2006 (Incorporated by reference to Exhibit 2.2 to the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2007).
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K dated September 5, 2006).
3.2	Amended and Restated By-Laws of the Company (Incorporated by reference to Exhibit 3.2 to the Company s Current Report on Form 8-K dated March 27, 2009).
10.1	Amendment No. 2 to the Avis Budget Group, Inc. 2007 Equity and Incentive Plan (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K dated June 18, 2009). **
10.2	Avis Budget Group, Inc. Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated June 18, 2009). **
10.3	Amendment No. 3 to the Avis Budget Group, Inc. 2007 Equity and Incentive Plan. **
10.4	Form of Other Stock or Cash-Based Award Agreement. **
10.5	Series 2009-1 Supplement, dated as of July 23, 2009, among Avis Budget Rental Car Funding (AESOP) LLC and The Bank of New York Mellon Trust Company, N.A., as trustee and as Series 2009-1 Agent (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated July 24, 2009).
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Cendant Corporation is now known as Avis Budget Group, Inc.
** Denotes management contract or compensatory plan.