
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-Q

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

For the quarterly period ended June 30, 2008

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

*(State or other jurisdiction
of incorporation or organization)*

6 Sylvan Way

Parsippany, NJ

(Address of principal executive offices)

06-0918165

*(I.R.S. Employer
Identification Number)*

07054

(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 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 definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

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

The number of shares outstanding of the issuer's common stock was 101,340,920 shares as of July 31, 2008.

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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” and “could” 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;
- a decline in the results of operations or financial condition of the manufacturers of our cars 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;
- a downturn in airline passenger traffic in the United States or in the other international locations in which we operate;
- an occurrence or threat of terrorism, pandemic disease, natural disasters or military conflict in the locations in which we operate;
- a decline in general economic conditions, or a decline in the housing market;
- our dependence on third-party distribution channels;
- a disruption or decline in rental activity, particularly during our peak season or in key market segments;
- a significant increase in interest rates or in borrowing costs or a fluctuation in interest rates, which can impact the valuation of our derivatives;
- our ability to successfully implement our business strategy for growth;
- our ability to accurately estimate our future results;
- our ability to successfully integrate operations upon the acquisition of other businesses, potentially including exercise of our option to purchase a majority interest in Carey Holdings, Inc., the parent company of Carey International, Inc.;
- 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;
- any impact on us from the actions of our licensees, dealers and independent contractors;
- substantial increases in fuel costs or decreases in fuel supply;

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- a disruption in our ability to obtain financing for our operations, including the funding of our vehicle fleet via the asset-backed securities and lending market;
- risks related to our indebtedness, including our substantial amount of debt, our ability to incur substantially more debt, the restrictive and financial covenants in agreements and instruments governing our debt and the amount of cash required to service all of our indebtedness;
- 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 performance of each of the separated companies’ 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 continuation of a low trading price of our stock, which could limit our access to capital, be an indicator that our goodwill is impaired and/or result in a future charge to earnings for an impairment of our goodwill; 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 “Risk Factors” set forth in Item 1A of our 2007 Annual Report on Form 10-K and Part II, Item 1A of this Quarterly Report on Form 10-Q, were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

You should consider the areas of risk described above, as well as those described under “Risk Factors” set forth in Item 1A of our 2007 Annual Report on Form 10-K and Part II, Item 1A of this Quarterly Report on Form 10-Q, 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.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In millions, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Revenues				
Vehicle rental	\$ 1,194	\$ 1,175	\$ 2,313	\$ 2,252
Other	383	341	709	629
Net revenues	<u>1,577</u>	<u>1,516</u>	<u>3,022</u>	<u>2,881</u>
Expenses				
Operating	811	785	1,588	1,496
Vehicle depreciation and lease charges, net	441	402	823	764
Selling, general and administrative	173	168	344	327
Vehicle interest, net	74	71	159	142
Non-vehicle related depreciation and amortization	20	20	39	43
Interest expense related to corporate debt, net	32	32	61	65
Separation costs, net	1	3	1	(3)
Total expenses	<u>1,552</u>	<u>1,481</u>	<u>3,015</u>	<u>2,834</u>
Income before income taxes	25	35	7	47
Provision for income taxes	<u>10</u>	<u>12</u>	<u>3</u>	<u>12</u>
Income from continuing operations	15	23	4	35
Gain on disposal of discontinued operations, net of tax	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Net income	<u>\$ 15</u>	<u>\$ 24</u>	<u>\$ 4</u>	<u>\$ 36</u>
Earnings per share				
Basic				
Income from continuing operations	\$ 0.15	\$ 0.22	\$ 0.04	\$ 0.34
Net income	0.15	0.23	0.04	0.35
Diluted				
Income from continuing operations	\$ 0.15	\$ 0.22	\$ 0.04	\$ 0.34
Net income	0.15	0.23	0.04	0.35

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	June 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 262	\$ 214
Receivables, net	434	392
Deferred income taxes	44	42
Other current assets	492	570
Total current assets	<u>1,232</u>	<u>1,218</u>
Property and equipment, net	505	500
Deferred income taxes	255	234
Goodwill	1,000	1,000
Other intangibles, net	802	760
Other non-current assets	773	781
Total assets exclusive of assets under vehicle programs	<u>4,567</u>	<u>4,493</u>
Assets under vehicle programs:		
Program cash	—	1
Vehicles, net	9,139	7,474
Receivables from vehicle manufacturers and other	119	276
Investment in Avis Budget Rental Car Funding (AESOP), LLC—related party	567	230
	<u>9,825</u>	<u>7,981</u>
Total assets	<u><u>\$ 14,392</u></u>	<u><u>\$ 12,474</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 1,046	\$ 1,094
Current portion of long-term debt	9	10
Total current liabilities	<u>1,055</u>	<u>1,104</u>
Long-term debt	1,784	1,787
Other non-current liabilities	953	998
Total liabilities exclusive of liabilities under vehicle programs	<u>3,792</u>	<u>3,889</u>
Liabilities under vehicle programs:		
Debt	1,186	950
Debt due to Avis Budget Rental Car Funding (AESOP) LLC—related party	6,314	4,646
Deferred income taxes	1,254	1,246
Other	389	278
	<u>9,143</u>	<u>7,120</u>
Commitments and contingencies (Note 15)		
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 136,734,089 and 136,706,236 shares	1	1
Additional paid-in capital	9,224	9,320
Accumulated deficit	(1,516)	(1,520)
Accumulated other comprehensive income	55	32
Treasury stock, at cost— 35,221,142 and 32,719,985 shares	(6,307)	(6,368)
Total stockholders' equity	<u>1,457</u>	<u>1,465</u>
Total liabilities and stockholders' equity	<u><u>\$ 14,392</u></u>	<u><u>\$ 12,474</u></u>

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended	
	June 30,	
	2008	2007
Operating Activities		
Net income	\$ 4	\$ 36
Adjustments to arrive at income from continuing operations	—	(1)
Income from continuing operations	<u>4</u>	<u>35</u>
Adjustments to reconcile income from continuing operations to net cash provided by operating activities exclusive of vehicle programs:		
Non-vehicle related depreciation and amortization	39	43
Net change in assets and liabilities:		
Receivables	(24)	(14)
Income taxes and deferred income taxes	(3)	12
Accounts payable and other current liabilities	23	(53)
Other, net	<u>(19)</u>	<u>(11)</u>
Net cash provided by continuing operating activities exclusive of vehicle programs	<u>20</u>	<u>12</u>
<i>Vehicle programs:</i>		
Vehicle depreciation	<u>820</u>	<u>759</u>
	<u>820</u>	<u>759</u>
Net cash provided by continuing operating activities	<u>840</u>	<u>771</u>
Investing Activities		
Property and equipment additions	(47)	(51)
Net assets acquired, net of cash acquired, and acquisition-related payments	(71)	(1)
Proceeds received on asset sales	9	8
Proceeds from sale of investment	—	106
Payments made to Realogy and Wyndham, net	1	(88)
Proceeds from dispositions of businesses, net of transaction-related payments	(1)	(1)
Other, net	<u>(8)</u>	<u>(8)</u>
Net cash used in investing activities exclusive of vehicle programs	<u>(117)</u>	<u>(35)</u>
<i>Vehicle programs:</i>		
Decrease (increase) in program cash	1	(4)
Investment in vehicles	(6,202)	(6,480)
Proceeds received on disposition of vehicles	4,027	3,752
Investment in Avis Budget Rental Car Funding (AESOP) LLC—related party	<u>(343)</u>	<u>—</u>
	<u>(2,517)</u>	<u>(2,732)</u>
Net cash used in investing activities	<u>(2,634)</u>	<u>(2,767)</u>

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Continued)
(In millions)

	Six Months Ended	
	June 30,	
	2008	2007
Financing Activities		
Principal payments on borrowings	(5)	(39)
Issuances of common stock	—	39
Repurchases of common stock	(33)	—
Net cash used in financing activities exclusive of vehicle programs	<u>(38)</u>	<u>—</u>
<i>Vehicle programs:</i>		
Proceeds from borrowings	5,799	6,287
Principal payments on borrowings	(4,136)	(4,362)
Net change in short-term borrowings	226	129
Other, net	(8)	(6)
	<u>1,881</u>	<u>2,048</u>
Net cash provided by financing activities	<u>1,843</u>	<u>2,048</u>
Effect of changes in exchange rates on cash and cash equivalents	(1)	3
Net increase in cash and cash equivalents	48	55
Cash and cash equivalents, beginning of period	214	172
Cash and cash equivalents, end of period	<u>\$ 262</u>	<u>\$ 227</u>

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
(Unless otherwise noted, all amounts 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 car 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 2007 Annual Report on Form 10-K filed on February 29, 2008.

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. During the three and six months ended June 30, 2007, the Company recorded costs (credits) of \$3 million and \$(3) million, respectively, in connection with the Separation, which included costs consisting primarily of professional and consulting fees, as well as a \$14 million credit related to tax-related receivables from Realogy and Wyndham recognized in connection with the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48") (see Note 8—Income Taxes).

Adoption of New Accounting Standards during 2008

Fair Value Measurements. In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In addition, SFAS No. 157 requires the Company to consider its own credit spreads when measuring the fair value of liabilities, including derivatives, and the credit spreads of the Company's counterparties when measuring the fair value of assets, including derivatives. The Company adopted SFAS No. 157 on January 1, 2008, as required, and it had no impact to the Company's financial statements at the time of adoption (see Note 6—Fair Value Measurements).

In February 2008, the FASB issued FASB Staff Position SFAS 157-1, “Application of SFAS No. 157 to SFAS No. 13 and Its Related Interpretive Accounting Pronouncements that Address Leasing Transactions” (“FSP SFAS 157-1”) and FASB Staff Position SFAS 157-2, “Effective Date of SFAS No. 157” (“FSP SFAS 157-2”). FSP SFAS 157-1 excludes SFAS No. 13 and its related interpretive accounting pronouncements that address leasing transactions, with the exception of fair value measurements of assets and liabilities recorded as a result of a lease transaction but measured pursuant to other pronouncements within the scope of SFAS No. 157. FSP SFAS 157-2 delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP SFAS 157-1 and FSP SFAS 157-2 became effective for the Company upon adoption of SFAS No. 157 on January 1, 2008. The Company is currently evaluating the impact of the additional disclosures required relating to the fair value measurement of nonfinancial assets and nonfinancial liabilities when it fully implements SFAS No. 157 on January 1, 2009.

Fair Value Option. In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115,” (“SFAS No. 159”). SFAS No. 159 permits a company to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in earnings. The election to use the fair value option is available when an entity first recognizes a financial asset or a financial liability or upon entering into a firm commitment. Additionally, SFAS No. 159 allows for a one-time election for existing positions upon adoption, with the transition adjustment recorded to beginning retained earnings. The Company adopted SFAS No. 159 on January 1, 2008 and has elected not to apply the option to measure any of its financial assets or liabilities.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141(R)”). SFAS No. 141(R) seeks to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS No. 141(R) requires an acquiror to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. SFAS No. 141(R) also requires the acquiror in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. SFAS No. 141(R) requires an acquiror to recognize adjustments made during the measurement period to the acquired assets and liabilities as if they had occurred on the acquisition date and to revise prior period financial statements in subsequent filings for changes. In addition, SFAS No. 141(R) requires that all acquisition related costs be expensed as incurred, rather than capitalized as part of the purchase price and those restructuring costs that an acquiror expected but was not obligated to incur to be recognized separately from the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will adopt SFAS No. 141(R) on January 1, 2009, as required, and is currently evaluating the impact of such adoption on its financial statements.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51” (“SFAS No. 160”). SFAS No. 160 amends Accounting Research Bulletin (“ARB”) No. 51 to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the Consolidated Financial Statements. SFAS No. 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest on the face of the consolidated statement of income. Under SFAS No. 160, the accounting for changes in a parent’s ownership interest in a subsidiary that do not result in deconsolidation must be accounted for as equity transactions for the difference between the parent’s carrying value and the cash exchanged in the transaction. In addition, SFAS No. 160 also requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated (except in the case of a spin-off), and requires expanded disclosures in the Consolidated Financial Statements that clearly identify and distinguish between the interests of the parent’s ownership interest and the interests of the noncontrolling owners of a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company will adopt SFAS No. 160 on January 1, 2009, as required, and is currently evaluating the impact of such adoption on its financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133” (“SFAS No. 161”). SFAS No. 161 requires entities to provide qualitative disclosures about the objectives and strategies for using derivatives, quantitative data about the fair value of and gains and losses on derivative contracts, and details of credit-risk-related contingent features in their hedged positions. SFAS No. 161 also asks entities to disclose more information about the location and amounts of derivative instruments in financial statements; how derivatives and related hedges are accounted for under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”; and how the hedges affect the entity’s financial position, financial

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performance, and cash flows. SFAS No. 161 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2008. The Company will adopt SFAS No. 161 on January 1, 2009, as required, and is currently evaluating the impact of such adoption on its financial statements.

2. Discontinued Operations

The \$1 million gain on disposal of discontinued operations, net of tax in the three and six months ended June 30, 2007 represents purchase price adjustments related to the sale of Travelport.

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,	
	2008	2007	2008	2007
Income from continuing operations	\$ 15	\$ 23	\$ 4	\$ 35
Gain on disposal of discontinued operations, net of tax	—	1	—	1
Net income	<u>\$ 15</u>	<u>\$ 24</u>	<u>\$ 4</u>	<u>\$ 36</u>
Basic weighted average shares outstanding	101.4	103.4	102.1	102.5
Stock options, warrants and restricted stock units ^(a)	—	1.4	—	1.2
Diluted weighted average shares outstanding	<u>101.4</u>	<u>104.8</u>	<u>102.1</u>	<u>103.7</u>
<i>Earnings per share:</i>				
Basic				
Income from continuing operations	\$ 0.15	\$ 0.22	\$ 0.04	\$ 0.34
Gain on disposal of discontinued operations	—	0.01	—	0.01
Net income	<u>\$ 0.15</u>	<u>\$ 0.23</u>	<u>\$ 0.04</u>	<u>\$ 0.35</u>
Diluted				
Income from continuing operations	\$ 0.15	\$ 0.22	\$ 0.04	\$ 0.34
Gain on disposal of discontinued operations	—	0.01	—	0.01
Net income	<u>\$ 0.15</u>	<u>\$ 0.23</u>	<u>\$ 0.04</u>	<u>\$ 0.35</u>

^(a) Excludes restricted stock units for which performance-based vesting criteria have not been achieved.

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,	
	2008	2007	2008	2007
Options ^(a)	5.3	3.0	5.3	4.6
Warrants	—	0.2	—	0.2

^(a) 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. The weighted average exercise price for anti-dilutive options for the three and six months ended June 30, 2007 was \$39.32 and \$35.25, respectively.

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 Income since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired 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.

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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, 2008			As of December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Amortized Intangible Assets</i>						
Franchise agreements	\$ 74	\$ 19	\$ 55	\$ 75	\$ 18	\$ 57
Customer lists	19	7	12	19	7	12
Other	2	1	1	2	1	1
	<u>\$ 95</u>	<u>\$ 27</u>	<u>\$ 68</u>	<u>\$ 96</u>	<u>\$ 26</u>	<u>\$ 70</u>
<i>Unamortized Intangible Assets</i>						
Goodwill	<u>\$ 1,000</u>			<u>\$ 1,000</u>		
Trademarks	<u>\$ 734</u>			<u>\$ 690</u>		

Amortization expense relating to all intangible assets was approximately \$1 million during the second quarter of 2008 and 2007. For the six month periods ended June 30, 2008 and 2007, amortization expense was less than \$2 million.

Based on the Company's amortizable intangible assets at June 30, 2008, the Company expects amortization expense of approximately \$2 million for the remainder of 2008 and approximately \$3 million for each of the five fiscal years thereafter.

6. Fair Value Measurements

SFAS No. 157 requires disclosures about the Company's assets and liabilities that are measured at fair value. The Company used significant observable inputs (Level 2 inputs), other than quoted unadjusted prices from active markets (Level 1 inputs), to determine the fair value of its derivative assets and liabilities.

Valuation Techniques. 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, counterparty creditworthiness and currency exchange rates. These factors are applied on a consistent basis and are based upon observable inputs where available.

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis:

	As of June 30, 2008
Based on Significant Other Observable Inputs (Level 2):	
Assets:	
Interest rate swaps and other derivatives	\$ —
Interest rate caps under vehicle programs	3
Total	<u>\$ 3</u>
Liabilities:	
Interest rate swaps and other derivatives	\$ 34
Interest rate swaps and other derivatives under vehicle programs	21
Total	<u>\$ 55</u>

7. Vehicle Rental Activities

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

	As of June 30, 2008	As of December 31, 2007
Rental vehicles	\$ 10,072	\$ 7,947
Less: Accumulated depreciation	<u>(1,165)</u>	<u>(1,022)</u>
	8,907	6,925
Vehicles held for sale, net	<u>232</u>	<u>549</u>
Vehicles, net	<u><u>\$ 9,139</u></u>	<u><u>\$ 7,474</u></u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Depreciation expense	\$ 441	\$ 407	\$ 820	\$ 759
Lease charges	8	12	16	26
Gain on sales of vehicles, net and cost of vehicle disposition	<u>(8)</u>	<u>(17)</u>	<u>(13)</u>	<u>(21)</u>
Vehicle depreciation and lease charges, net	<u><u>\$ 441</u></u>	<u><u>\$ 402</u></u>	<u><u>\$ 823</u></u>	<u><u>\$ 764</u></u>

During the three months ended June 30, 2008 and 2007, vehicle interest, net on the accompanying Consolidated Condensed Statements of Income excludes \$33 million and \$35 million, respectively, and for the six months ended June 30, 2008 and 2007, excludes \$66 million and \$71 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 Income.

8. Income Taxes

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.

The Company's effective tax rate from continuing operations for the six months ended June 30, 2007 is a provision of 25.5%. Such rate differs from the Federal statutory rate of 35.0% primarily due to an increase in the receivables due from Realogy and Wyndham in connection with the adoption of FIN 48 and a corresponding credit to the Separation costs which is not subject to income taxes, as well as a decrease for changes in New York State and Canadian tax law.

9. Other Current Assets

Other current assets consisted of:

	As of June 30, 2008	As of December 31, 2007
Receivables from Realogy ^(a)	\$ 142	\$ 169
Receivables from Wyndham ^(a)	95	122
Prepaid expenses	162	148
Other	<u>93</u>	<u>131</u>
	<u><u>\$ 492</u></u>	<u><u>\$ 570</u></u>

^(a) Represents amounts due for certain contingent and other corporate liabilities assumed by Realogy and Wyndham in connection with the Separation and services performed under the Transition Services Agreement entered into in connection with the Separation. These amounts are due from Realogy and Wyndham on demand upon the Company's settlement of the related liability. At June 30, 2008 and December 31, 2007, there are corresponding liabilities recorded within accounts payable and other current liabilities. In connection with the Company's adoption of FIN 48, receivables from Realogy and Wyndham related to income taxes were classified as non-current assets. At June 30, 2008, non-current assets related to income taxes receivable were \$612 million.

[Table of Contents](#)**10. Equity Investment**

At June 30, 2008, the Company's equity-method investee and the Company's approximate ownership interest, based on outstanding shares, are as follows:

<u>Company</u>	<u>Percentage Ownership</u>
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 Income. At June 30, 2008, the Company's investment totaled \$61 million and included \$2 million of deferred acquisition costs. The Company has the option until October 2008 to increase its ownership stake in Carey to approximately 80%, subject to certain conditions that would most likely include the assumption or repayment of Carey's existing indebtedness.

11. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of:

	As of June 30, 2008	As of December 31, 2007
Accounts payable	\$ 231	\$ 210
Accrued payroll and related	160	171
Disposition related liabilities	120	125
Accrued legal settlements	110	121
Public liability and property damage insurance liabilities	108	109
Other	317	358
	<u>\$ 1,046</u>	<u>\$ 1,094</u>

12. Other Non-Current Liabilities

Other non-current liabilities consisted of:

	As of June 30, 2008	As of December 31, 2007
Long-term income taxes payable	\$ 422	\$ 440
Public liability and property damage insurance liabilities	237	252
Other	294	306
	<u>\$ 953</u>	<u>\$ 998</u>

13. Long-term Debt and Borrowing Arrangements

Long-term debt consisted of:

	Maturity Date	As of June 30, 2008	As of December 31, 2007
Floating rate term loan ^(a)	April 2012	\$ 791	\$ 796
Floating rate notes	May 2014	250	250
7 ⁵ / ₈ % notes	May 2014	375	375
7 ³ / ₄ % notes	May 2016	375	375
		<u>1,791</u>	<u>1,796</u>
Other		2	1
Total long-term debt		<u>1,793</u>	<u>1,797</u>
Less: Current portion		9	10
Long-term debt		<u><u>\$ 1,784</u></u>	<u><u>\$ 1,787</u></u>

(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.

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 7⁵/₈% Senior Notes due 2014, 7³/₄% 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.

Committed Credit Facilities and Available Funding Arrangements

At June 30, 2008, 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
\$1.5 billion revolving credit facility ^(a)	\$ 1,500	\$ —	\$ 572	\$ 928
Letter of credit facility ^(b)	303	—	303	—

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

(b) Final maturity date is July 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, mergers, liquidations, and sale and leaseback transactions. The credit facility also requires the maintenance of certain financial ratios. As of June 30, 2008, the Company is not aware of any instances of non-compliance with such financial or restrictive covenants.

14. 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, 2008	As of December 31, 2007
Debt due to Avis Budget Rental Car Funding ^(a)	\$ 6,314	\$ 4,646
Budget Truck financing:		
Budget Truck Funding program ^(b)	336	246
Capital leases	179	204
Other ^(c)	671	500
	<u>\$ 7,500</u>	<u>\$ 5,596</u>

(a) The increase principally reflects (i) \$1.3 billion of incremental borrowings under the Company’s conduit facilities to support the acquisition of rental vehicles within the Company’s Domestic Car Rental operations during the six months ended June 30, 2008 and (ii) a \$343 million increase in the Company’s investment in Avis Budget Rental Car Funding reflecting the Company’s decision to invest funds from vehicle sales into Avis Budget Rental Car Funding as equity rather than as a repayment of debt due to Avis Budget Rental Car Funding.

(b) The increase primarily reflects incremental borrowings under the Company’s conduit facility to support the acquisition of rental vehicles within the Company’s Budget Truck rental fleet.

(c) The increase primarily reflects incremental borrowings under the Company’s conduit facilities to support the acquisition of vehicles in the Company’s International Car Rental operations and additional fleet loans to support the acquisition of certain vehicles for the Company’s Domestic Car Rental operations.

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, 2008:

	Vehicle- Backed Debt	Capital Leases	Total
Within 1 year	\$ 3,240	\$ 155	\$3,395
Between 1 and 2 years	432	24	456
Between 2 and 3 years	1,974	—	1,974
Between 3 and 4 years	253	—	253
Between 4 and 5 years	900	—	900
Thereafter	522	—	522
Total	<u>\$ 7,321</u>	<u>\$ 179</u>	<u>\$7,500</u>

As of June 30, 2008, 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)	\$ 6,889	\$ 6,314	\$ 575
Budget Truck financing:			
Budget Truck Funding program ^(c)	375	336	39
Capital leases ^(d)	179	179	—
Other ^(e)	1,128	671	457
	<u>\$ 8,571</u>	<u>\$ 7,500</u>	<u>\$ 1,071</u>

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

(b) The outstanding debt is collateralized by approximately \$8.2 billion of underlying vehicles and related assets.

(c) The outstanding debt is collateralized by approximately \$345 million of underlying vehicles and related assets.

(d) In connection with these capital leases, there are corresponding assets of approximately \$190 million within vehicles, net on the Company’s Consolidated Condensed Balance Sheet as of June 30, 2008.

(e) The outstanding debt is collateralized by approximately \$1.2 billion 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 indebtedness of material subsidiaries, mergers, limitations on liens, liquidations, and sale and leaseback transactions. As of June 30, 2008, the Company is not aware of any instances of non-compliance with such covenants.

15. Commitments and Contingencies

Contingencies

The Internal Revenue Service (“IRS”) is examining the Company’s taxable years 2003 through 2006. Although the Company believes there is appropriate support for the positions taken on its tax returns, the Company has recorded liabilities for uncertain tax positions for all years for which the statute of limitations has not expired. The Company has \$422 million accrued for tax liabilities and believes these accruals to be adequate for all open years based on assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. Although the Company believes the recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore, the Company’s assessments can involve both a series of complex judgments about future events and rely heavily on estimates and assumptions. While the Company believes that the estimates and assumptions supporting the assessments are reasonable, the final determination of tax audits and any other related litigation could be materially different than that which is reflected in historical income tax provisions and recorded assets and liabilities. The potential results of an audit or litigation related to these matters include a range of outcomes, which may involve material amounts. However, the Company is entitled to indemnification by Realogy and Wyndham for most pre-Separation tax matters and therefore does not expect such resolution to have a significant impact on its earnings, financial position or cash flows.

The Company is involved in litigation asserting claims associated with accounting irregularities discovered in 1998 at former CUC business units outside of the principal common stockholder class action litigation. The Company has accrued liabilities of approximately \$103 million regarding such litigation matters. The Company does not believe that it is feasible to predict or determine the final outcome or resolution of such unresolved proceedings. Pursuant to the Separation Agreement (described below), Realogy and Wyndham have assumed all liabilities related to this litigation, as described 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 within the separation costs, net line on the Consolidated Condensed Statements of Income.

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 Liability, 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 an Assumed Liability related to the CUC accounting irregularities 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 as well as other liabilities related to the Company’s litigation that are not related to its vehicle rental operations. Such litigation assumed by Realogy and Wyndham includes 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, insurance claims, intellectual property, environmental issues and other commercial, employment and tax matters, including patent claims, wage and hour claims and breach of 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 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 is in the process of finalizing its purchase commitments with manufacturers for 2009 model-year vehicles, which will significantly increase the Company's outstanding commitments. The Company's featured suppliers for the Avis and Budget brands are General Motors Corporation 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 and guaranteed depreciation programs.

Concentrations

Concentrations of credit risk at June 30, 2008 include (i) risks related to the Company's repurchase and guaranteed depreciation agreements with General Motors Corporation and Ford Motor Company primarily with respect to receivables for program cars that have been returned to the car manufacturers and (ii) receivables from Realogy and Wyndham of \$529 million and \$327 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 subsidiaries of Realogy, Wyndham and Travelport which, as previously discussed, were disposed during third quarter 2006. These guarantees relate primarily to various real estate leases. The maximum potential amount of future payments that the Company may be required to make under these guarantees is estimated to be approximately \$332 million. At June 30, 2008, the liability recorded by the Company in connection with these guarantees was approximately \$6 million. To the extent that the Company would be required to perform under any of these guarantees, the Company is entitled to indemnification from Realogy, Wyndham and/or Travelport.

16. Stockholders' Equity

Dividends

For the six months ended June 30, 2008 and 2007, the Company did not pay cash dividends.

Share Repurchases

During the six months ended June 30, 2008, the Company used approximately \$33 million of available cash to repurchase approximately 2.9 million shares of Avis Budget Group common stock under its common stock repurchase program. The Company did not repurchase any of its common stock during the six months ended June 30, 2007.

Accumulated Other Comprehensive Income (Loss)

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

	Currency Translation Adjustments	Unrealized Losses on Cash Flow Hedges	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income
Balance, January 1, 2008	\$ 117	\$ (63)	\$ (22)	\$ 32
Current period change	25	(2)	—	23
Balance, June 30, 2008	<u>\$ 142</u>	<u>\$ (65)</u>	<u>\$ (22)</u>	<u>\$ 55</u>

All components of accumulated other comprehensive income 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 and other gains and losses affecting stockholders' equity that, under U.S. GAAP, are excluded from net income.

The components of other comprehensive income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 15	\$ 24	\$ 4	\$ 36
Other comprehensive income:				
Currency translation adjustments	14	26	25	34
Gains (losses) on cash flow hedges, net of tax	68	26	(2)	15
	<u>82</u>	<u>52</u>	<u>23</u>	<u>49</u>
Total comprehensive income	<u>\$ 97</u>	<u>\$ 76</u>	<u>\$ 27</u>	<u>\$ 85</u>

During the six months ended June 30, 2008, the Company recorded unrealized losses on cash flow hedges of \$2 million, net of tax 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, 2008, included \$5 million, excluding tax, of unrealized losses on cash flow hedges related to the Company's vehicle-backed debt and is offset by a corresponding decrease in the Company's Investment in Avis Budget Rental Car Funding (AESOP) LLC on the Consolidated Condensed Balance Sheet.

17. Stock-Based Compensation

The Company records compensation expense for all outstanding employee stock awards. The Company recorded pretax stock-based compensation expense of \$2 million and \$5 million (\$1 million and \$3 million, after tax) during second quarter 2008 and 2007, respectively, and \$6 million and \$9 million (\$4 million and \$5 million, after tax) during the six months ended June 30, 2008 and 2007, 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 2008 and 2007 exercises of stock-based awards did not generate a cash benefit. Approximately \$31 million of tax benefits will be recorded in additional paid-in capital when realized in these jurisdictions.

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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, 2008			
	RSUs		Options	
	Number of RSUs	Weighted Average Grant Price	Number of Options ^(b)	Weighted Average Exercise Price
Balance at January 1, 2008	2,330	\$ 25.03	5,963	\$ 26.16
Granted at fair market value	1,128	12.73	—	—
Vested/exercised	(503)	24.89	(5)	10.68
Cancelled	(112)	21.67	(615)	36.79
Balance at June 30, 2008 ^(a)	<u>2,843</u>	<u>20.30</u>	<u>5,343</u>	<u>24.96</u>

(a) As of June 30, 2008, the Company's outstanding RSUs had aggregate intrinsic value of \$24 million. Aggregate unrecognized compensation expense related to RSUs amounted to \$50 million as of June 30, 2008. The balance of RSUs at June 30, 2008 consists of 1,796 related to time-based awards and 1,047 related to performance-based awards.

(b) All stock options outstanding as of June 30, 2008 are exercisable and have a weighted average remaining contractual life of 1.6 years.

The table below summarizes information regarding the Company's outstanding and exercisable stock options as of June 30, 2008 (in thousands of shares):

Range of Exercise Prices	Weighted Average Contractual Life	Number of Options
Less than \$15.00	1.1	874
\$15.01 to \$20.00	2.9	388
\$20.01 to \$25.00	1.9	214
\$25.01 to \$30.00	1.8	2,686
\$30.01 to \$35.00	1.2	1,160
\$35.01 and above	0.3	21
	1.6	<u>5,343</u>

As of June 30, 2008, 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 5.1 years and unrecognized compensation expense of \$2 million.

18. 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 goodwill impairment, 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,			
	2008		2007	
	Revenues	EBITDA	Revenues	EBITDA^(a)
Domestic Car Rental	\$ 1,241	\$ 46	\$ 1,195	\$ 59
International Car Rental	230	25	202	21
Truck Rental	105	8	114	10
Corporate and Other ^(b)	1	(2)	5	(3)
Total Company	<u>\$ 1,577</u>	<u>77</u>	<u>\$ 1,516</u>	<u>87</u>
Less: Non-vehicle related depreciation and amortization		20		20
Interest expense related to corporate debt, net		32		32
Income before income taxes		<u>\$ 25</u>		<u>\$ 35</u>

	Six Months Ended June 30,			
	2008		2007	
	<u>Revenues</u>	<u>EBITDA</u>	<u>Revenues</u>	<u>EBITDA^(a)</u>
Domestic Car Rental	\$ 2,377	\$ 61	\$ 2,279	\$ 110
International Car Rental	460	55	393	45
Truck Rental	183	(2)	197	(1)
Corporate and Other ^(b)	2	(7)	12	1
Total Company	<u><u>\$ 3,022</u></u>	<u>107</u>	<u><u>\$ 2,881</u></u>	<u>155</u>
Less: Non-vehicle related depreciation and amortization		39		43
Interest expense related to corporate debt, net		61		65
Income before income taxes		<u><u>\$ 7</u></u>		<u><u>\$ 47</u></u>

(a) In the three months ended June 30, 2007, EBITDA reflects Separation-related costs of \$2 million in Domestic Car Rental, and \$1 million within Corporate and Other, respectively. In the six months ended June 30, 2007, EBITDA reflects Separation-related costs (credits) of \$3 million in Domestic Car Rental, and \$(6) million within Corporate and Other, respectively.

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

Since December 31, 2007, 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 were approximately \$8.1 billion and approximately \$6.4 billion at June 30, 2008 and December 31, 2007, respectively.

19. Guarantor and Non-Guarantor Consolidating Condensed Financial Statements

The following consolidating financial information presents Consolidating Condensed Balance Sheets as of June 30, 2008 and December 31, 2007, Consolidating Condensed Statements of Income for the three months and six months ended June 30, 2008 and 2007 and Consolidating Condensed Statements of Cash Flows for the six months ended June 30, 2008 and 2007 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 13—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.

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 Income, certain expenses incurred by the Subsidiary Issuers are allocated to the guarantor and non-guarantor subsidiaries.

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Three Months Ended June 30, 2008

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Revenues						
Vehicle rental	\$ —	\$ —	\$ 1,038	\$ 156	\$ —	\$ 1,194
Other	1	—	284	537	(439)	383
Net revenues	<u>1</u>	<u>—</u>	<u>1,322</u>	<u>693</u>	<u>(439)</u>	<u>1,577</u>
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	<u>4</u>	<u>8</u>	<u>1,330</u>	<u>418</u>	<u>(208)</u>	<u>1,552</u>
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 of subsidiaries	17	28	29	—	(74)	—
Net income	<u>\$ 15</u>	<u>\$ 17</u>	<u>\$ 28</u>	<u>\$ 260</u>	<u>\$ (305)</u>	<u>\$ 15</u>

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Six Months Ended June 30, 2008

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Revenues						
Vehicle rental	\$ —	\$ —	\$ 1,992	\$ 321	\$ —	\$ 2,313
Other	1	—	519	1,032	(843)	709
Net revenues	<u>1</u>	<u>—</u>	<u>2,511</u>	<u>1,353</u>	<u>(843)</u>	<u>3,022</u>
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, net	(1)	64	—	(2)	—	61
Intercompany interest expense (income)	—	(64)	64	—	—	—
Separation costs, net	—	1	—	—	—	1
Total expenses	<u>7</u>	<u>8</u>	<u>2,574</u>	<u>1,039</u>	<u>(613)</u>	<u>3,015</u>
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 of subsidiaries	7	18	55	—	(80)	—
Net income	<u>\$ 4</u>	<u>\$ 7</u>	<u>\$ 18</u>	<u>\$ 285</u>	<u>\$ (310)</u>	<u>\$ 4</u>

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Three Months Ended June 30, 2007

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Revenues						
Vehicle rental	\$ —	\$ —	\$ 1,033	\$ 142	\$ —	\$ 1,175
Other	3	—	257	566	(485)	341
Net revenues	<u>3</u>	<u>—</u>	<u>1,290</u>	<u>708</u>	<u>(485)</u>	<u>1,516</u>
Expenses						
Operating	3	—	665	117	—	785
Vehicle depreciation and lease charges, net	—	—	352	404	(354)	402
Selling, general and administrative	1	—	145	22	—	168
Vehicle interest, net	—	—	67	85	(81)	71
Non-vehicle related depreciation and amortization	—	—	18	2	—	20
Interest expense related to corporate debt, net:						
Interest expense	(1)	33	—	—	—	32
Intercompany interest expense (income)	—	(33)	33	—	—	—
Separation costs, net	1	2	—	—	—	3
Total expenses	<u>4</u>	<u>2</u>	<u>1,280</u>	<u>630</u>	<u>(435)</u>	<u>1,481</u>
Income (loss) before income taxes and equity in earnings of subsidiaries	(1)	(2)	10	78	(50)	35
Provision (benefit) for income taxes	(1)	(1)	4	10	—	12
Equity in earnings of subsidiaries	23	75	69	—	(167)	—
Income from continuing operations	<u>23</u>	<u>74</u>	<u>75</u>	<u>68</u>	<u>(217)</u>	<u>23</u>
Income from discontinued operations, net of tax	1	—	—	—	—	1
Net income	<u>\$ 24</u>	<u>\$ 74</u>	<u>\$ 75</u>	<u>\$ 68</u>	<u>\$ (217)</u>	<u>\$ 24</u>

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Six Months Ended June 30, 2007

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Revenues						
Vehicle rental	\$ —	\$ —	\$ 1,970	\$ 282	\$ —	\$ 2,252
Other	5	—	462	1,062	(900)	629
Net revenues	<u>5</u>	<u>—</u>	<u>2,432</u>	<u>1,344</u>	<u>(900)</u>	<u>2,881</u>
Expenses						
Operating	2	—	1,263	231	—	1,496
Vehicle depreciation and lease charges, net	—	—	671	750	(657)	764
Selling, general and administrative	7	—	277	43	—	327
Vehicle interest, net	—	—	134	154	(146)	142
Non-vehicle related depreciation and amortization	1	—	39	3	—	43
Interest expense related to corporate debt, net:						
Interest expense	(2)	67	—	—	—	65
Intercompany interest expense (income)	—	(67)	67	—	—	—
Separation costs, net	(6)	3	—	—	—	(3)
Total expenses	<u>2</u>	<u>3</u>	<u>2,451</u>	<u>1,181</u>	<u>(803)</u>	<u>2,834</u>
Income (loss) before income taxes and equity in earnings of subsidiaries	3	(3)	(19)	163	(97)	47
Provision (benefit) for income taxes	(4)	(2)	(4)	22	—	12
Equity in earnings of subsidiaries	<u>28</u>	<u>127</u>	<u>142</u>	<u>—</u>	<u>(297)</u>	<u>—</u>
Income from continuing operations	35	126	127	141	(394)	35
Income from discontinued operations, net of tax	1	—	—	—	—	1
Net income	<u>\$ 36</u>	<u>\$ 126</u>	<u>\$ 127</u>	<u>\$ 141</u>	<u>\$ (394)</u>	<u>\$ 36</u>

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Consolidating Condensed Balance Sheets

As of June 30, 2008

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 17	\$ 110	\$ 10	\$ 125	\$ —	\$ 262
Receivables, net	—	87	241	106	—	434
Deferred income taxes	—	—	73	2	(31)	44
Other current assets	252	98	86	59	(3)	492
Total current assets	<u>269</u>	<u>295</u>	<u>410</u>	<u>292</u>	<u>(34)</u>	<u>1,232</u>
Property and equipment, net	—	186	268	51	—	505
Deferred income taxes	4	241	—	53	(43)	255
Goodwill	—	3	985	12	—	1,000
Other intangibles, net	—	17	691	94	—	802
Other non-current assets	674	68	24	7	—	773
Intercompany receivables (payables)	457	584	(1,032)	(9)	—	—
Investment in subsidiaries	853	2,101	2,522	—	(5,476)	—
Total assets exclusive of assets under vehicle programs	<u>2,257</u>	<u>3,495</u>	<u>3,868</u>	<u>500</u>	<u>(5,553)</u>	<u>4,567</u>
Assets under vehicle programs:						
Vehicles, net	—	—	192	8,947	—	9,139
Receivables from vehicle manufacturers and other	—	—	—	119	—	119
Investment in Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	567	—	567
	<u>—</u>	<u>—</u>	<u>192</u>	<u>9,633</u>	<u>—</u>	<u>9,825</u>
Total assets	<u><u>\$ 2,257</u></u>	<u><u>\$ 3,495</u></u>	<u><u>\$ 4,060</u></u>	<u><u>\$ 10,133</u></u>	<u><u>\$ (5,553)</u></u>	<u><u>\$ 14,392</u></u>
Liabilities and stockholders' equity						
Current liabilities:						
Accounts payable and other current liabilities	\$ 280	\$ 204	\$ 479	\$ 117	\$ (34)	\$ 1,046
Current portion of long-term debt	—	9	—	—	—	9
Total current liabilities	<u>280</u>	<u>213</u>	<u>479</u>	<u>117</u>	<u>(34)</u>	<u>1,055</u>
Long-term debt	—	1,784	—	—	—	1,784
Other non-current liabilities	520	102	204	170	(43)	953
Total liabilities exclusive of liabilities under vehicle programs	<u>800</u>	<u>2,099</u>	<u>683</u>	<u>287</u>	<u>(77)</u>	<u>3,792</u>
Liabilities under vehicle programs:						
Debt	—	84	179	923	—	1,186
Due to Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	6,314	—	6,314
Deferred income taxes	—	—	1,097	157	—	1,254
Other	—	4	—	385	—	389
	<u>—</u>	<u>88</u>	<u>1,276</u>	<u>7,779</u>	<u>—</u>	<u>9,143</u>
Total stockholders' equity	<u>1,457</u>	<u>1,308</u>	<u>2,101</u>	<u>2,067</u>	<u>(5,476)</u>	<u>1,457</u>
Total liabilities and stockholders' equity	<u><u>\$ 2,257</u></u>	<u><u>\$ 3,495</u></u>	<u><u>\$ 4,060</u></u>	<u><u>\$ 10,133</u></u>	<u><u>\$ (5,553)</u></u>	<u><u>\$ 14,392</u></u>

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As of December 31, 2007

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 37	\$ 99	\$ 12	\$ 66	\$ —	\$ 214
Receivables, net	2	67	220	103	—	392
Deferred income taxes	—	—	73	2	(33)	42
Other current assets	329	104	82	55	—	570
Total current assets	<u>368</u>	<u>270</u>	<u>387</u>	<u>226</u>	<u>(33)</u>	<u>1,218</u>
Property and equipment, net	—	175	275	50	—	500
Deferred income taxes	4	223	—	49	(42)	234
Goodwill	—	3	985	12	—	1,000
Other intangibles, net	—	17	648	95	—	760
Other non-current assets	681	72	22	6	—	781
Intercompany receivables (payables)	460	672	(1,007)	(125)	—	—
Investment in subsidiaries	841	2,063	2,496	—	(5,400)	—
Total assets exclusive of assets under vehicle programs	<u>2,354</u>	<u>3,495</u>	<u>3,806</u>	<u>313</u>	<u>(5,475)</u>	<u>4,493</u>
Assets under vehicle programs:						
Program cash	—	—	—	1	—	1
Vehicles, net	—	—	207	7,267	—	7,474
Receivables from vehicle manufacturers and other	—	—	—	276	—	276
Investment in Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	230	—	230
	<u>—</u>	<u>—</u>	<u>207</u>	<u>7,774</u>	<u>—</u>	<u>7,981</u>
Total assets	<u><u>\$ 2,354</u></u>	<u><u>\$ 3,495</u></u>	<u><u>\$ 4,013</u></u>	<u><u>\$ 8,087</u></u>	<u><u>\$ (5,475)</u></u>	<u><u>\$ 12,474</u></u>
Liabilities and stockholders' equity						
Current liabilities:						
Accounts payable and other current liabilities	\$ 356	\$ 233	\$ 433	\$ 105	\$ (33)	\$ 1,094
Current portion of long-term debt	1	9	—	—	—	10
Total current liabilities	<u>357</u>	<u>242</u>	<u>433</u>	<u>105</u>	<u>(33)</u>	<u>1,104</u>
Long-term debt	—	1,787	—	—	—	1,787
Other non-current liabilities	532	110	218	180	(42)	998
Total liabilities exclusive of liabilities under vehicle programs	<u>889</u>	<u>2,139</u>	<u>651</u>	<u>285</u>	<u>(75)</u>	<u>3,889</u>
Liabilities under vehicle programs:						
Debt	—	58	204	688	—	950
Due to Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	4,646	—	4,646
Deferred income taxes	—	—	1,088	158	—	1,246
Other	—	2	7	269	—	278
	<u>—</u>	<u>60</u>	<u>1,299</u>	<u>5,761</u>	<u>—</u>	<u>7,120</u>
Total stockholders' equity	<u>1,465</u>	<u>1,296</u>	<u>2,063</u>	<u>2,041</u>	<u>(5,400)</u>	<u>1,465</u>
Total liabilities and stockholders' equity	<u><u>\$ 2,354</u></u>	<u><u>\$ 3,495</u></u>	<u><u>\$ 4,013</u></u>	<u><u>\$ 8,087</u></u>	<u><u>\$ (5,475)</u></u>	<u><u>\$ 12,474</u></u>

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Consolidating Condensed Statements of Cash Flows

Six Months Ended June 30, 2008

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Net cash provided by operating activities	\$ (2)	\$ 72	\$ 3	\$ 876	\$ (109)	\$ 840
Investing activities						
Property and equipment additions	—	(28)	(13)	(6)	—	(47)
Net assets acquired, net of cash acquired, and acquisition-related payments	—	—	(71)	—	—	(71)
Proceeds received on asset sales	—	6	1	2	—	9
Payments made to Realogy and Wyndham, net	1	—	—	—	—	1
Proceeds from dispositions of businesses, net of transaction-related payments	(1)	—	—	—	—	(1)
Other, net	—	(3)	(6)	1	—	(8)
Net cash used in investing activities exclusive of vehicle programs	—	(25)	(89)	(3)	—	(117)
<i>Vehicle programs:</i>						
Increase 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	—	—	—	(343)	—	(343)
Funding (AESOP) LLC-related party	—	(64)	(8)	(2,445)	—	(2,517)
Net cash used in investing activities	—	(89)	(97)	(2,448)	—	(2,634)
Financing activities						
Principal payments on borrowings	(1)	(4)	—	—	—	(5)
Repurchases of common stock	(33)	—	—	—	—	(33)
Net intercompany transactions	16	17	119	(261)	109	—
Net cash provided by (used in) financing activities exclusive of vehicle programs	(18)	13	119	(261)	109	(38)
<i>Vehicle programs:</i>						
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)
Net cash provided by (used in) financing activities	(18)	28	92	1,632	109	1,843
Effect of changes in exchange rates on cash and cash equivalents	—	—	—	(1)	—	(1)
Net increase (decrease) in cash and cash equivalents	(20)	11	(2)	59	—	48
Cash and cash equivalents, beginning of period	37	99	12	66	—	214
Cash and cash equivalents, end of period	<u>\$ 17</u>	<u>\$ 110</u>	<u>\$ 10</u>	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ 262</u>

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Six Months Ended June 30, 2007

	<u>Parent</u>	<u>Subsidiary Issuers</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Net cash provided by operating activities	\$ 1	\$ 14	\$ 47	\$ 799	\$ (90)	\$ 771
Investing activities						
Property and equipment additions	—	(25)	(20)	(6)	—	(51)
Net assets acquired, net of cash acquired, and acquisition-related payments	—	—	(1)	—	—	(1)
Proceeds received on asset sales	—	6	—	2	—	8
Proceeds from sale of investment	106	—	—	—	—	106
Payments made to Realogy and Wyndham, net	(88)	—	—	—	—	(88)
Proceeds from dispositions of businesses, net of transaction-related payments	(1)	—	—	—	—	(1)
Other, net	—	(4)	(4)	—	—	(8)
Net cash provided by (used in) investing activities exclusive of vehicle programs	<u>17</u>	<u>(23)</u>	<u>(25)</u>	<u>(4)</u>	<u>—</u>	<u>(35)</u>
<i>Vehicle programs:</i>						
Increase in program cash	—	—	—	(4)	—	(4)
Investment in vehicles	—	(57)	(58)	(6,365)	—	(6,480)
Proceeds received on disposition of vehicles	—	128	46	3,578	—	3,752
	<u>—</u>	<u>71</u>	<u>(12)</u>	<u>(2,791)</u>	<u>—</u>	<u>(2,732)</u>
Net cash provided by (used in) investing activities	<u>17</u>	<u>48</u>	<u>(37)</u>	<u>(2,795)</u>	<u>—</u>	<u>(2,767)</u>
Financing activities						
Principal payments on borrowings	(1)	(38)	—	—	—	(39)
Issuances of common stock	39	—	—	—	—	39
Net intercompany transactions	(2)	(36)	6	(58)	90	—
Net cash provided by (used in) financing activities exclusive of vehicle programs	<u>36</u>	<u>(74)</u>	<u>6</u>	<u>(58)</u>	<u>90</u>	<u>—</u>
<i>Vehicle programs:</i>						
Proceeds from borrowings	—	—	—	6,287	—	6,287
Principal payments on borrowings	—	—	(26)	(4,336)	—	(4,362)
Net change in short-term borrowings	—	—	—	129	—	129
Other, net	(1)	(4)	(1)	—	—	(6)
	<u>(1)</u>	<u>(4)</u>	<u>(27)</u>	<u>2,080</u>	<u>—</u>	<u>2,048</u>
Net cash provided by (used in) financing activities	<u>35</u>	<u>(78)</u>	<u>(21)</u>	<u>2,022</u>	<u>90</u>	<u>2,048</u>
Effect of changes in exchange rates on cash and cash equivalents	—	—	—	3	—	3
Net increase (decrease) in cash and cash equivalents	53	(16)	(11)	29	—	55
Cash and cash equivalents, beginning of period	35	75	29	33	—	172
Cash and cash equivalents, end of period	<u>\$ 88</u>	<u>\$ 59</u>	<u>\$ 18</u>	<u>\$ 62</u>	<u>\$ —</u>	<u>\$ 227</u>

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 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008 (the "2007 Form 10-K"). Unless otherwise noted, all dollar amounts 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 car 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 three 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 reflect corresponding changes in our pricing programs. Our vehicle rental operations are seasonal. Historically, the third quarter of the year has been our strongest quarter due to the increased level of leisure travel and household moving activity. Any occurrence that disrupts rental activity during the third quarter could have a disproportionate adverse effect on our results of operations. We have a predominantly variable cost structure and routinely adjust the size and, therefore, the cost of our rental fleet in response to fluctuations in demand. However, certain expenses, such as rent, are fixed and cannot be reduced in response to seasonal fluctuations in our operations.

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

- Domestic enplanements, which are now expected to decline in 2008 compared to 2007;
- Rising per-unit car fleet costs, which we began to experience in 2005 and have continued with model-year 2008 vehicles;
- Difficulty in achieving sustained pricing increases;
- Our continued expansion in off-airport or local vehicle rentals, including insurance replacement rentals;
- Increases in borrowing spreads for vehicle-related debt; and
- Decreased demand for truck rentals, which has been impacted by household moving activity.

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 usage of the vehicle during a 24-hour period. We believe that this methodology, while conservative, provides our management with the most relevant statistics in order to manage the business. Our calculation may not be comparable to other companies' calculation of similarly-titled statistics.

The reportable segments presented below represent our operating segments for which separate financial information is available and is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon revenue and "EBITDA," which we define as income from continuing operations before non-vehicle related depreciation and amortization, any goodwill impairment, 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, 2008 VS. THREE MONTHS ENDED JUNE 30, 2007

Our consolidated results of operations comprised the following:

	Three Months Ended June 30,		
	2008	2007	Change
Net revenues	\$ 1,577	\$ 1,516	\$ 61
Total expenses	1,552	1,481	71
Income before income taxes	25	35	(10)
Provision for income taxes	10	12	(2)
Income from continuing operations	15	23	(8)
Gain on disposal of discontinued operations, net of tax	—	1	(1)
Net income	<u>\$ 15</u>	<u>\$ 24</u>	<u>\$ (9)</u>

During second quarter 2008, our net revenues increased \$61 million (4%) compared to second quarter 2007, driven by our car rental operations which experienced a 3% increase in T&M revenue, due primarily to a 3% increase in rental days, and a 15% increase in ancillary revenues. The growth in our car rental operations was partially offset by an 8% decrease in truck rental revenue. Ancillary revenue growth was primarily driven by increases in airport concession and vehicle licensing revenues, rentals of GPS navigation units, and sales of insurance products and other items. In addition, the total revenue increase includes \$20 million related to the effect of foreign currency exchange rate fluctuations on the translation of our international operations results into U.S. dollars.

The total expense increase of \$71 million (5%) was principally due to increases of (i) \$39 million (10%) in vehicle depreciation and lease charges resulting from a 2% growth in our average car rental fleet and higher per unit vehicle costs, (ii) \$26 million (3%) in operating expenses largely due to the 3% increase in car rental days, (iii) \$5 million in selling, general and administrative expenses related to increases in marketing and commission expenditures, most of which are volume-related, and other items, and (iv) \$3 million in vehicle interest expense. The increase in total expenses includes an adverse impact from foreign exchange currency rates of \$18 million. As a result of these items, offset by a \$2 million reduction in our provision for income taxes, our income from continuing operations decreased \$8 million.

Our effective tax rate for continuing operations was a provision of 40.0% and 34.3% for the second quarter 2008 and 2007, respectively.

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

	Revenues			EBITDA		
	2008	2007	% Change	2008	2007	% Change
Domestic Car Rental	\$1,241	\$1,195	4%	\$ 46	\$ 59	(22%)
International Car Rental	230	202	14	25	21	19
Truck Rental	105	114	(8)	8	10	(20)
Corporate and Other ^(a)	1	5	*	(2)	(3)	*
Total Company	<u>\$1,577</u>	<u>\$1,516</u>		<u>77</u>	<u>87</u>	
Less: Non-vehicle related depreciation and amortization				20	20	
Interest expense related to corporate debt, net				32	32	
Income before income taxes				<u>\$ 25</u>	<u>\$ 35</u>	

(*) Not meaningful.

(a) Includes unallocated corporate overhead, the elimination of transactions between segments and the results of operations of certain non-strategic businesses. EBITDA for 2007 also includes Separation-related costs of \$3 million.

Domestic Car Rental

Revenues increased \$46 million (4%) while EBITDA decreased \$13 million (22%) in second quarter 2008 compared with second quarter 2007, primarily due to a modest increase in car rental volume and increased ancillary revenues offset by increased fleet costs.

The revenue increase of \$46 million was comprised of a \$13 million (1%) increase in T&M revenue and a \$33 million (13%) increase in ancillary revenues. The increase in T&M revenue was principally driven by a 3% increase in rental days while T&M revenue per day declined 1% from second quarter 2007. The \$33 million increase in ancillary revenues was due primarily to (i) a \$14 million increase in gasoline sales, which was more than offset in EBITDA by \$17 million of higher gasoline expense, (ii) a \$13 million increase in rentals of GPS navigation units, sales of insurance products and other items, and (iii) a \$6 million increase in airport concession and vehicle licensing revenues, \$4 million of which was offset in EBITDA by higher airport concession and vehicle licensing expenses remitted to airport and other regulatory authorities.

The favorable effect of incremental T&M revenues was offset in EBITDA by \$35 million (11%) of increased fleet depreciation and lease charges resulting from a 2% increase in the average size of our domestic rental fleet and an 8% increase in per-unit fleet costs. EBITDA also reflected a \$4 million (1%) increase in operating and selling, general and administrative expenses including (i) \$6 million of incremental operating expenses primarily representing inflationary increase in salaries and wages, off-airport rental expense and other costs, (ii) a \$5 million increase in selling, general and administrative expense related primarily to increased travel agency commissions and (iii) a \$7 million increase in expenses associated with increased car rental volume and fleet size, primarily related to agency operator commissions, credit card fees and other items, offset by a \$14 million reduction in insurance costs due to favorable experience. EBITDA also reflected the absence of a \$4 million gain on the mark-to-market of gasoline hedges recorded in the second quarter 2007.

International Car Rental

Revenues and EBITDA increased \$28 million (14%) and \$4 million (19%), respectively, in second quarter 2008 compared with second quarter 2007, primarily due to the impact of foreign currency exchange rate movements and growth in ancillary revenues.

The revenue increase of \$28 million was comprised of a \$15 million (11%) increase in car rental T&M revenue and a \$13 million (22%) increase in ancillary revenues. The total growth in revenue includes a \$20 million increase related to foreign currency exchange rates, impacting T&M revenue by \$14 million and ancillary revenues by \$6 million, and was largely offset in EBITDA by the opposite impact of foreign exchange on expenses. The increase in T&M revenue was principally driven by an 8% increase in T&M revenue per day and a 3% increase in the number of days a car was rented. The \$13 million increase in ancillary revenues was due primarily to (i) a \$6 million increase in counter sales of insurance, GPS rentals and other items, (ii) a \$5 million increase in airport concession and vehicle licensing revenues, which was offset in EBITDA by \$4 million of higher airport concession and vehicle licensing expense remitted to airport and other regulatory authorities, and (iii) a \$2 million increase in gasoline sales, which was largely offset in EBITDA by higher gasoline costs.

The favorable effect of incremental T&M revenues was partially offset in EBITDA by \$6 million (13%) of increased fleet depreciation and lease charges, reflecting a 2% increase in the average size of our international rental fleet and an 11% increase in per unit-fleet costs. EBITDA also reflects \$12 million of incremental operating expenses including (i) an \$8 million increase in salaries and wages, rents and other costs and (ii) \$4 million in additional agency operator commissions and other vehicle costs, offset by a \$4 million reduction in lower insurance costs due to favorable experience. The cost increases primarily reflect year-over-year exchange rate movements.

Truck Rental

Revenues and EBITDA declined \$9 million (8%) and \$2 million (20%), respectively, in second quarter 2008 compared with second quarter 2007.

The revenue decrease was primarily due to a decline in T&M revenue, which reflected a 10% decrease in T&M revenue per day, while rental days were essentially unchanged year over year. The decrease in T&M revenue per day was primarily the result of a decrease in commercial and one-way volumes. EBITDA benefited from \$2 million (7%) less fleet depreciation, interest and lease charges reflecting lower per-unit fleet costs and also reflected a decrease of \$5 million in operating expenses primarily relating to commission expense as a result of the decrease in T&M revenue.

SIX MONTHS ENDED JUNE 30, 2008 VS. SIX MONTHS ENDED JUNE 30, 2007

Our consolidated results of operations comprised the following:

	Six Months Ended June 30,		
	2008	2007	Change
Net revenues	\$ 3,022	\$ 2,881	\$ 141
Total expenses	3,015	2,834	181
Income before income taxes	7	47	(40)
Provision for income taxes	3	12	(9)
Income from continuing operations	4	35	(31)
Gain on disposal of discontinued operations, net of tax	—	1	(1)
Net income	<u>\$ 4</u>	<u>\$ 36</u>	<u>\$ (32)</u>

During the six months ended June 30, 2008, our total revenues increased \$141 million (5%) principally due to a \$61 million (3%) increase in T&M revenue reflecting a 3% increase in domestic and international car rental days, and an \$80 million (13%) increase in ancillary revenues due to counter sales of insurance products, GPS navigation unit rentals, fees charged to customers and other items. These increases were partially offset by a decrease in T&M revenue within our Truck Rental segment due primarily to a 10% decrease in T&M revenue per day. In addition, the total revenue increase includes \$48 million related to the effect of foreign currency exchange rate fluctuations on the translation of our international operations results into U.S. dollars.

The total expense increase of \$181 million (6%) was principally due to increases of (i) \$92 million (6%) in operating expenses largely resulting from the 3% increase in car rental days and higher gasoline costs, (ii) \$59 million (8%) in vehicle depreciation and lease charges resulting from 3% growth in our average car rental fleet and higher per-unit vehicle costs, (iii) \$17 million in vehicle interest expense principally related to mark-to-market losses on interest-rate hedges in 2008, and (iv) \$17 million in selling, general and administrative expenses related to increases in marketing and commission expenditures, most of which are volume-related, and other items. The increase in total expenses includes an adverse impact from foreign exchange currency rates of \$42 million. These year-over-year increases were partially offset by a \$4 million decrease in non-vehicle depreciation and amortization and interest expense related to corporate debt. As a result of these items, offset by a \$9 million decrease in our provision for income taxes, our income from continuing operations decreased \$31 million.

Our effective tax rate for continuing operations was a provision of 42.9% and 25.5% for the six months ended June 30, 2008 and 2007, respectively. The increase in our effective tax rate for 2008 was primarily due to differences in the amount of stock-based compensation recorded for book and tax purposes. Our effective tax rate for 2007 was less than the federal statutory rate of 35% primarily due to a Separation-related credit recorded in connection with the adoption of FIN 48 that was not subject to income tax as well as a decrease for changes in New York State and Canadian tax law.

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

	Revenues			EBITDA		
	2008	2007	% Change	2008	2007	% Change
Domestic Car Rental	\$2,377	\$2,279	4%	\$ 61	\$ 110	(45%)
International Car Rental	460	393	17	55	45	22
Truck Rental	183	197	(7)	(2)	(1)	*
Corporate and Other ^(a)	2	12	*	(7)	1	*
Total Company	<u>\$3,022</u>	<u>\$2,881</u>		107	155	
Less: Non-vehicle related depreciation and amortization				39	43	
Interest expense related to corporate debt, net				61	65	
Income before income taxes				<u>\$ 7</u>	<u>\$ 47</u>	

(*) Not meaningful.

(a) Includes unallocated corporate overhead, the elimination of transactions between segments and the results of operations of certain non-strategic businesses. EBITDA for 2007 also includes Separation-related credits of \$3 million.

Domestic Car Rental

Revenues increased \$98 million (4%) while EBITDA decreased \$49 million (45%) in the six months ended June 30, 2008 compared with the same period in 2007. Revenue increased primarily due to an increase in ancillary revenues and increased car rental volume. EBITDA margins were negatively impacted in the first half by lower car rental pricing and increased fleet costs.

The revenue increase of \$98 million was comprised of a \$37 million (2%) increase in T&M revenue and a \$61 million (13%) increase in ancillary revenues. The increase in T&M revenue was principally driven by a 3% increase in rental days while T&M revenue per day decreased by 1% year over year. The \$61 million increase in ancillary revenues was due primarily to (i) a \$26 million increase in rentals of GPS navigation units, sales of insurance products and other items, (ii) a \$13 million increase in airport concession and vehicle licensing revenues, \$7 million of which was offset in EBITDA by higher airport concession and vehicle licensing expenses remitted to airport and other regulatory authorities, and (iii) a \$23 million increase in gasoline sales, which was more than offset in EBITDA by \$32 million of higher gasoline expense.

The favorable effect of incremental T&M revenues was offset in EBITDA by \$53 million (9%) of increased fleet depreciation and lease charges resulting from a 3% increase in the average size of our domestic rental fleet and a 6% increase in per-unit fleet costs. EBITDA also reflects \$55 million of incremental operating expenses including (i) \$26 million of additional expenses associated with increased car rental volume and fleet size, primarily related to agency operator commissions, vehicle maintenance costs, credit card fees, and other items, offset by a \$13 million reduction in insurance expense due to favorable experience, (ii) \$20 million of increased selling, general and administration expense primarily related to higher travel agency commissions, travel incentive programs and other marketing costs, most of which are volume-related, (iii) \$12 million of incremental expenses largely representing inflationary increases in salaries and wages, off-airport rental expense and other costs, and (iv) \$13 million of increased vehicle interest expense year-over-year due in part to mark-to-market losses on interest rates hedges recorded through the six months ended June 30, 2008.

International Car Rental

Revenues and EBITDA increased \$67 million (17%) and \$10 million (22%), respectively, in the six months ended June 30, 2008 compared with the same period in 2007, primarily due to the impact of foreign currency exchange rate movements, increased ancillary revenues and higher demand for car rentals.

The revenue increase of \$67 million was comprised of a \$39 million (14%) increase in car rental T&M revenue and a \$28 million (25%) increase in ancillary revenues. The total growth in revenue includes a \$48 million increase related to foreign currency exchange rates, impacting T&M revenue by \$34 million and ancillary revenues by \$14 million, and was largely offset in EBITDA by the opposite impact of foreign exchange on expenses in the amount of \$42 million. The increase in T&M revenue was principally driven by a 10% increase in T&M revenue per day, primarily due to movements in foreign currency exchange rates, and a 3% increase in the number of days a car was rented. The \$28 million increase in ancillary revenues was due primarily to (i) a \$15 million increase in counter sales of insurance, GPS rentals and other items, (ii) a \$10 million increase in airport concession and vehicle licensing revenues, which was offset in EBITDA by \$10 million of higher airport concession and vehicle licensing expenses remitted to airport and other regulatory authorities, and (iii) a \$3 million increase in gasoline sales, which was fully offset in EBITDA by higher gasoline costs.

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The favorable effect of incremental T&M revenues was partially offset in EBITDA by \$12 million (13%) of increased fleet depreciation and lease charges, reflecting a 3% increase in the average size of our international rental fleet and a 9% increase in per-unit fleet costs. EBITDA also reflects \$31 million of incremental operating expenses including (i) a \$15 million increase in salaries and wages, rents and other costs and (ii) a \$10 million increase in agency operator commissions, and other vehicle costs, offset by a \$3 million reduction in lower insurance costs due to favorable experience. The cost increases primarily reflect year-over-year exchange rate movements.

Truck Rental

Revenues declined \$14 million (7%) while EBITDA declined by \$1 million in the six months ended June 30, 2008 compared with the same period in 2007.

The revenue decrease was primarily due to a decline in T&M revenue, which reflected a 10% decrease in T&M revenue per day, offset by a 1% increase in rental days. EBITDA benefited from \$5 million (8%) less fleet depreciation, interest and lease charges reflecting lower per-unit fleet costs, and also reflected a decrease of \$3 million in operating commission expense primarily as a result of the decrease in T&M revenue.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

FINANCIAL CONDITION

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>	<u>Change</u>
Total assets exclusive of assets under vehicle programs	\$ 4,567	\$ 4,493	\$ 74
Total liabilities exclusive of liabilities under vehicle programs	3,792	3,889	(97)
Assets under vehicle programs	9,825	7,981	1,844
Liabilities under vehicle programs	9,143	7,120	2,023
Stockholders' equity	1,457	1,465	(8)

Total assets exclusive of assets under vehicle programs increased \$74 million principally due to (i) a \$48 million increase in cash and cash equivalents (see "Liquidity and Capital Resources – Cash Flows" for a detailed discussion), (ii) a \$42 million increase in other intangible assets, net related primarily to our acquisition of nineteen vehicle rental franchises during the first six months of 2008, (iii) a \$42 million increase in accounts receivable, and (iv) a \$23 million increase in deferred taxes. These increases were offset by a \$62 million decrease in receivables due from Realogy and Wyndham, \$54 million within other current assets and \$8 million within other non-current assets, and a \$28 million decrease in income tax receivables.

Total liabilities exclusive of liabilities under vehicle programs decreased \$97 million primarily due to (i) a \$24 million decrease in advertising and marketing related liabilities, (ii) a \$23 million decrease in tax liabilities for which we are entitled to indemnification from Realogy and Wyndham, (iii) an \$18 million decrease in income taxes payable, (iv) a \$15 million decrease in non-current insurance liabilities, (v) an \$11 million decrease in accrued payroll related liabilities, which related primarily to the payment of the 2007 annual incentives in first quarter 2008, and (vi) an \$11 million decrease in accrued legal settlements. These decreases were partially offset by an increase of \$21 million in accounts payable.

Assets under vehicle programs increased approximately \$1.8 billion primarily due to (i) approximately \$1.7 billion of net additions, principally to our Domestic vehicle rental fleets to meet seasonal needs and (ii) a \$337 million increase in our Investment in Avis Budget Rental Car Funding (AESOP) LLC due to capital contribution reflecting our decision to invest funds from vehicle sales as equity rather than as a repayment of debt. These increases were partially offset by a \$160 million decrease in receivables from vehicle manufacturers.

Liabilities under vehicle programs increased approximately \$2.0 billion, reflecting \$1.9 billion additional borrowings to support the growth in our vehicle rental fleet described above, and a \$109 million increase in invoices from manufacturers for vehicles received. See "Liquidity and Capital Resources-Debt and Financing Arrangements" for a detailed account of the change in our debt related to vehicle programs.

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Stockholders' equity decreased \$8 million, primarily due to the repurchase of approximately \$33 million of our common stock and a \$7 million decrease in additional paid-in capital for Separation-related adjustments offset by (i) a \$23 million increase in accumulated other comprehensive income primarily as a result of currency translation adjustments, (ii) a \$4 million increase related to the amortization expense of restricted stock units and (iii) net income of \$4 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, 2008, we had \$262 million of cash on hand, an increase of \$48 million from \$214 million at December 31, 2007. The following table summarizes such increase:

	Six Months Ended June 30,		
	2008	2007	Change
Cash provided by (used in):			
Operating activities	\$ 840	\$ 771	\$ 69
Investing activities	(2,634)	(2,767)	133
Financing activities	1,843	2,048	(205)
Effect of exchange rate changes	(1)	3	(4)
Net change in cash and cash equivalents	<u>\$ 48</u>	<u>\$ 55</u>	<u>\$ (7)</u>

During the six months ended June 30, 2008, we generated \$69 million more cash from operating activities in comparison to the same period in 2007. This change principally reflects a \$58 million reduction in our working capital requirements and a \$15 million decrease related to income taxes and deferred income taxes.

We used \$133 million less cash in investing activities during the six months ended June 30, 2008 compared with the same period in 2007. This change primarily reflects the activities of our vehicle programs, which used \$553 million less cash due to our fleet management decisions, including increasing the average hold period of our vehicle fleet, offset by (i) a \$343 million capital contribution to Avis Budget Rental Car Funding (AESOP) LLC in the first quarter 2008, reflecting our decision to invest funds from vehicle sales as equity rather than as a repayment of debt, (ii) \$70 million of incremental spending for acquisitions of vehicle rental franchises and (iii) a net year-over-year decrease of \$17 million in transactions with our former operating businesses. Our capital expenditures in second quarter 2008 were relatively consistent with the same period in 2007, and we anticipate aggregate capital expenditures will approximate \$90-95 million in 2008.

We generated \$205 million less cash from financing activities during the six months ended June 30, 2008 in comparison with the same period in 2007. This change primarily reflects (i) a \$167 million net decrease in cash provided under our vehicle programs' financing activities mainly due to a decrease in proceeds from borrowings and (ii) a \$72 million increase in cash utilized for the net repurchases and issuances of common stock, partially offset by a \$33 million decrease in debt principal payments related to our corporate borrowings.

DEBT AND FINANCING ARRANGEMENTS

At June 30, 2008, we had approximately \$9.3 billion of indebtedness (including corporate indebtedness of approximately \$1.8 billion and debt under vehicle programs of approximately \$7.5 billion).

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Corporate indebtedness consisted of:

	Maturity Date	As of June 30, 2008	As of December 31, 2007	Change
Floating rate term loan ^{(a) (b)}	April 2012	\$ 791	\$ 796	\$ (5)
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	—
		<u>1,791</u>	<u>1,796</u>	<u>(5)</u>
Other		<u>2</u>	<u>1</u>	<u>1</u>
		<u>\$ 1,793</u>	<u>\$ 1,797</u>	<u>\$ (4)</u>

^(a) In connection with the Separation, Avis Budget Car Rental borrowed \$1,875 million in April 2006, which consisted of (i) \$1 billion of unsecured fixed and floating rate notes and (ii) an \$875 million secured floating rate term loan under a credit facility. The floating rate term loan and floating rate notes bear interest at three month LIBOR plus 125 basis points and three month LIBOR plus 250 basis points, respectively. We 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 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.

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

	As of June 30, 2008	As of December 31, 2007	Change
Debt due to Avis Budget Rental Car Funding ^(a)	\$ 6,314	\$ 4,646	\$ 1,668
Budget Truck financing:			
Budget Truck Funding program ^(b)	336	246	90
Capital leases	179	204	(25)
Other ^(c)	<u>671</u>	<u>500</u>	<u>171</u>
	<u>\$ 7,500</u>	<u>\$ 5,596</u>	<u>\$ 1,904</u>

^(a) As of June 30, 2008, the principal sources of the \$6.3 billion of debt are \$5.8 billion of third party debt issued by Avis Budget Rental Car Funding, \$444 million of our equity investment in Avis Budget Rental Car Funding and \$79 million of interest rate derivative hedges. The increase principally reflects (i) \$1.3 billion of incremental borrowings under our conduit facilities to support the acquisition of rental vehicles within our Domestic Car Rental operations and (ii) a \$343 million increase in the our Investment in Avis Budget Rental Car Funding reflecting our decision to invest funds from vehicle sales into Avis Budget Rental Car Funding as equity rather than as a repayment of debt due to Avis Budget Rental Car Funding.

^(b) The increase primarily reflects incremental borrowings under our conduit facility to support the acquisition of rental vehicles within our Budget Truck rental fleet.

^(c) The increase primarily reflects incremental borrowings under our conduit facilities to support the acquisition of vehicles within our International Car Rental operations and additional fleet loans to support the acquisition of certain vehicles for our Domestic Car Rental operations.

As of June 30, 2008, 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
\$1.5 billion revolving credit facility ^(a)	\$ 1,500	\$ —	\$ 572	\$ 928
Letter of credit facility ^(b)	303	—	303	—

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

^(b) Final maturity date is July 2010.

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The following table presents available funding under our debt arrangements related to our vehicle programs at June 30, 2008:

	Total Capacity ^(a)	Outstanding Borrowings	Available Capacity
Debt due to Avis Budget Rental Car Funding ^(b)	\$ 6,889	\$ 6,314	\$ 575
Budget Truck financing:			
Budget Truck Funding program ^(c)	375	336	39
Capital leases ^(d)	179	179	—
Other ^(e)	1,128	671	457
	<u>\$ 8,571</u>	<u>\$ 7,500</u>	<u>\$ 1,071</u>

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

(b) The outstanding debt is collateralized by approximately \$8.2 billion of underlying vehicles and related assets.

(c) The outstanding debt is collateralized by approximately \$345 million of underlying vehicles and related assets.

(d) In connection with these capital leases, there are corresponding assets of approximately \$190 million classified within vehicles, net on our Consolidated Condensed Balance Sheet as of June 30, 2008.

(e) The outstanding debt is collateralized by approximately \$1.2 billion of vehicles and related assets.

LIQUIDITY RISK

We believe that access to our existing financing arrangements is sufficient to meet liquidity requirements for the foreseeable future. Our primary liquidity needs include the payment of operating expenses, 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.

Our liquidity position may be negatively affected by unfavorable conditions in the vehicle rental industry or the asset backed financing market. Additionally, our liquidity as it relates to vehicle programs could be adversely affected by (i) the deterioration in the performance of the underlying assets of such programs, (ii) increased costs associated with the principal financing program for our vehicle rental subsidiaries if General Motors Corporation, Ford Motor Company or Chrysler LLC is not able to honor its obligations to repurchase or guarantee the depreciation on the related vehicles, (iii) any disruption in our ability to obtain financing due to negative credit events specific to us or affecting the overall debt market and (iv) default by any of the financial-guarantee firms that have insured a portion of our outstanding vehicle-backed debt. Also see Part II Item 1A Risk Factors for additional information.

Additionally, we monitor the maintenance of required financial ratios and, as of June 30, 2008, we were not aware of any instances of non-compliance with all financial covenants under our credit facilities.

CONTRACTUAL OBLIGATIONS

Our future contractual obligations have not changed significantly from the amounts reported within our 2007 Form 10-K with the exception of our commitment to purchase vehicles, which decreased by approximately \$3.9 billion from December 31, 2007 to approximately \$1.0 billion at June 30, 2008. We are currently negotiating our purchase commitments with manufacturers for model-year 2009 vehicles. 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 13 and 14 to our Consolidated Condensed Financial Statements.

As of June 30, 2008, our unrecognized tax benefits totaled \$422 million. We are entitled to indemnification from Realogy and Wyndham for substantially all of such amount. A reduction in the unrecognized tax benefits may occur upon settlement with tax authorities, including the Internal Revenue Service ("IRS"). The IRS has begun to examine our taxable years 2003 through 2006. While the ultimate settlement date is uncertain, we believe it is reasonably possible that examination for the taxable years 2003 through 2006 will conclude in 2010.

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 2007 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 2008 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.

At December 31, 2007, we recorded a goodwill impairment charge of approximately \$1.2 billion based on our assessment at that date. Our stock price decreased significantly during June 2008. We will continue to monitor our goodwill for potential impairment and may be required to record an additional charge to earnings in the future if the price continues to trade at a low level and/or if other events indicate that an impairment exists.

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

- SFAS No. 141(R), “Business Combinations”
- SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51”
- SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133”

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 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 and foreign currency rates. We used June 30, 2008 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 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.
- (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

Previously Reported Matters

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

Vehicle Rental Litigation

With respect to the complaint filed by Giuseppe Demarte and Mona Self against Budget Truck Rental, LLC (“BTR”) in the Superior Court of the State of California, County of Los Angeles, relating to BTR’s refueling practices and procedures, court approval of the settlement was obtained in May 2008. The settlement principally provides that class members will be entitled to receive a payment or coupons which may be redeemed for discounts on truck or car rental charges, and that BTR will issue written communications to its California locations and post signage at such locations with respect to refueling practices and procedures. The aggregate value of the payments and coupons to be issued in connection with the settlement is estimated to be less than \$1 million.

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Plaintiffs have dismissed the Ludwig v. Avis Rent A Car System, Inc. matter commenced in the Superior Court of California in and for Los Angeles on behalf of plaintiffs and all others similarly situated claiming violations of California Civil Code Section 1936 and unlawful, unfair or fraudulent business practices under California Business and Professions Code Section 17203. Section 1936 of the California Civil Code establishes the additional daily rates which a rental car company may charge for the optional loss damage waiver product based on the manufacturer suggested retail price (MSRP) of the vehicle in 2002 with Consumer Price Index increases to the MSRP commencing January 1, 2003. Plaintiffs had contended that the amount of the daily charge imposed for certain classes of vehicles exceeded the amount set forth in the statute based on the vehicle cost.

On July 24, 2008, the U.S. District Court for the Southern District of California granted our motions to dismiss with respect to the state law claims and denied our motion to dismiss with respect to the federal antitrust claim in the putative class action lawsuit captioned Michael Shames et al. v. The Hertz Corp. et al., No. 07 CV 2174H (S.D. Cal.). An amended complaint was filed in May 2008 against the Company and six other rental car companies, as well as the California Travel and Tourism Commission, and contained claims that the defendants had violated federal antitrust law and California's Unfair Competition Law and False Advertising Law by allegedly agreeing to pass on airport concession fees and a state tourism commission assessment to passenger car renters in California. The court has dismissed all claims against the California Travel and Tourism Commission. We intend to continue to vigorously defend this suit as we believe it is without merit.

Corporate Litigation

With respect to CSI Investments et al. v. Cendant et al. (S.D.N.Y.) ("Credentials Litigation"), an action for breach of contract and fraud arising out of Cendant's acquisition of the Credentials business in 1998, the judgment entered in favor of plaintiffs in the amount of approximately \$94.3 million plus attorneys fees and accrued interest was affirmed in May 2008 following the denial of our and plaintiffs' motions for reconsideration. We filed a notice of appeal on May 23, 2008 and plaintiffs filed a notice of cross appeal on June 2, 2008. Pursuant to the Separation Agreement, Realogy and Wyndham are responsible for 62.5% and 37.5%, respectively, of any liability related to the Credentials Litigation; therefore, we expect that any judgment or payment related to the Credentials Litigation will have no net impact on our financial statements or cash balances.

Item 1A. Risk Factors

We recorded a charge for goodwill impairment in the fourth quarter of 2007, and our goodwill may be further impaired in the future, which may require us to record an additional charge to earnings.

Under generally accepted accounting principles, we perform a goodwill impairment assessment as required, which includes, among other things, a reconciliation of current equity market capitalization to stockholders' equity. In the fourth quarter of 2007, our total stockholders' equity significantly exceeded our equity market capitalization and based on our goodwill impairment assessment, we recorded a charge of approximately \$1.2 billion for goodwill impairment. During June 2008, our stock price decreased significantly and has not subsequently increased. We may be required to record an additional impairment in the future including as a result of continued reduction to our equity market capitalization, which would result in a negative impact on our results of operations.

We have been adversely impacted by the downturn in the U.S. economy and may be further adversely impacted.

The U.S. economy is currently experiencing a pronounced downturn, including a tightening of credit markets, rising commodity prices, a weak housing market and reduced airline passenger traffic. Historically, our results of operations have declined during periods of general economic weakness. During the first half of 2008, several airlines announced capacity reductions and higher fares in the face of high fuel prices and overall slower economic growth. In 2007, we generated approximately 81% of our domestic car rental revenue from our corporate-owned on-airport locations; therefore, a decline in airline passenger traffic, which can be affected by economic downturns, higher fares and increased fuel prices, will typically have an adverse impact on our results of operations. While our revenues increased in the first half of 2008 compared to the first half of 2007, the effects of economic factors have caused the results of our operations for the first half of 2008 to be lower than in the same period in 2007, and we currently expect that our results for our Domestic Car Rental segment for full-year 2008 will be lower than in 2007. If economic conditions in the United States do not improve or worsen, our results of operations could be adversely impacted beyond 2008. In addition, a substantial and prolonged adverse performance in our results of operations could impact our ability to satisfy the financial covenants included in our debt documents, including our senior secured credit facility, which could result in higher borrowing costs and/or the need to seek amendments and waivers to avoid the termination of lending commitments or acceleration of maturity of amounts outstanding.

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

We held an Annual Meeting of Stockholders on June 5, 2008, pursuant to a Notice of Annual Meeting of Stockholders and Proxy Statement dated April 15, 2008, a copy of which has been filed previously with the Securities and Exchange Commission, at which our stockholders approved the election of eight directors for a term of one year and ratified the appointment of Deloitte & Touche LLP as the auditors of the financial statements for fiscal year 2008. Set forth below are the voting results from the Annual Meeting.

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

Results:

	<u>In Favor</u>	<u>Withheld</u>
Ronald L. Nelson	93,893,582	2,453,930
Mary C. Choksi	93,242,160	3,105,352
Leonard S. Coleman	94,390,261	1,957,251
Martin L. Edelman	88,195,236	8,152,276
John D. Hardy, Jr.	94,666,387	1,681,125
Lynn Krominga	93,246,581	3,100,931
F. Robert Salerno	93,829,666	2,517,846
Stender E. Sweeney	93,246,918	3,100,594

Proposal 2: To ratify the appointment of Deloitte & Touche LLP as Avis Budget Group's Independent Auditors for the year ending December 31, 2008.

Results:

<u>For</u>	<u>Against</u>	<u>Abstain</u>
94,794,808	1,477,834	74,870

Item 6. Exhibits

See Exhibit Index.

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 7, 2008

/s/ David B. Wyshner
David B. Wyshner
Executive Vice President and
Chief Financial Officer

Date: August 7, 2008

/s/ Brett D. Weinblatt
Brett D. Weinblatt
Senior Vice President and
Chief Accounting Officer

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 3.1 to the Company's Current Report on Form 8-K dated October 30, 2006).
10.1	Amended and Restated Series 2005-2 Supplement, dated May 20, 2008, between Avis Budget Rental Car Funding (AESOP) LLC (formerly known as Cendant Rental Car Funding (AESOP) LLC), as issuer and The Bank of New York Trust Company, N.A. (as successor in interest to The Bank of New York), as trustee and as Series 2005-2 Agent, to the Second Amended and Restated Base Indenture, dated as of June 3, 2004, between Avis Budget Rental Car Funding (AESOP) LLC, as issuer and The Bank of New York Trust Company, N.A. (as successor in interest to The Bank of New York), as trustee (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 22, 2008).
10.2	Amending Agreement No. 8 to the fourth Amended and Restated Limited Partnership Agreement among Aviscar, inc. and Budgetcar, Inc., as general partners and BNY Trust Company of Canada, in its capacity as trustee of STARS Trust and Montreal Trust Company of Canada, in its capacity as trustee of Bay Street funding Trust, as limited partners.
10.3	Amendment No. 3 to the Series 2006-1 Supplement, dated as of February 15, 2008, among Centre Point funding, LLC (formerly known as Budget Truck Funding, LLC), as Issuer, Deutsche Bank Securities, Inc., as Administrative Agent, certain CP conduit Purchasers, certain Funding Agents, certain APA Banks and The Bank of New York Trust Company, N.A., as Trustee.
10.4	Amendment to the Tax Sharing Agreement, dated July 28, 2006, among Avis Budget Group, Inc., Realogy Corporation, Wyndham Worldwide Corporation and Travelport Inc.
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.

AMENDING AGREEMENT NO. 8

MEMORANDUM OF AGREEMENT made as of the 16th day of June, 2008,

B E T W E E N:

AVISCAR INC.,
a corporation incorporated under the laws of Canada,
(hereinafter referred to as “**Avis General Partner**”),

- and -

BUDGETCAR INC.,
a corporation existing under the laws of Canada,
(hereinafter referred to as “**Budget General Partner**”),

- and -

BNY TRUST COMPANY OF CANADA,
a trust company incorporated under the laws of Canada and registered to carry on the business of a trust company in each of the provinces of Canada, in its capacity as trustee of **STARS TRUST**, a trust established under the laws of the Province of Ontario,
(hereinafter referred to as “**STARS Limited Partner**”),

- and -

MONTREAL TRUST COMPANY OF CANADA,
a trust company incorporated under the laws of Canada and registered to carry on the business of a trust company in each of the provinces in Canada, in its capacity as trustee of **BAY STREET FUNDING TRUST**, a trust established under the laws of the Province of Ontario,
(hereinafter called the “**Bay Street Limited Partner**”).

WHEREAS the Avis General Partner, the Budget General Partner, the STARS Limited Partner and the Bay Street Limited Partner have entered into a fourth amended and restated limited partnership agreement made as of the 20th day of April, 2005, as amended by amending agreements between the parties dated October 11, 2005, July 7, 2006, December 11, 2006, November 21, 2007, February 12, 2008, March 5, 2008 and April 30, 2008 (collectively, the “**Limited Partnership Agreement**”);

AND WHEREAS the Avis General Partner, the Budget General Partner, the STARS Limited Partner and the Bay Street Limited Partner wish to amend the Limited Partnership Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and covenants and agreements of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties hereby covenant and agree as follows:

1. Interpretation

- (a) All words and expressions defined in the Limited Partnership Agreement and not otherwise defined in this Agreement have the respective meanings specified in the Limited Partnership Agreement.
- (b) Section headings are for convenience only.

2. Amendments to the Limited Partnership Agreement

2.1 Section 1.1 of the Limited Partnership Agreement is hereby amended by deleting the definitions of “**Avis Shareholders Equity**”, “**Budget Shareholders Equity**” and “**Intercompany Loans**” in their entirety and by replacing the definition of “**CCRG Shareholders Equity**” with the following definition:

““**CCRG Shareholders Equity**” means, with respect to CCRG, an amount, calculated in accordance with Canadian GAAP on a consolidated basis, equal to the sum of its (i) share capital, (ii) contributed and other surplus, and (iii) retained earnings, minus the sum of (iv) goodwill, (v) other intangible assets, and (vi) any loans or investments made by CCRG to or in any of its Affiliates;”

2.2 Section 2.8(d) of the Limited Partnership Agreement is hereby deleted in its entirety and replaced with the following:

“(d) **Ownership and Control.** Each General Partner shall at all times during the term hereof be a direct or indirect wholly-owned subsidiary of CCRG and the Parent and shall be controlled in fact by the Parent.”

2.3 Section 2.8(h) of the Limited Partnership Agreement is hereby deleted in its entirety.

2.4 Section 8.1(n) of the Limited Partnership Agreement is hereby deleted in its entirety and replaced with the following:

“(n) if at any time: (i) CCRG shall enter into or acquire any business that could reasonably be expected to have a material effect on the CCRG Shareholders Equity, or (ii) the CCRG Shareholders Equity is less than \$40,000,000;”

3. Other Documents

Any reference to the Limited Partnership Agreement made in any documents delivered pursuant thereto or in connection therewith shall be deemed to refer to the Limited Partnership Agreement as amended or supplemented from time to time.

4. Miscellaneous

- (a) With the exception of the foregoing amendments, the Limited Partnership Agreement shall continue in full force and effect, unamended.
- (b) This Agreement shall enure to the benefit of and be binding upon the parties, their successors and any permitted assigns.
- (c) This Agreement may be executed in one or more counterparts each of which shall be deemed an original and all of which when taken together, shall constitute one and the same instrument.
- (d) None of the rights or obligations hereunder shall be assignable or transferable by any party without the prior written consent of the other party.
- (e) This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have cause this Agreement to be executed by their authorized signatories thereunto duly authorized, as of the date first above written.

AVISCAR INC.

By: /s/ David Calabria
Name: David Calabria
Title: Assistant Treasurer

By: _____
Name: _____
Title: _____

BUDGETCAR INC.

By: /s/ David D. Blaskey
Name: David D. Blaskey
Title: Senior Vice President

By: _____
Name: _____
Title: _____

BNY TRUST COMPANY OF CANADA, as trustee of
STARS TRUST (with liability limited to the assets of STARS
Trust) by its Securitization Agent, **BMO NESBITT BURNS
INC.**

By: /s/ Christopher Romano
Name: Christopher Romano
Title: Managing Director

By: /s/ Terry J. Ritchie
Name: Terry J. Ritchie
Title: Managing Director

MONTREAL TRUST COMPANY OF CANADA, as trustee
of **BAY STREET FUNDING TRUST** (with liability limited to
the assets of Bay Street Funding Trust) by its administrator,
SCOTIA CAPITAL INC.

By: /s/ Douglas Noe
Name: Douglas Noe
Title: Director, Structured Finance

**AMENDMENT NO. 3
TO SERIES 2006-1 SUPPLEMENT**

This **AMENDMENT NO. 3 TO SERIES 2006-1 SUPPLEMENT**, dated as of May 8, 2008 (this "Amendment") is between Centre Point Funding, LLC (f/k/a Budget Truck Funding, LLC) ("BTF"), Deutsche Bank Securities, Inc., ("DBSI"), Riverside Funding LLC ("Riverside Funding"), Deutsche Bank AG, New York Branch ("DBAG"), Sheffield Receivables Corporation ("Sheffield"), Barclays Bank PLC ("Barclays") and The Bank of New York Trust Company, N.A., in its capacity as Trustee.

RECITALS:

WHEREAS, BTF and the Trustee entered into that certain Base Indenture, dated as of May 11, 2006, as amended by that certain Amendment No. 1 to the Base Indenture, dated as of May 16, 2007, and as further amended by that certain Amendment No. 2 to the Base Indenture, dated as of February 15, 2008 (as the same may be further amended, modified, supplemented or amended and restated in accordance with its terms, the "Base Indenture");

WHEREAS, the parties hereto and Budget Truck Rental, LLC as administrator, entered into that certain Series 2006-1 Supplement to the Base Indenture, dated as of May 11, 2006, as amended by that certain Amendment No. 1 to Series 2006-1 Supplement, dated as of May 16, 2007, and as further amended by that certain Amendment No. 2 to Series 2006-1 Supplement, dated as of February 15, 2008 (the "Series Supplement");

WHEREAS, the parties hereto wish to amend the Series Supplement as provided herein;

WHEREAS, pursuant to Section 10.11 of the Series Supplement, the Series Supplement may be modified or amended in accordance the requirements of Section 12.1 of the Base Indenture, and pursuant thereto the Requisite Investors or each affected Noteholder, as required, have consented in writing to the amendments effected by this Amendment; and

WHEREAS, this Amendment has been duly authorized by all necessary limited liability company action on the part of BTF;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.1. Terms Defined in Series Supplement or Base Indenture. Capitalized terms used in this Amendment not herein defined shall have the meaning contained in the Series Supplement and, if not defined therein, in the Definitions List attached to the Base Indenture as Annex 1 or as otherwise set forth in the Base Indenture.

ARTICLE II.

Amendments

Section 2.1. Amendments to Article I - Definitions.

(a) The definition of "Fee Letter" set forth in Article I of the Series Supplement is hereby amended and restated in its entirety to read as follows:

"Fee Letter" means the letter dated as of May 8, 2008, from BTF addressed to Riverside Funding LLC, DBSI, Deutsche Bank AG, New York, Sheffield and Barclays, amending and restating the First Amended Fee Letter, and setting forth certain fees payable from time to time to the Purchaser Groups.

(b) The definition of "Maximum Purchaser Group Invested Amount" set forth in Article I of the Series Supplement is hereby amended and restated in its entirety to read as follows:

"Maximum Purchaser Group Invested Amount" means, with respect to any Purchaser Group, the excess of (a) the amount set forth opposite the name of the CP Conduit Purchaser included in such Purchaser Group on Schedule I, over (b) such Purchaser Group's Pro Rata Share of any amounts withdrawn from the Series 2006-1 Principal Subaccount after May 8, 2008 and paid to such Purchaser Group pursuant to the terms of this Series Supplement.

(c) The definition of "Series 2006-1 Commitment Termination Date" set forth in Article I of the Series Supplement is hereby amended by deleting the phrase "at least "A3" by Moody's" contained in clause (b) and replacing in substitution thereof the phrase "at least "A2" by Moody's".

(d) The definition of “Series 2006-1 Required Enhancement Percentage” set forth in Article I of the Series Supplement is hereby amended and restated in its entirety to read as follows:

“Series 2006-1 Required Enhancement Percentage” means, as of any date of determination, the sum of (a) the product of (i) the 10’ GMC Savana Percentage as of such date times (ii) the Required 10’ GMC Savana Enhancement Percentage as of such date plus (b) the product of (i) the 16’ GMC Savana Percentage as of such date times (ii) the Required 16’ GMC Savana Enhancement Percentage as of such date plus (c) the product of (i) the 24’ GMC TC7500 Percentage as of such date times (ii) the Required 24’ GMC TC7500 Enhancement Percentage as of such date plus (d) the product of (i) the 16’ Ford E350 Percentage as of such date times (ii) the Required 16’ Ford E350 Enhancement Percentage as of such date plus (e) the product of (i) the 24’ Int’l 4200 Percentage as of such date times (ii) the Required 24’ Int’l 4200 Enhancement Percentage as of such date plus (f) the product of (i) the Ford E250 Extended Cargo Van Percentage as of such date times (ii) the Required Ford E250 Enhancement Percentage as of such date plus (g) the product of (i) the 16’ Ford LCF Percentage as of such date times (ii) the Required 16’ Ford LCF Enhancement Percentage as of such date plus (h) the product of (i) the 16’ Int’l CF500 Percentage as of such date times (ii) the Required 16’ Int’l CF500 Enhancement Percentage as of such date plus (i) the product of (i) the Ford F650 24’ with Liftgate Percentage as of such date times (ii) the Required Ford F650 24’ with Liftgate Enhancement Percentage as of such date.

(e) The definition of “Series 2006-1 Required Liquid Enhancement Percentage” set forth in Article I of the Series Supplement is hereby amended and restated in its entirety to read as follows:

“Series 2006-1 Required Liquid Enhancement Percentage” means, as of any date of determination, the sum of (a) the product of (i) the 10’ GMC Savana Percentage as of such date times (ii) the Required 10’ GMC Savana Liquid Enhancement Percentage as of such date plus (b) the product of (i) the 16’ GMC Savana Percentage as of such date times (ii) the Required 16’ GMC Savana Liquid Enhancement Percentage as of such date plus (c) the product of (i) the 24’ GMC TC7500 Percentage as of such date times (ii) the Required 24’ GMC TC7500 Liquid Enhancement Percentage as of such date plus (d) the product of (i) the 16’ Ford E350 Percentage as of such date times (ii) the Required 16’ Ford E350 Liquid Enhancement Percentage as of such date plus (e) the product of (i) the 24’ Int’l 4200 Percentage as of such date times (ii) the Required 24’ Int’l 4200 Liquid Enhancement Percentage as of such date plus (f) the product of (i) the Ford E250 Extended Cargo Van Percentage as of such date times (ii) the Required Ford E250 Extended Cargo Van Liquid Enhancement Percentage as of such date plus (g) the product of (i) the 16’ Ford LCF Percentage as of such date times (ii) the Required 16’ Ford LCF Liquid Enhancement Percentage as of such date plus (h) the product of (i) the 16’ Int’l CF500 Percentage as of such date times (ii) the Required 16’ Int’l CF500 Liquid Enhancement Percentage as of such date plus (i) the product of (i) the Ford F650 24’ with Liftgate Percentage as of such date times (ii) the Required Ford F650 24’ with Liftgate Liquid Enhancement Percentage as of such date.

(f) The definition of “Series 2006-1 Termination Date” set forth in Article I of the Series Supplement is hereby amended and restated in its entirety to read as follows:

“Series 2006-1 Termination Date” means the date that is May 8, 2011.

(g) The definition of “Series 2006-1 Excess Truck Percentage” set forth in Article I of the Series Supplement is hereby amended and restated in its entirety to read as follows:

“Series 2006-1 Excess Truck Percentage” means, as of any date of determination, the sum of (a) the excess of (i) the sum of (A) 16’ Ford LCF Percentage as of such date and (B) the 16’ Int’l CF500 Percentage as of such date over (ii) 20%, and (b) the excess of (i) the Ford F650 24’ with Liftgate Percentage as of such date over (ii) 15%.

(h) Article I of the Series Supplement is hereby amended by adding the following definitions in proper alphabetical sequence:

“First Amended Fee Letter” means the letter dated as of May 16, 2007, from BTF addressed to Riverside Funding LLC, DBSI, Deutsche Bank AG, New York, Sheffield and Barclays, amending and restating the Original Fee Letter, and setting forth certain fees payable from time to time to the Purchaser Groups.

“Ford F650 24’ with Liftgate Percentage” means, as of any date of determination, the percentage equivalent of a fraction the numerator of which is the Net Book Value of all Eligible Trucks that are Ford F650 24’ with Liftgate Trucks as of such date and the denominator of which is the Net Book Value of all Eligible Trucks as of such date.

“Required Ford F650 24’ with Liftgate Enhancement Percentage” means, as of any date of determination, the sum of (1) the Required Ford F650 24’ with Liftgate Liquid Enhancement Percentage as of such date and (2) the Required Ford F650 24’ with Liftgate OC Enhancement Percentage as of such date.

“Required Ford F650 24’ with Liftgate Liquid Enhancement Percentage” means, as of any date of determination, the sum, for each Ford F650 24’ with Liftgate Truck that is an Eligible Truck as of such date, of the percentage obtained by multiplying (i) the Liquid Enhancement Percentage for such Ford F650 24’ with Liftgate

Truck as of such date and (ii) the percentage equivalent of a fraction the numerator of which is the Net Book Value of such Ford F650 24' with Liftgate Truck as of such date and the denominator of which is the Net Book Value of all Eligible Trucks that are Ford F650 24' with Liftgate Trucks as of such date.

“Required Ford F650 24' with Liftgate OC Enhancement Percentage” means, as of any date of determination, the sum, for each Ford F650 24' with Liftgate Truck that is an Eligible Truck as of such date, of the percentage obtained by multiplying (i) the OC Enhancement Percentage for such Ford F650 24' with Liftgate Truck as of such date and (ii) the percentage equivalent of a fraction the numerator of which is the Net Book Value of such Ford F650 24' with Liftgate Truck as of such date and the denominator of which is the Net Book Value of all Eligible Trucks that are Ford F650 24' with Liftgate Trucks as of such date.

“Series 2006-1 Remaining Available Amount” means \$87,741,557.30.

Section 2.2. Amendments to Article II – Purchase and Sale of Series 2006-1 Notes; Increases and Decreases of Series 2006-1 Invested Amount.

(a) Section 2.3(a) of the Series Supplement is hereby amended and restated in its entirety to read as follows:

(a) Subject to Section 2.3(c), (i) on the Series 2006-1 Closing Date, each CP Conduit Purchaser (other than Sheffield) may agree, in its sole discretion, to purchase, and the APA Banks with respect to such CP Conduit Purchaser shall purchase, a Series 2006-1 Note in accordance with Section 2.1 and on the Series 2006-1 Amendment Date, Sheffield may agree, in its sole discretion, to purchase, and the APA Banks with respect to Sheffield shall purchase, a Series 2006-1 Note in accordance with Section 2.1; and (ii) on any Business Day during the Series 2006-1 Revolving Period, each CP Conduit Purchaser may agree, in its sole discretion, that the Purchaser Group Invested Amount with respect to such Purchaser Group may be increased by an amount equal to the Commitment Percentage with respect to such Purchaser Group of the Increase Amount and each APA Bank with respect to such CP Conduit Purchaser hereby agrees that the Purchaser Group Invested Amount with respect to such Purchaser Group may be increased by an amount equal to its APA Bank Percentage of the Commitment Percentage with respect to such Purchaser Group of the Increase Amount (an “Increase”), upon the request of BTF (each date upon which an Increase occurs hereunder being referred to as the “Increase Date” applicable to such Increase); provided, however, that, for the avoidance of doubt, notwithstanding anything to the contrary contained in this Series Supplement, the Base Indenture or any other Related Document, the aggregate amount of all Increases from and including May 8, 2008 through the end of the Series 2006-1 Revolving Period, may not exceed the Series 2006-1 Remaining Available Amount; provided, however, that BTF shall have given the Administrative Agent (with a copy to the Trustee) irrevocable written notice (effective upon receipt), by telecopy (receipt confirmed), substantially in the form of Exhibit B hereto, of such request no later than 3:00 p.m. (New York City time) on the second Business Day prior to the Series 2006-1 Closing Date, the Series 2006-1 Amendment Date or such Increase Date, as the case may be. Such notice shall state (x) the Series 2006-1 Closing Date, the Series 2006-1 Amendment Date or the Increase Date, as the case may be, and (y) the initial aggregate principal amount of the Series 2006-1 Note (the “Series 2006-1 Initial Invested Amount”), the amount to be funded on the Series 2006-1 Amendment Date (the “Series 2006-1 Amendment Date Amount”) or the proposed amount of the Increase (an “Increase Amount”), as the case may be.

(b) Clause (v) of Section 2.3(c) of the Series Supplement is hereby amended and restated in its entirety to read as follows:

(v) in the case of an Increase, (x) the Increase Amount shall not be greater than the Series 2006-1 Permitted Increase Amount as of such date and (y) the sum of such Increase Amount and the amount of all other Increases effected on and after May 8, 2008 shall not exceed the Series 2006-1 Remaining Available Amount; and

Section 2.3 Amendments to Article III – Series 2006-1 Allocations.

(a) The second sentence of Section 3.2(b) of the Series Supplement is hereby amended by deleting the phrase “On any Business Day prior to the occurrence of the Series 2006-1 Commitment Termination Date or an Amortization Event with respect to the Series 2006-1 Notes,” in the first clause thereof and replacing such phrase with the phrase “On any Business Day prior to May 8, 2008,”.

(b) The last sentence of Section 3.2(b) of the Series Supplement is hereby amended and restated in its entirety to read as follows:

Notwithstanding anything to the contrary herein, no funds on deposit in the Series 2006-1 Principal Subaccount shall be paid or distributed to BTF until the Series 2006-1 Notes have been paid in full.

(c) Section 3.5(e) of the Series Supplement is hereby amended by adding the following sentence at the end of such Section: “For the avoidance of doubt, notwithstanding anything to the contrary contained herein, no principal amount repaid to a Purchaser Group hereunder may be reborrowed under Section 2.3 or otherwise.”

Section 2.4. Amendments to Schedule I – CP Conduit Purchasers. Schedule I to the Series Supplement is hereby amended and restated in its entirety by the replacement thereof with the Schedule I attached as Annex A hereto.

Section 2.5 Amendments to Schedule II – Enhancement Percentages. Schedule II to the Series Supplement is hereby amended and restated in its entirety by the replacement thereof with the Schedule II attached as Annex B hereto.

ARTICLE III.

Miscellaneous

Section 3.1. Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any of the parties hereto under the Series Supplement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Series Supplement, all of which are hereby ratified and affirmed in all respects by each of the parties hereto and shall continue in full force and effect. This Amendment shall apply and be effective only with respect to the provisions of the Series Supplement specifically referred to herein, and any references in the Base Indenture to the provisions of the Series Supplement specifically referred to herein shall be to such provisions as amended by this Amendment.

Section 3.2. Condition to Effectiveness. This Amendment shall become effective as of the date hereof only upon receipt by the Administrative Agent of written confirmation from Moody's that the Series 2006-1 Notes are publicly rated at least "A2" by Moody's after giving effect to the amendments contemplated by this Amendment.

Section 3.3. Waiver of Notice. Each of the parties hereto waives any prior notice and any notice period that may be required by any other agreement or document in connection with the execution of this Amendment.

Section 3.4. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 3.5. Governing Law. This Amendment shall be construed in accordance with the Laws of the State of New York (without giving effect to the provisions thereof regarding conflicts of laws), and the obligations, rights and remedies of the parties hereto shall be determined in accordance with such laws.

Section 3.6. Counterparts. This Amendment may be executed in any number of counterparts and by different parties herein in separate counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

CENTRE POINT FUNDING, LLC, as Issuer

By: /s/ David B. Wyshner
Name: David B. Wyshner
Title: Executive Vice President Chief Financial Officer and Treasurer

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Sally R. Tokich
Name: Sally R. Tokich
Title: Assistant Vice President

DEUTSCHE BANK SECURITIES, INC., as Administrative Agent

By: /s/ Eric Shea
Name: Eric Shea
Title: Managing Director

By: /s/ Sergey Moiseyenko
Name: Sergey Moiseyenko
Title: Vice President

RIVERSIDE FUNDING LLC, as a CP Conduit Purchaser

By: /s/ Jill A Gordon

Name: Jill A. Gordon

Title: Vice President

**DEUTSCHE BANK AG, NEW YORK BRANCH, as an
APA Bank**

By: /s/ Eric Shea

Name: Eric Shea

Title: Managing Director

By: /s/ Sergey Moiseyenko

Name: Sergey Moiseyenko

Title: Vice President

**DEUTSCHE BANK SECURITIES, INC., as a Funding
Agent**

By: /s/ Eric Shea

Name: Eric Shea

Title: Managing Director

By: /s/ Sergey Moiseyenko

Name: Sergey Moiseyenko

Title: Vice President

**SHEFFIELD RECEIVABLES CORPORATION, as a CP
Conduit Purchaser**

By: /s/ Fouad S. Onbargi

Name: Fouad S. Onbargi

Title: Director

BARCLAYS BANK PLC, as an APA Bank

By: /s/ Pierre Duleyrie

Name: Pierre Duleyrie

Title: Director

BARCLAYS BANK PLC, as a Funding Agent

By: /s/ Pierre Duleyrie

Name: Pierre Duleyrie

Title: Director

Annex A

SCHEDULE I TO SERIES 2006-1 SUPPLEMENT

<u>CP Conduit</u>	<u>APA Bank</u>	<u>Funding Agent</u>	<u>APA Bank Percentage</u>	<u>Maximum Purchaser Group Invested Amount</u>
Riverside Funding LLC	Deutsche Bank, AG, New York Branch	Deutsche Bank Securities, Inc.	100%	\$ 187,500,000
Sheffield Receivables Corporation	Barclays Bank PLC	Barclays Bank PLC	100%	\$ 187,500,000

AMENDMENT TO THE TAX SHARING AGREEMENT

This Amendment, executed July 8, 2008 and effective as of July 28, 2006 (this "**Amendment**"), to the Tax Sharing Agreement, entered into as of July 28, 2006 (as may be amended from time to time, the "**Agreement**"), by and between Avis Budget Group, Inc., a Delaware corporation, formerly known as Cendant Corporation ("**Cendant**"), Realogy Corporation, a Delaware corporation ("**Realogy**"), Wyndham Worldwide Corporation, a Delaware corporation ("**Wyndham**") and Travelport Inc., a Delaware corporation ("**Travelport**"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement.

WHEREAS, Section 13.6 of the Agreement provides that no amendment to the Agreement shall be effective unless it shall be in writing and signed by each Party to the Agreement;

WHEREAS, Section 1.3(c)(ii) of the Agreement provides that if a Travelport Sale occurs, any and all rights and obligations of and to Travelport pursuant to the Agreement will be terminated and deemed null and void and be of no further force or effect;

WHEREAS, Travelport was sold to TDS Investor Corporation, formerly known as TDS Investor LLC, pursuant to the Purchase Agreement, dated as of June 30, 2006, as amended on August 23, 2006, between Cendant and Travelport, on the one hand, and TDS Investor Corporation, on the other hand; and

WHEREAS, Cendant, Realogy and Wyndham (together, the "Parties") wish to amend the Agreement as provided in this Amendment.

NOW, THEREFORE, in consideration of the mutual premises and covenants set forth herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Parties hereby agree as follows:

1. **Amendment to Section 1.1.** Section 1.1 of the Agreement is hereby amended by adding the following defined term after subsection (11).

"(11A) "**Assume**" has the meaning set forth in Section 3.1."

2. **Amendment to Section 1.1.** Section 1.1 of the Agreement is hereby amended by adding the following defined term after subsection (12).

"(12A) "**Avis Australia**" means Avis Management Pty. Ltd."

3. **Amendment to Section 1.1(15)(definition of "CCRG Audit Sharing Percentage").** Section 1.1(15) of the Agreement is hereby amended as follows:

(a) Delete "and" at the end of subsection (i)(II).

(b) Add "and" at the end of subsection (i)(III).

(c) Add new subsection (i)(IV) which shall state "the aggregate amount of disallowed deduction, loss or credit directly attributable to any (x) election by or on behalf of Avis Australia and any Subsidiary thereof that is engaged in the Vehicle Rental Business to claim accelerated depreciation for Australian Income Tax purposes or (y) any Refund received by Cendant pursuant to Section 4.1(e)."

4. **Amendment to Section 1(16)(definition of "CCRG Entities").** Section 1.1(16) is hereby amended as follows:

(a) Delete "." at the end of such definition.

(b) Add "and Avis Australia and its Subsidiaries that are engaged in the Vehicle Rental Business, provided, however, that solely for purposes of Income Taxes for the taxable years ended December 31, 2005 and December 31, 2006, Avis Australia and such Subsidiaries shall not be treated as CCRG Entities."

5. Amendment to Section 1.1(31) (definition of “Cendant Shared Entities”). Section 1.1(31) of the Agreement is hereby amended as follows:

- (a) Delete “and” at the end of subsection (iii).
- (b) Delete “.” at the end of subsection (iv) and insert “; and”

(c) Add subsection (v), which shall state “Avis Australia and its Subsidiaries that are engaged in the Vehicle Rental Business, provided, however, that Avis Australia and such Subsidiaries shall be treated as Cendant Shared Entities solely for purposes of Income Taxes for the taxable years ended December 31, 2005 and December 31, 2006.”

6. Amendment to Section 1.1. Section 1.1 of the Agreement is hereby amended by adding the following defined terms after subsection (45).

“(45A) “Excess 2006 Avis Australia Income Tax Refund” shall mean, with respect to the taxable year ended December 31, 2006 of Avis Australia and its Subsidiaries that are engaged in the Vehicle Rental Business, the excess, if any, of (i) the amount of the Refund for Income Taxes received by Avis Australia and such Subsidiaries for such taxable year over (ii) the amount of the Refund for Income Taxes, if any, that hypothetically would have been received by Avis Australia and such Subsidiaries for such taxable year assuming (x) that Avis Australia and such Subsidiaries did not elect to claim accelerated depreciation for Australian Income Tax purposes for such year and (y) the same facts and using the same methods, rate(s), elections (other than the election to claim accelerated depreciation), conventions and practices used in determining the actual Income Tax liability of Avis Australia and such Subsidiaries and the amount of such Refund for such Income Taxes for such taxable year set forth in clause (i) of this definition.

7. Amendment to Section 1.1(98). Section 1.1(98) (definition of “Pre-2007 Shared Entity Audit Other Adjustments”) of the Agreement is hereby amended as follows:

- (a) Delete subsection (i), and
- (b) Add new subsection (i) which shall state:

“the aggregate amount of income and gain set forth in clause (i)(I), the aggregate amount of disallowed deduction, loss or credit (and increased income and gain) set forth in clause (i)(II), the aggregate amount of income and gain (and disallowed deduction, loss or credit) set forth in clause (i)(III), and the aggregate amount of disallowed deduction, loss or credit set forth in clause (i)(IV), of the definition of the defined term “CCRG Audit Sharing Percentage”

8. Amendment to Section 1.1(99). Section 1.1(99) (definition of “Pre-2007 Shared Entity Audit Tax Amount”) of the Agreement is hereby amended by adding the following sentence at the end of such definition:

“For the avoidance of doubt, Pre-2007 Shared Entity Audit Tax Amount shall include any additional amount of Tax required to be paid (including the disallowance of a Refund) resulting from the disallowance of any deduction, loss or credit directly attributable to any election by or on behalf of Avis Australia and any Subsidiary thereof that is engaged in the Vehicle Rental Business to claim accelerated depreciation for Australian Income Tax purposes.”

9. Amendment to Section 2.1. The second sentence of Section 2.1(a)(i) is hereby replaced and amended in its entirety with the following:

“Such Pre-2007 Cendant Shared Entity Tax Returns shall be prepared in a manner consistent with the past practice of each Cendant Shared Entity unless otherwise required by applicable Law, provided, however, that Cendant shall be permitted to file Income Tax Returns for Avis Australia and its Subsidiaries that are engaged in the Vehicle Rental Business for taxable year ended December 31, 2006 claiming accelerated depreciation.”

10. Amendment to Section 3.1. Section 3.1(a) of the Agreement is hereby amended by replacing the words “be liable for” with “accept, assume (or, as applicable, retain) and perform, discharge and fulfill, in accordance with their respective terms (“Assume”)”.

11. Amendment to Section 3.2. Section 3.2(a) of the Agreement is hereby amended by replacing the words “be liable for” with the word “Assume”.

12. Amendment to Section 3.3. Section 3.3(a) of the Agreement is hereby amended by replacing the words “be liable for” with the word “Assume”.
13. Amendment to Section 4.1. Section 4.1 of the Agreement is hereby amended by adding new subsection (e):
“(e) Notwithstanding anything to the contrary in this Section 4.1, Cendant shall be entitled to all Refunds for Income Taxes (i) received by Avis Australia and/or its Subsidiaries that are engaged in the Vehicle Rental Business, as applicable, for the taxable year ended December 31, 2006 in an amount not to exceed the Excess 2006 Avis Australia Income Tax Refund of Avis Australia and such Subsidiaries for such taxable year and (ii) of back-up withholding tax withheld during 2004 with respect to that certain Smith Barney account number 309-13355-17 051 of Gulf Insurance Company, in an amount not to exceed \$485,824.81.
14. Amendment to Section 6.1. Section 6.1 of the Agreement is hereby amended by:
(a) adding to Section 6.1 immediately before the words “Cendant shall and shall cause its Subsidiaries” the following:
“In the event that Cendant has not directly paid to the relevant Taxing Authorities the liabilities it has Assumed under this Agreement, then, to the extent such liabilities were paid by Realogy or Wyndham (or any of their Affiliates), as applicable,”; and
(b) replacing the text in Section 6.1(a) in its entirety with the following:
“all such liabilities Assumed by Cendant and for which Cendant is accordingly responsible under this Agreement; and”
15. Amendment to Section 6.2. Section 6.2 of the Agreement is hereby amended by:
(a) adding to Section 6.2 immediately before the words “Realogy shall and shall cause its Subsidiaries” the following:
“In the event that Realogy has not directly paid to the relevant Taxing Authorities the liabilities it has Assumed under this Agreement, then, to the extent such liabilities were paid by Cendant or Wyndham (or any of their Affiliates), as applicable,”; and
(b) replacing the text in Section 6.2(a) in its entirety with the following:
“all such liabilities Assumed by Realogy and for which Realogy is accordingly responsible under this Agreement; and”
16. Amendment to Section 6.3. Section 6.3 of the Agreement is hereby amended by:
(a) adding to Section 6.3 immediately before the words “Wyndham shall and shall cause its Subsidiaries” the following:
“In the event that Wyndham has not directly paid to the relevant Taxing Authorities the liabilities it has Assumed under this Agreement, then, to the extent such liabilities were paid by Cendant or Realogy (or any of their Affiliates), as applicable,”; and
(b) replacing the text in Section 6.3(a) in its entirety with the following:
“all such liabilities Assumed by Wyndham and for which Wyndham is accordingly responsible under this Agreement; and”
17. Amendment to Section 7.2. Section 7.2(a) of the Agreement is hereby amended by replacing the text thereof in its entirety with the following:
Section 7.2 Treatment of payments made pursuant to Tax Sharing Agreement.

(a) General. Unless otherwise required by a Final Determination, for U.S. federal income Tax purposes:

(i) Payments made by Cendant, Realogy and Wyndham. In accordance with Revenue Ruling 95-74, 1995-2, C.B. 36, payments made by Cendant, Realogy or Wyndham for or in respect of liabilities Assumed pursuant to this Agreement that, but for such Assumption by Cendant, Realogy or Wyndham, as the case may be, would have been deductible under Section 162 of the Code (and applicable provisions of state and local Law) or capitalized under Section 263 of the Code (and applicable provisions of state and local Law) or otherwise, as the case may be, by the original obligor pursuant to applicable principles of Tax Law, shall be treated for Tax purposes as payments actually made by Cendant, Realogy or Wyndham, as applicable, to Taxing Authorities that are deductible to Cendant, Realogy or Wyndham, as applicable, under Section 162(a) of the Code (and applicable provisions of state and local Law) or capitalized under Section 263 of the Code or otherwise, as the case may be; and

(ii) Indemnification payments. Pursuant to the relation back principle of Revenue Ruling 83-73, 1983-1, C.B. 84, indemnification payments made pursuant to this Agreement by:

- (I) a Spinco Party to Cendant shall be treated for Tax purposes as having been made by the Spinco Party to Cendant immediately before the applicable Distribution;
- (II) Cendant to any of the Spinco Parties shall be treated for Tax purposes as having been made by Cendant to the Spinco Party immediately before the applicable Distribution;
- (III) a Spinco Party to another Spinco Party shall be treated for Tax purposes as having been made by the relevant Spinco Party to Cendant, and by Cendant to the other Spinco Party, immediately before the applicable Distribution.

In each case, none of the Parties shall take any position inconsistent with such treatment, except to the extent that Cendant, Realogy or Wyndham, as the case may be, is required to treat such payment differently as a result of a Final Determination. In the event a Taxing Authority asserts that a Party's treatment of a payment pursuant to this Agreement should be other than as required pursuant to this Agreement (ignoring any potential inconsistent or adverse Final Determination), such Party shall use its reasonable best efforts to contest such challenge.

18. Amendment to Section 8.8. Section 8.8(a) of the Agreement is hereby amended by:

(a) adding to Section 8.8(a)(i) immediately after the words "Cendant shall" the following:

"Assume,"

(b) adding to Section 8.8(a)(ii) immediately after the words "Realogy shall" the following:

"Assume," and

(c) adding to Section 8.8(a)(iii) immediately after the words "Wyndham shall" the following:

"Assume,".

19. Amendment to Section 8.9. Section 8.9(a) of the Agreement is hereby amended by replacing the first sentence thereof (up to subsection (i)) with the following:

"(a) In connection with any Final Determination that occurs after the date hereof in respect of a Pre-2007 Shared Entity Audit other than a Final Determination (x) in respect of any federal Income Tax audit of the affiliated group of which Cendant was the common parent for all taxable years through December 31, 2002 (the "Ongoing Federal Income Tax Audits"), (y) as to the correlative state Income Tax consequences that follow from any Final Determination with respect to such Ongoing Federal Income Tax Audits (the "Ongoing State Income Tax Audits") or (z) attributable to the 2003 reorganization of Cendant's time share business but only to the extent that the Final Determination described in this clause (z) results in the utilization of a foreign Income Tax credit (such Final Determination, after elimination of the Final

Determinations described in clauses (x), (y), and (z) a “Section 8.9 Final Determination”), which Section 8.9 Final Determination results, in the utilization of a net operating loss carryover or Credit Carryover as a result of an increase of items of taxable income or gain of (or the disallowance of items of deduction, loss or credit with respect to) a Shared Entity relating to a Pre-2007 Shared Entity Tax Return, then, with respect to each Applicable Tax Benefit Party, subject to Section 8.10 (relating to the establishment of Caps and Incremental Costs):”

20. Amendment to Section 8.13. Section 8.13 of the Agreement is hereby amended by:

(a) replacing the word “Indemnity” in the heading with the word “Payment”;

(b) adding to Section 8.13(a) immediately after the words “Realogy shall” the following:

“Assume, be liable for and shall”; and

(c) adding to Section 8.13(b) immediately after the words “Wyndham shall” the following:

“Assume, be liable for and shall”.

21. Schedule B. On Schedule B, the line item setting forth the amount of Various State Tax Exposures for Income Tax of Realogy for 1994 – 2005 shall be amended to read 1,666,439 (instead of 1,400,253) and the line item setting forth the amount of Various State Tax Exposures for Income Tax for Wyndham for 1992 – 2005 shall be amended to read 2,639,868 (instead of 4,502,501). In addition, the schedule entitled “Proposed Amendment to Schedule B—Various State Tax Exposures” attached to this Amendment shall be attached as page 2 to Schedule B of the Tax Sharing Agreement.

22. Governing Law. This Amendment shall be governed by and construed in accordance with the internal Laws, and not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York.

23. Miscellaneous.

(a) Except as expressly amended and supplemented hereby, the Agreement remains in full force and effect.

(b) This Amendment may be executed by the Parties in multiple counterparts which may be delivered by facsimile transmission. Each counterpart when so executed and delivered shall be deemed an original, and all such counterparts taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each Party has caused this Amendment to the Agreement to be duly executed on its behalf by an authorized officer as of the date first above written.

AVIS BUDGET GROUP, INC.

By: /s/ David B. Wyshner
Name: David B. Wyshner
Title: Executive Vice President and
Chief Financial Officer

REALOGY CORPORATION

By: _____
Name: Anthony E. Hull
Title: Executive Vice President,
Chief Financial Officer and Treasurer

WYNDHAM WORLDWIDE CORPORATION

By: _____
Name: Virginia Wilson
Title: Executive Vice President and
Chief Financial Officer

IN WITNESS WHEREOF, each Party has caused this Amendment to the Agreement to be duly executed on its behalf by an authorized officer as of the date first above written.

AVIS BUDGET GROUP, INC.

By: _____
Name: David B. Wyshner
Title: Executive Vice President and
Chief Financial Officer

REALOGY CORPORATION

By: /s/ Anthony E. Hull
Name: Anthony E. Hull
Title: Executive Vice President,
Chief Financial Officer and Treasurer

WYNDHAM WORLDWIDE CORPORATION

By: _____
Name: Virginia Wilson
Title: Executive Vice President and
Chief Financial Officer

IN WITNESS WHEREOF, each Party has caused this Amendment to the Agreement to be duly executed on its behalf by an authorized officer as of the date first above written.

AVIS BUDGET GROUP, INC.

By: _____
Name: David B. Wyshner
Title: Executive Vice President and
Chief Financial Officer

REALOGY CORPORATION

By: _____
Name: Anthony E. Hull
Title: Executive Vice President,
Chief Financial Officer and Treasurer

WYNDHAM WORLDWIDE CORPORATION

By: /s/ Virginia Wilson
Name: Virginia Wilson
Title: Executive Vice President and
Chief Financial Officer

Avis Budget Group, Inc.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	Six Months Ended	
	June 30,	
	<u>2008</u>	<u>2007</u>
Earnings before fixed charges:		
Income from continuing operations before income taxes	\$ 7	\$ 47
Plus: Fixed charges	228	262
Earnings available to cover fixed charges	<u>\$ 235</u>	<u>\$ 309</u>
Fixed charges:		
Interest, including amortization of deferred financing costs ^(a)	\$ 197	\$ 233
Interest portion of rental payment	31	29
Total fixed charges	<u>\$ 228</u>	<u>\$ 262</u>
Ratio of earnings to fixed charges	<u>1.03x</u>	<u>1.18x</u>

^(a) Consists of interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor. Interest expense on all indebtedness is detailed as follows:

	Six Months Ended	
	June 30,	
	<u>2008</u>	<u>2007</u>
Related to debt under vehicle programs	\$ 131	\$ 162
All other	66	71
	<u>\$ 197</u>	<u>\$ 233</u>

CERTIFICATIONS

I, Ronald L. Nelson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avis Budget Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2008

/s/ RONALD L. NELSON

 CHIEF EXECUTIVE OFFICER

I, David B. Wyshner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avis Budget Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2008

/s/ DAVID B. WYSHNER
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Avis Budget Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald L. Nelson, as Chief Executive Officer of the Company, and David B. Wyshner, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RONALD L. NELSON

RONALD L. NELSON

CHIEF EXECUTIVE OFFICER

August 7, 2008

/s/ DAVID B. WYSHNER

DAVID B. WYSHNER

EXECUTIVE VICE PRESIDENT AND

CHIEF FINANCIAL OFFICER

August 7, 2008