

Business

Overview

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

We generate significant benefits from operating two distinctive brands that target different industry segments but share the same fleet, maintenance facilities, systems, technology and administrative infrastructure. For the year ended December 31, 2005, we generated revenue of \$5,316 million, Gross EBITDA of \$1,986 million, EBITDA of \$439 million and pro forma EBITDA of \$505 million. The Avis, Budget and Budget Truck brands accounted for approximately 60%, 30% and 10% of our revenue, respectively, in 2005.

Our operations have an extended global reach that includes approximately 6,600 car and truck rental locations in the United States, Canada, Australia, New Zealand, Latin America and the Caribbean. On average, our rental fleet totaled more than 400,000 vehicles, and we completed more than 25 million vehicle rental transactions worldwide in 2005. We derive approximately 79% of our nearly \$4.8 billion in car rental revenue from on-airport locations. We derive approximately 21% of our car rental revenue from off-airport locations, which we refer to as the local rental segment, in which we have been significantly expanding our presence. We rent our fleet of approximately 30,000 Budget trucks through a network of approximately 2,400 dealer operated, 220 company operated and 100 franchisee operated locations throughout the continental United States. We also license the use of the Avis and Budget trademarks in areas in which we do not operate. The Avis and Budget vehicle rental systems in Europe, Africa, the Middle East and parts of Asia are operated at approximately 3,800 locations by subsidiaries of an independent third party primarily under royalty-free trademark license agreements.

We categorize our operations into three operating segments: domestic car rental; international car rental; and truck rental. The table below sets forth key financial and other facts for our operating segments for the year ended December 31, 2005, unless otherwise indicated.

	Domestic Car Rental	International Car Rental	Truck Rental
Revenue	\$4,109 million	\$661 million	\$546 million
Gross EBITDA	\$1,519 million	\$267 million	\$200 million
EBITDA	\$225 million	\$111 million	\$103 million
Rental Days	89 million	12 million	5 million
Average Fleet	325,000	47,000	30,000
Locations*:			
Company Operated	1,350	520	220
Franchised	580	1,390	100
Dealer Operated	—	—	2,400

- Key Facts*
- #1 company in the on-airport segment of the U.S. car rental industry with a share of 32%
 - The leading car rental company in Argentina, Australia, Canada, New Zealand, Puerto Rico and the U.S. Virgin Islands
 - #2 company in the U.S. truck rental industry with a share of 18%
 - Balanced rental revenue base of 49% commercial and 51% leisure
 - Balanced rental revenue base of 51% commercial and 49% leisure
 - Corporate or franchise operations in more than 65 countries
 - Balanced rental revenue base of 33% light commercial, 21% consumer and 46% one-way
 - Avis ranked as #1 rental car brand for customer loyalty for seven consecutive years
 - Young truck fleet with a median age of less than two years
 - Budget ranked as #2 rental car brand for customer loyalty for three consecutive years

* Locations and Key Facts data exclude Europe, Africa, the Middle East and parts of Asia where the Avis and Budget Systems are operated by an independent third party.

Our corporate history

Founded in 1946, Avis is believed to be the first company to rent cars from airport locations. Avis expanded its geographic reach throughout the United States in the 1950s and 1960s. In 1963, Avis introduced its award winning “We try harder” advertising campaign, which is considered one of the top ten advertising campaigns of all time by Advertising Age magazine. Budget was founded in 1958. The company name was chosen to appeal to the “budget-minded” or “value-conscious” vehicle rental customer. Avis possesses a long history of using proprietary information technology systems in its business, and its established, but continually updated Wizard System remains the backbone of our operations. Cendant acquired the Avis brand in 1996, Avis’ capital stock in 2001, and the Budget brand and substantially all of the domestic and certain international assets of Budget’s predecessor in 2002.

Our strengths

Well-known and differentiated brands

We believe that Avis, a leading rental car supplier to the premium commercial and leisure segments of the travel industry, and Budget, a leading rental car supplier to the price-conscious segments of the industry, are two of the most recognized brands in the industry. Our brands’ reputations for service and value allow us to attract and retain commercial and leisure travelers as customers. In fact, Avis has been ranked as the top rental car brand for customer loyalty for seven consecutive years and Budget has been the second-ranked rental car brand for customer loyalty for three consecutive years by a third party research firm. In 2005, Avis was found to have the second-highest brand loyalty of all companies measured without regard to industry. In addition, Avis’ ongoing “We try harder” campaign is considered one of the top ten advertising campaigns of all time by Advertising Age magazine. The differentiated Avis and Budget brands enable us to successfully target various segments of demand with focused service offerings and price points that would be difficult to attract with a single brand.

Leading position in the on-airport segment

We have the leading share of the on-airport segment of the car rental industry in the United States, which has historically comprised the largest segment of the U.S. industry. For 2005, we represented approximately 32% of U.S. on-airport car rental revenue, which is approximately three percentage points, or 10%, higher than that of our second-largest competitor. We have rental locations at virtually all of the major and secondary airports in the United States. Avis maintains an approximate 21% share of the on-airport segment of the U.S. car rental industry, while Budget maintains an approximate 11% share, both based on total revenue for the year ended December 31, 2005.

Established and diversified customer base

Avis maintains business relationships with over 75% of Fortune 500 companies. Most of these relationships date back more than 10 years, and Avis has experienced annual retention rates in excess of 95% among its commercial and government accounts. We believe Avis' commitment to a high level of customer service enables us to maintain these long-lasting relationships. Moreover, Avis' reputation for premium customer service and established customer loyalty allows us a premium pricing position. This brand positioning is a central part of Avis' business strategy, supported by our investments in service-oriented programs such as Avis Cares, Avis Preferred, Avis Access, Roving Rapid Return, Avis Assist and Avis Interactive. Our Avis Preferred expedited rental service currently has more than 2.5 million members who account for approximately 45% of Avis' rental revenue. Our award-winning Avis Access program offers special products and services for drivers and passengers with disabilities.

As the name suggests, Budget offers a strong value proposition to price-conscious customers. We attract and retain customers not only with our value-oriented pricing, but also through our marketing relationships with Southwest Airlines Co., Wal-Mart Stores, Inc. and others. Budget also maintains commercial relationships with over 2,500 large and mid-sized companies and with many small business customers. The revenue associated with these commercial customers comprises 27% of Budget's revenue base. Customer loyalty is enhanced by providing express counter service and other amenities through its Fastbreak program, which currently has more than 1.4 million members who account for approximately 16% of Budget's car rental revenue.

Cost savings through combined fleet and infrastructure

While we have adopted a dual brand strategy for virtually all customer-facing aspects of our business, we operate as a single company for non-customer-facing functions, including fleet management, information technology, maintenance and damage repair, claims processing, finance, risk management, human resources, administration and other consolidated functions. We achieve significant cost savings and efficiencies as a result of this approach.

We operate a shared fleet for our Avis and Budget brands, which allows us to manage our fleet (our largest single expense) more efficiently and increase utilization. The different demand patterns of the target consumers of Avis and Budget permit this efficiency. Commercial demand, which is greater at Avis, is strongest during mid-week periods, while price-conscious customer demand, which favors Budget, typically peaks during weekends. We take advantage of these demand patterns by shifting our fleet between the brands as needed. By doing so, we are able to increase fleet utilization and reduce the size of the overall fleet, resulting in increased profitability.

Flexible business model and limited asset risk

We have a flexible business model and maintain a highly variable cost structure. Unlike many other travel related companies, we have the ability to manage our inventory to meet demand. For model year 2005, 99% of the rental cars in our domestic fleet were subject to repurchase agreements with the car manufacturers. The portion of our fleet that is not subject to repurchase agreements is disposed through well organized, liquid markets. We estimate that fixed costs

represent approximately one-fourth of our total costs. A number of our other major operating costs, including commissions and vehicle accident liability expenses, are directly related to revenue or transaction volumes. We also maintain a flexible work arrangements with our field personnel, which is comprised of a significant number of part-time and/or seasonal workers, which generally permits us to rapidly increase or decrease the size of our work force if conditions warrant. Our flexible cost structure permits us to rapidly adjust to market opportunities, while allowing us the ability to maintain profitability during adverse economic conditions and unforeseen external events.

Proprietary information management systems

We utilize a proprietary online information management system to manage virtually all facets of our car rental operations. This proprietary computer system, known as Wizard, is used by Avis and Budget for global reservations processing, rental agreement generation and administration and fleet accounting and control. The Wizard System is linked to all major travel distribution networks worldwide and provides real-time processing for travel agents, corporate travel departments and individual consumers through our web sites.

The Wizard System is a global system, operating across multiple countries and processing transactions in multiple currencies. The system can accommodate growth as demonstrated by the rapid integration of Budget's processing needs with Wizard following the acquisition of Budget in 2002. The Wizard System also transfers valuable information to our data warehouse, which we mine to target our customers with unique marketing and loyalty offers.

Diverse and robust distribution systems

We attract customers and derive revenue from a variety of sources. Overall, we have a balanced mix of distribution channels with approximately 56% of our domestic reservations generated through proprietary channels such as our web sites and call centers and approximately 44% of our domestic reservations derived from third party and other Cendant-owned channels. These channels include all major global distribution systems, or GDS (Amadeus, Galileo, Sabre and Worldspan), and all major online travel agencies (including CheapTickets, Expedia, Hotwire, Orbitz, Priceline and Travelocity). No single online travel agency accounted for more than 2% of our domestic reservations in 2005.

A steadily increasing number of Avis and Budget vehicle rental customers obtain rate, location and fleet information and then reserve their rentals directly on our proprietary web sites, avis.com and budget.com. Direct bookings on our web sites cost less per transaction than bookings made through our voice reservation agents or through third party distribution systems, generating cost savings for us. In 2005, 21% of Avis' domestic reservations were made through avis.com and 27% of Budget's domestic reservations were made through budget.com. In 2005, avis.com reservations grew by 30% and budget.com reservations grew by 19% over the prior year.

Strong and experienced management team

Following the proposed Separation Transactions, the existing operating management team of Cendant's vehicle rental business will continue to run our business. The management team will be led by Cendant's current President and Chief Financial Officer, Ronald L. Nelson, as Chairman and Chief Executive Officer along with our President and Chief Operating Officer, F. Robert Salerno, who has 35 years of rental car industry experience. Additionally, our 13 next most senior members of the management team have, on average, over 18 years of industry experience and our Area Vice Presidents have, on average, over 30 years of industry experience. Our management team has a strong track record of maintaining profitability through economic cycles by successful and disciplined execution of our business strategy.

Our strategy

Our objective is to enhance our growth, profitability and position as a leader in the car and truck rental industries. We expect to achieve our goals by focusing our efforts on the following core strategic initiatives:

Enhance Avis' industry leading position

The Avis brand has a strong reputation as a leading rental car supplier to the premium commercial and leisure segments of the travel industry. We intend to maintain this reputation and have designed initiatives to drive volume growth and enhance the profitability of the brand. In 2005, Avis' revenue increased by 11% compared to 2004 as a result of continued success in retaining existing commercial relationships, winning new accounts, running targeted advertising and promotions, and instituting differential pricing strategies and loyalty initiatives such as our Avis Preferred, Roving Rapid Return, Avis Assist and Avis Access programs. Our ability to pursue these initiatives benefited from our continued emphasis on cost containment, productivity improvement and yield management. As a result of these efforts in 2005, Avis added a significant number of new accounts, with contracted business up 5.4% for large corporate accounts and 5.9% for small business accounts.

Expand presence in price-conscious segments of the industry

We believe Budget provides us with significant opportunities for growth within the price-conscious segments of the industry. We plan to expand Budget's rental day volume and enhance its profitability through improved brand positioning, cost controls and increased focus on small business accounts and unaffiliated travel customers. For example, in the spring of 2005, we launched a new, simplified Budget Small Business Program, which has been named "Best Car Rental Value" by Entrepreneur Magazine in their 2006 Business Travel Awards, and relaunched budget.com. Since that time, budget.com has become a growing source of reservations and accounted for 27% of Budget's domestic reservations in 2005. Further, we intend to continue to grow our customer loyalty programs, such as Fastbreak, expand our travel agent rewards programs, such as Unlimited Budget, and further develop our yield management system, which is designed to increase profits by providing greater control of vehicle availability and rate availability changes. As a result of these efforts in 2005, we increased Budget revenue and rental day volume by 19% each over 2004.

Continue to expand local rental segment locations

We seek to accelerate local rental revenue growth for Avis and Budget by continuing to expand the number of non-airport locations we operate. We opened approximately 100 new locations in the local rental segment in 2005, and we intend to expand our local rental segment business through the opening of new locations and a combination of advertising, promotions, local sales calls and targeted marketing to members of various associations and corporations. Establishing these locations requires minimal expenditures, which generally are limited to leasing the location, paying any applicable permits or other governmental licensing fees and incurring minimal signage and counter installation costs. The local rental segment, including insurance replacement demand, continues to be robust and represents a growing segment for both Avis and Budget. Our insurance replacement business has grown due to new business relationships, the utilization of the location network of Avis and Budget, and enhanced technology.

Continue to upgrade our Budget truck rental operations

Over the past several years, we have established Budget as a significant competitor in the truck rental industry. We have achieved incremental benefits by consolidating our fleet under a unified brand image and implementing performance improvements in rental operations and vehicle maintenance. Our median truck age is less than two years old, which we believe helps us to

provide high-quality truck rental services to our customers. We intend to strengthen our industry position by continuously upgrading our fleet, distribution network, vehicle maintenance programs and personnel. We expect to continue to enhance profitability through improved pricing and fleet utilization as well as through rigorous cost control.

Rigorously control costs

We have launched an intensified program to achieve substantial and sustainable cost reductions. The cost reduction program, which involves an ongoing study at rental car locations, aims to identify best practices and set cost-reduction targets, track consumer response to cost takeout measures, and redesign service and operational processes to achieve long-term cost reductions.

Continue to diversify fleet suppliers

In order to control the increases in our fleet costs due to manufacturers' increased prices, we continue seeking to broaden our relationships with vehicle manufacturers. Today, while Avis' featured supplier is General Motors and Budget's featured supplier is Ford, we operate a consolidated fleet for the two brands. The consolidated fleet offers opportunities to utilize the fleet as needed to achieve the best economic return. We plan to increase our purchases from additional manufacturers to continue to broaden our vehicle purchasing base. This diversification process has been under way for several model years.

Car rental business

Car rental industry

We estimate the size of the global car rental industry to be approximately \$30 billion in annual revenue. Within this industry, we operate primarily in North America, Australia, New Zealand, Latin America and the Caribbean. The car rental industry includes the rental of all passenger car types, including certain passenger vans and sport utility vehicles, for corporate or individual use, for recreational or commercial purposes and for contractual periods of 30 days or less. This industry is comprised of both on-airport and local rental business. The on-airport segment serves commercial and leisure customers and is generally defined as those operations where a car rental operator pays concession fees to the applicable airport authority of an airport with scheduled commercial air service in exchange for either access to the airport terminal, for both retail counter space and/or shuttle bus services, or access to nearby locations on property owned by the applicable airport authority. The local rental segment serves commercial, leisure and insurance replacement customers located in urban and suburban locations. Ancillary optional products offered to car rental customers include, among other things, refueling services, loss damage waivers and insurance coverage.

Within the global car rental industry, the on-airport segment generates total annual revenue of approximately \$18 billion, representing approximately 60% of the global car rental industry's overall size. The local rental segment generates total revenue of approximately \$12 billion, representing approximately 40% of the global car rental industry's total revenue. Demand for commercial rentals is typically strongest mid-week while leisure customer demand is strongest on weekends.

The United States is the world's largest car rental marketplace, producing approximately \$18 billion in annual revenue and representing approximately 60% of the global car rental industry. The on-airport segment generates total revenue of approximately \$11 billion, equivalent to 60% of the U.S. car rental industry's overall size. This portion of the industry is significantly influenced by developments in the travel industry, especially airline passenger traffic, or enplanements. We anticipate favorable industry growth, as the U.S. Department of Transportation projects that domestic enplanements will grow at an annual rate of 3.8% during the period from 2005 through 2010. The local rental segment accounts for the remainder of the industry, generating total revenue of approximately \$7 billion, equivalent to approximately 40% of the U.S. car rental

industry's overall size. Local rental segment car rental revenue is becoming an increasing percentage of total car rental revenue and we believe it will continue to grow faster than revenue from on-airport car rentals. Growth in the local rental segment of the car rental industry is driven by commercial and leisure travel and insurance replacement demand.

Operations—Avis

We operate and franchise approximately 2,000 of the approximately 5,000 rental locations that comprise the Avis car rental system (the "Avis System"), which represents one of the largest car rental systems in the world, based on total revenue and number of locations, and encompasses locations at all of the largest airports and cities in the United States and internationally. The Avis System in Europe, Africa, the Middle East and parts of Asia is primarily operated under royalty-free license agreements with Avis Europe Holdings, Limited ("Avis Europe"), an independent third party, and is comprised of approximately 3,000 company operated and sub-licensee locations. As used in this offering memorandum, "Avis" excludes the operations of Avis Europe.

We own and operate approximately 1,200 Avis car rental locations in both the on-airport and local rental segments in North America, Australia, New Zealand, Latin America and the Caribbean. For 2005, Avis generated total revenue of approximately \$3.2 billion, of which approximately 85% (or \$2.7 billion) was derived from U.S. operations. In addition, we franchise the Avis System to independent business owners in approximately 850 locations throughout the United States, Canada, Latin America, Australia and New Zealand. In 2005, approximately 95% of the Avis System domestic rental revenue was generated by locations we owned or locations operated on our behalf under agency agreements with independent contractors, and the remainder was generated by locations operated by franchisees. Franchisees generally pay fees based either on total time and mileage charges or total revenue. With respect to our agency agreements with independent contractors, we typically control the fleet and the location and the rentals are made in our corporate name.

The Avis brand provides high-quality car rental services at price points generally above non-branded and value-branded national car rental companies. The featured vehicle supplier for our Avis brand is General Motors Corporation. We offer Avis customers a variety of premium services, including (i) Avis Cares, a program which provides customers with area-specific driver safety information, the latest child safety seats (available for rent) and local information and driving maps; (ii) Avis Preferred, a counter bypass program, which is available at major airport locations; (iii) Avis Access, a full range of special products and services for drivers and passengers with disabilities; (iv) Roving Rapid Return program, which permits customers who are returning vehicles to obtain a printed charge record at the vehicle as it is being returned; (v) Avis Assist, a portable cell phone equipped with GPS navigation that provides talking directions, traffic and weather advisories and Amber Alert information to renters, as well as access to 911, roadside assistance and access to Avis reservation centers; and (vi) Avis Interactive, a proprietary management tool that allows select corporate clients to easily view and analyze their rental activity via the Internet through account analysis and activity reports, allowing these clients to better manage their travel budgets and monitor employee compliance with applicable travel procedures.

Operations—Budget

The Budget vehicle rental system (the "Budget System") is one of the largest car rental systems in the world, based on total revenue and number of locations. We operate or franchise 1,800 of the approximately 2,600 car rental locations in the Budget System, including locations at most of the largest airports and cities in the United States and certain other regions. The Budget System in Europe, Africa and the Middle East is operated under a royalty-free trademark license agreement with an independent third party, which is an affiliate of Avis Europe and is comprised of approximately 840 company operated and sub-licensee locations. As used in this offering memorandum, "Budget" excludes the operations of this affiliate of Avis Europe.

We own and operate approximately 680 Budget car rental locations in the United States, Canada, Puerto Rico, Australia and New Zealand. The featured vehicle supplier for our Budget brand is Ford Motor Company. For the year ending December 31, 2005, our Budget car rental operations generated total revenue of approximately \$1.6 billion, of which 90% (or \$1.4 billion) was derived from U.S. operations. We also franchise the Budget System to independent business owners who operate approximately 1,100 locations throughout the United States, Canada, Latin America, the Caribbean and the Asia Pacific region. In 2005, approximately 87% of the Budget System domestic rental revenue was generated by locations owned by us or operated for us under agency agreements with independent contractors, with the remainder generated by locations operated by independent franchisees. Independent franchisees generally pay fees based on gross rental revenue. With respect to our agency agreements with independent contractors, we typically control the fleet and the location, and the rentals are made in our corporate name.

Budget is a leading rental car supplier to the price-conscious segments of the industry. Budget offers Fastbreak, an expedited rental service for frequent travelers. In 2005, we also launched the Budget Small Business Program, a program targeting the needs of small businesses. The Budget Small Business Program has been named "Best Car Rental Value" by Entrepreneur Magazine in their 2006 Business Travel Awards.

Reservations

Customers can make Avis and Budget reservations through our Avis and Budget web sites at avis.com and budget.com, through our reservation centers toll-free at 1-888-777-AVIS and 1-800-BUDGET7, respectively, through online travel portals, through selected partners including many major airlines utilizing direct connect technology, through their travel agent or by calling a location directly. Travel agents can access the Wizard System through all major global distribution systems and can obtain information with respect to rental locations, vehicle availability and applicable rate structures through these systems.

Marketing

Avis and Budget support their premium and value brand positions through a range of marketing channels and campaigns, including traditional media, such as television, radio and print advertising, as well as Internet and direct marketing. Avis focuses its marketing around its industry-leading customer loyalty and its award-winning "We try harder" campaign. Budget builds its marketing around retail advertising, key partnerships, and new media, including extensive online advertising and its 2005 Internet-only "blog" campaign recognized by Beyond Madison Avenue as the "Campaign of the Year".

We maintain strong links to the travel industry. Avis and Budget offer customers the ability to earn frequent traveler points with most major airlines' frequent traveler programs. Avis and Budget are also affiliated with TripRewards, Cendant's growing frequency marketing program, and with the frequency programs of major hotel companies, including Hilton Hotels Corporation, Hyatt Corporation and Starwood Hotels and Resorts Worldwide, Inc. and Wyndham Worldwide. These arrangements provide incentives to program participants and cooperative marketing opportunities including call transfer programs and online links with various partners' web sites. Avis has an agreement with Cendant's lodging brands whereby lodging customers making reservations by telephone may be transferred to Avis if they desire to rent a vehicle. After the proposed Separation Transactions, we intend to preserve certain of these cross-selling opportunities with the Separated Businesses through contracts which are expected to be negotiated prior to the completion of the Separation Transactions.

In 2005, approximately 75% of vehicle rental transactions from our owned and operated Avis locations in the United States were generated by travelers who rented from Avis under contracts between Avis and the travelers' employers or through membership in an organization with whom Avis has a contractual affiliation (such as AARP). Avis also has marketing relationships with American Express Company and Sears, Roebuck and Co., through which we are able to provide

customers of these companies with incentives to rent from Avis. Avis licensees also have the option to participate in these affiliations. For unaffiliated commercial and leisure travelers, Avis solicits business through media, direct mail and email and Internet advertising. Avis conducts various loyalty programs through direct marketing campaigns, including Avis Preferred, which allows customers to bypass the counter, and Preferred Select, which offers upgrades and other incentives to our best customers. As a result of these programs, Avis has been ranked as the top rental car brand for customer loyalty for seven consecutive years by a third party research firm. Travel agents are also able to participate in the Avis travel agent reward program, Club Red.

Similarly, Budget offers "Unlimited Budget", a loyalty incentive program for travel agents which had approximately 24,000 travel agents actively enrolled as of December 31, 2005. Budget also has contractual arrangements with American Express Company and other organizations which offer members of these groups incentives to rent from Budget. In connection with its focus on price-conscious customers, Budget primarily relies on retail advertising, including Internet advertising, and on value pricing to drive customers to our Budget website, Budget call centers, and other distribution channels. Budget also offers proprietary marketing programs such as Fastbreak, an expedited rental service for frequent renters.

Our international Avis and Budget operations maintain close relationships with the travel industry through participation in several non-U.S. based airline frequent traveler programs, such as those operated by Air Canada and Qantas Airways Limited, as well as participation in Avis Europe's programs with British Airways Plc, Deutsche Lufthansa AG and other carriers.

Franchising

Of the approximately 2,000 Avis and approximately 1,800 Budget car rental locations at December 31, 2005, approximately 42% and 62%, respectively, were owned and operated by franchisees. Franchised locations range from large operations at major airport locations with fleet sizes in excess of 3,000 vehicles to franchise territories encompassing an entire country to relatively small operations in suburban locations with fleets of fewer than 50 vehicles. Franchises provide us with a source of high margin revenue as there are relatively limited additional fixed costs associated with fees paid by franchisees to us.

We enjoy good relationships with our franchisees and meet regularly with them at regional, national and international meetings. Our relationships with Avis and/or Budget franchisees are governed by franchise agreements that grant the franchisees the right to operate Avis and/or Budget vehicle rental businesses in certain exclusive territories. These franchise agreements impose obligations on the franchisee regarding the operations of each franchise and restrict the franchisee's ability to transfer its franchise agreement and the franchisee's capital stock. Each franchisee is required to adhere to our system standards for each brand as updated and supplemented by our policy bulletins, brand manuals and service programs. We maintain the right to monitor the operations of franchisees and, when applicable, can declare a franchise to be in default under its franchise agreements, which may or may not be curable. We can terminate these franchise agreements for certain defaults, including failure to pay franchise fees and failure to adhere to our operational standards.

In general, the franchise agreements grant the franchisees the exclusive right to operate an Avis or Budget car and truck rental business in a particular geographic area. Certain franchisees in the United States are also separately franchised exclusively to sell used cars under the Avis or Budget brand. Franchise agreements usually provide for renewal terms for no additional fee so long as the franchisee is not in default. Upon renewal, the terms and conditions of the franchise agreement (other than with respect to royalty fees, territory and certain other material terms) may be amended from those contained in the expiring franchise agreements. The royalty fee payable to us under franchise agreements is generally 5% to 7.5% of gross rental revenue in the United States and 5% of gross rental revenue in non-U.S. territories, but certain franchisees of each brand, both internationally and domestically, have franchise agreements with different royalty fee structures.

Pursuant to their franchise agreements, some franchisees must meet certain requirements relating to the number of rental offices in their franchised territory, the number of vehicles available for rental and the amount of their advertising and promotional expenditures. In general, each franchise agreement provides that the franchisee must not engage in any other vehicle rental business within the franchised territory during the term of such agreement and, in the Budget franchise agreement, for 12 months thereafter. Upon termination of a franchise, the franchisee is also prohibited from using the Avis or Budget name and related marks in any business.

Other revenue

In addition to revenue from vehicle rentals and franchisee royalties, we generate revenue from Avis and Budget customers through the sale of optional products and services such as supplemental equipment (child seats and ski racks), loss damage waivers, additional/supplemental liability insurance, personal accident/effects insurance and several types of fuel service options and fuel service charges.

A traditional revenue source for the vehicle rental industry has been the sale of loss damage waivers, by which rental companies agree to relieve a customer from financial responsibility arising from vehicle damage incurred during the rental period, if the customer has not breached the rental agreement. Approximately 4.4% of our vehicle operations revenue during 2005 was generated by the sale of loss damage waivers. To date, 24 states have enacted legislation that requires disclosure to each customer at the time of rental that damage to the rented vehicle may be covered by the customer's personal automobile insurance and that loss damage waivers may not be necessary. In addition, New York permits the sale of loss damage waivers at a capped rate per day based on the vehicle manufacturer's suggested retail price. Illinois, Nevada and California have similar statutes, which establish the daily rate which can be charged for loss damage waivers.

Web sites

Avis and Budget have strong brand presence on the Internet through their web sites, avis.com and budget.com, as well as third party web sites. A steadily increasing number of Avis and Budget vehicle rental customers obtain rate, location and fleet information and then reserve their rentals directly on these web sites. Direct bookings via our web sites incur less cost per transaction than bookings made through our voice reservation agents or through third party distribution systems. Therefore, the trend toward Internet bookings is generating cost savings for us. In addition, both Avis and Budget have agreements to promote their car rental services with major Internet portals and have a strong advertising presence on various search engines.

Over 46% of Budget's 2005 domestic reservations were derived from bookings over the Internet, with 27% of reservations derived from bookings on budget.com. Over 25% of Avis' domestic reservations were derived from bookings over the Internet, with 21% derived from bookings on avis.com. In 2005, avis.com reservations grew by 30% over the prior year and budget.com reservations grew by 19%.

The Wizard System

We own the Wizard System, our worldwide reservations, rentals, data processing and information management system. The Wizard System enables us to process over a million incoming customer inquiries each day, providing our customers with accurate and timely information about our locations, rental rates and vehicle availability, as well as the ability to place or modify reservations. Additionally, the Wizard System is linked to all major travel distribution networks worldwide and provides real-time processing for travel agents, travel industry partners (such as airlines), corporate travel departments and individual consumers through our web sites or calls to our reservation agents. The Wizard System also provides information as to vehicle availability

and rates as well as personal profile information in an accurate and timely manner. Among the principal features of the Wizard System are:

- “Roving Rapid Return”, which permits customers who are returning vehicles to obtain completed charge records from wireless-connected “Roving Rapid Return” agents who complete and deliver the charge record at the vehicle as it is being returned;
- “Preferred Service”, Avis’ expedited rental service that provides enrolled customers with a printed Preferred Service rental record in their pre-assigned vehicle and a fast convenient check-out;
- “Fastbreak”, Budget’s expedited rental service which allows for a faster processing of rentals and service for enrolled customers;
- “Wizard on Wheels”, which enables us to assign vehicles and complete rental agreements while customers are being transported to the rental vehicle;
- “Flight Arrival Notification”, a system that alerts rental locations when flights have arrived so that vehicles can be assigned and paperwork prepared automatically;
- “Avis Link”, which automatically identifies when a customer with a profile on record is entitled to special rental rates and conditions, and therefore sharply reduces the number of instances in which we inadvertently fail to give Avis renters the benefits of negotiated rate arrangements to which they are entitled;
- “Credit Card Link”, which allows both brands to verify all major credit cards in a real time connection during the rental processing;
- interactive interfaces through third party computerized reservation systems such as Galileo and Sabre;
- “Avis Interactive”, which allows select corporate clients to easily view and analyze their rental activity via the Internet through account analysis and activity reports, allowing these clients to better manage their travel budgets and monitor employee compliance with applicable travel procedures;
- “Direct Connect”, a service offered to business to business partners that allows them to easily connect their electronic systems to the Wizard System, for either brand, and to obtain rate, location and fleet information as well as book reservations for their customers; and
- sophisticated automated ready-line programs that, among other things, enable rental agents to ensure that a customer who requests a particular type of vehicle will receive the available vehicle of that type which has the lowest mileage.

We also use data supplied from the Wizard System and airline reservation systems in certain proprietary information management systems to maintain centralized control of major business processes such as fleet acquisition and logistics, sales to corporate accounts and determination of rental rates. The principal components of the systems we employ include:

- *Fleet planning model.* We have created a comprehensive decision tool to develop fleet plans and schedules for the acquisition and disposition of our fleet, along with fleet age, mix, mileage and cost reports based upon these plans and schedules. This tool allows management to monitor and change fleet volume and composition on a daily basis and to develop the lowest cost fleet alternative based on business levels and available repurchase programs.
- *Yield management.* We have created a yield management system which is designed to enhance profits by providing greater control of vehicle availability and rate availability

changes at our rental locations. The system monitors and forecasts supply and demand to support our efforts to optimize volume and rate at each location. Integrated into this yield management system is a fleet distribution module that takes into consideration the costs as well as the potential benefits associated with distributing vehicles to various rental locations within a geographic area to accommodate rental demand at these locations. The fleet distribution module makes specific recommendations for movement of vehicles between locations.

- *Pricing decision support system.* Pricing in the vehicle rental industry is highly competitive and complex. To improve our ability to respond to rental rate changes in the marketplace, we have developed sophisticated systems to gather and report competitive industry rental rate changes every day. The system, using data from third party reservation systems as its source of information, automatically scans rate movements and reports significant changes to a staff of pricing analysts for evaluation. The system greatly enhances our ability to gather and respond to rate changes in the marketplace.
- *Business mix model.* We have developed a strategic planning model to evaluate the discrete segments of our business relative to each other. The model considers revenue and costs to determine the potential margin contribution of each discrete segment. The model develops business mix and fleet optimization recommendations by using data from our financial systems, the Wizard System and the fleet and revenue management systems along with management's objectives and targets.
- *Customer profitability model.* We have developed a sophisticated model which analyzes a corporate customer's rental pattern to estimate the fleet costs, operations costs and division overhead expenses associated with that customer's vehicle rentals. We use this profitability model to determine the financial merit of individual corporate contracts.
- *Enterprise data warehouse.* We have developed a sophisticated and comprehensive electronic data storage and retrieval system which retains information related to various aspects of our business. This data warehouse allows us to take advantage of comprehensive management reports, query capability and easy access to data for strategic decision making for both brands.
- *Sales and marketing systems.* We have developed a sophisticated system of online data screens which enables our sales force to analyze key account information of our corporate customers including historical and current rental activity, revenue and booking sources, top renting locations, rate usage categories and customer satisfaction data. We use this information, which is updated weekly and captured on a country-by-country basis, to determine opportunities for revenue growth, profitability and improvement.
- *Interactive adjustments.* We have developed a multi-linked customer data system which allows us to easily retrieve pertinent customer information and make needed adjustments online for superior customer service. This data system links with other accounting systems to handle any charge card transactions automatically.

Fleet

General. We maintain a single fleet of vehicles for Avis and Budget. We rent a wide variety of vehicles, including luxury and specialty vehicles. Our fleet consists primarily of vehicles from the current and immediately preceding model year. Rentals are generally made on a daily, weekly or monthly basis. Rental charges are computed on the basis of the length of the rental or, in some cases, on the length of the rental plus a mileage charge. Rates vary at different locations depending on the type of vehicle rented, the local marketplace and competitive and cost factors. Most rentals are made utilizing rate plans under which the customer is responsible for gasoline used during the rental. We also generally offer our customers the convenience of leaving a rented vehicle at a location in a city other than the one in which it was rented, although, consistent with

industry practices, a drop-off charge or special intercity rate may be imposed. We facilitate one-way car rentals between corporate-owned and franchised locations in the United States that enable us to operate as an integrated network of locations.

Vehicle purchasing. We participate in a variety of vehicle purchase programs with major domestic and foreign vehicle manufacturers. During 2005, approximately 82% of the cars acquired for our U.S. car rental fleet were manufactured by either General Motors or Ford. The substantial majority of vehicles used in our rental car business are purchased through our principal U.S. vehicle financing, the AESOP ABS Facility. Vehicles purchased through the AESOP ABS Facility are subject to the terms and conditions governing the AESOP ABS Facility. See "Description of other indebtedness—Rental car ABS Facility".

Vehicle disposition. We generally hold a vehicle in our domestic fleet for a term of four to twelve months. For model years 2005 and 2004, approximately 99% of the rental cars purchased for our domestic car fleet were the subject of agreements requiring automobile manufacturers to repurchase them. The programs in which we participate currently require that the program vehicles be maintained in our fleet for a minimum number of months (typically four to nine months) and impose numerous return conditions, including those related to mileage and condition. At the time of return to the manufacturer, we receive the price guaranteed at the time of purchase and are thus protected from fluctuations in the prices of previously-owned vehicles in the wholesale market at the time of disposition. The future percentages of program vehicles in our fleet will be dependent on the availability and attractiveness of manufacturers' repurchase programs, over which we have no control. In addition to manufacturers' repurchase programs, we dispose of our rental fleet largely through automobile auctions. All vehicles purchased through and held in the AESOP ABS Facility, which constitute the substantial majority of our vehicles, are subject to additional terms and conditions relating to vehicle dispositions. See "Description of other indebtedness—Rental car ABS Facility".

Of the approximately 400,000 cars from our rental car fleet that we sold in 2005, we sold approximately 95%, or 380,000, back to the manufacturers pursuant to repurchase programs and the rest through third party channels such as wholesale auctions.

Utilization and seasonality. Our car rental business is subject to seasonal variations in customer demand, with the summer vacation period representing the peak season. The general seasonal variation in demand, along with more localized changes in demand at each of our locations, causes us to vary our fleet size over the course of the year. For 2005, our average monthly fleet size in the U.S. ranged from a low of approximately 268,000 vehicles in January to a high of approximately 368,000 vehicles in July. Fleet utilization for 2005, which is based on the number of rental days (or portion thereof) that vehicles are rented compared to the total number of car days that vehicles are available for rent, ranged from 67% in December to 80% in August and averaged 76% for 2005. We believe that our method of calculating utilization, while conservative, provides our management with the most relevant statistics in order to manage this business. Our calculation may not be comparable to other companies' calculation of similarly titled statistics.

Maintenance. We place a strong emphasis on vehicle maintenance since quick and proper repairs are critical to fleet utilization. To accomplish this task we employ two full-time National Institute for Automotive Service Excellence ("ASE") fully certified technician instructors at our headquarters. These instructors have developed a specialized training program for our 410 technicians who operate in 100 maintenance and damage repair centers for both Avis and Budget. The technicians/instructors also maintain strong relationships with General Motors and Ford. We use advanced diagnostic equipment, including General Motors' "Techline" and "Tech 2" diagnostic computers and Ford's PDS diagnostic system. Our technician training department also prepares its own technical service bulletins that can be retrieved electronically at all of our repair locations. Approximately 89% of our technicians are ASE certified.

Increased fleet costs. We expect increases in rental car fleet costs of \$125 million to \$145 million in 2006 versus 2005, excluding any impact from changes in our fleet size. We expect

increases in truck fleet costs of \$25 million to \$30 million in 2006 versus 2005, excluding any impact from changes in our fleet size. The preceding forward-looking statements are based on management estimates, currently available information and assumptions which management believes to be reasonable. Forward-looking statements are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management. We caution that these statements may not be indicative of future fleet costs and we can provide no assurance that such expectations will be achieved. Actual fleet costs may differ materially from those expressed or implied in the forward-looking statements. See "Forward-looking statements" and "Risk factors".

Customer service

Our commitment to delivering a consistently high level of customer service is a critical element of our success and strategy. Each week our quality auditors conduct unannounced reviews of at least three major airport locations to measure service levels by location. We identify specific areas of achievement and opportunity from these assessments. We address areas of improvement on a system-wide level and develop standard methods and measures. The major focus areas of these assessments include: (i) vehicle condition and availability; (ii) customer interaction, including helpfulness and courtesy; and (iii) location image. In addition, we utilize a toll-free "800" number and a dedicated customer service email address to allow customers of both Avis and Budget to report problems directly to our customer relations department. Location associates and managers also receive training and are empowered to resolve all customer issues at the location level. We prepare weekly and monthly reports on the types and number of complaints received for use in conjunction with the customer satisfaction reports by location management as feedback of customer service delivery. Finally, we conduct daily location-specific customer satisfaction tracking by sending web-based surveys to recent customers of our top volume locations.

Airport concession fees

In general, concession fees for on-airport locations are based on a percentage of total commissionable revenue (as determined by each airport authority), subject to minimum annual guaranteed amounts. Concessions are typically awarded by airport authorities every three to five years based upon competitive bids. Our concession agreements with the various airport authorities generally impose certain minimum operating requirements, provide for relocation in the event of future construction and provide for abatement of the minimum annual guarantee in the event of extended low passenger volume.

Competition

The car rental industry is characterized by intense price and service competition. The following chart compares our estimated share of the on-airport car rental segment to the estimated shares of our major competitors for 2004 and 2005 based on revenue reported to the operators of the 210 largest airports at which we operate in the United States.

Share of On-Airport Car Rental Revenues

	2004	2005
Avis	21.4%	21.3%
Budget.....	10.7%	11.1%
Avis Budget Car Rental brands	32.1%	32.4%
Hertz.....	29.8%	29.4%
National	14.3%	13.7%
Alamo	5.4%	5.5%
Vanguard brands	19.7%	19.2%
Dollar	7.9%	7.3%
Thrifty	3.5%	3.4%
Dollar Thrifty brands	11.4%	10.7%
Enterprise.....	5.6%	6.6%
Other	1.4%	1.7%
Total	100.0%	100.0%

Competition in the U.S. vehicle rental operations business is based primarily upon price, reliability, vehicle availability, national distribution, usability of booking systems, ease of rental and return and other elements of customer service. In addition, competition is influenced strongly by advertising, marketing and brand reputation.

Truck rental business

Industry overview

Our truck rental business serves both the consumer and light commercial sectors within the United States for contractual periods of 30 days or less. The consumer sector consists primarily of individuals who rent trucks to move household goods on either a one-way or local basis. The light commercial sector consists of a wide range of businesses that rent light- to medium-duty trucks for a variety of commercial applications. Industry sources estimate that the U.S. truck rental industry, which includes rentals for contractual periods of 30 days or less generated total revenue of approximately \$3 billion in 2005.

The U.S. Bureau of Census estimates that each year about 15 million households move within the United States. As an alternative to professional moving companies, van lines and other options, the truck rental industry serves about one-third of these moves.

Operations

Budget's truck rental business is one of the largest local and one-way truck rental businesses in the United States. The Budget truck rental business has a combined fleet of approximately 30,000 trucks, with a median truck age of less than two years old, which are rented through a network of approximately 2,400 dealers, 220 company operated and 100 licensee operated locations throughout the continental United States. The Budget truck rental business serves both the consumer and light commercial sectors. The consumer sector consists primarily of individuals who rent trucks to move household goods on either a one-way or local basis. The light commercial sector consists of a wide range of businesses that rent light- to medium-duty trucks, which we define as trucks having a gross vehicle weight of less than 26,000 pounds, for a variety of commercial applications. In 2005, the Budget truck rental business generated total revenue of approximately \$546 million.

We primarily advertise in “yellow pages” telephone directories to promote our truck rental business to potential customers. Budget truck rental customers can make reservations through the Budget truck rental reservation center toll-free at 1-800-GO-BUDGET, through our Budget truck rental web site at budgettruck.com or by calling a location directly. In addition, we have established online affiliations with web sites like moving.com to reach our targeted audience. Budget truck rental reservations may also be made through the budget.com web site.

Distribution

Budget's truck rental business is offered through a national network, which included approximately 2,400 dealers as of December 31, 2005. These independent dealers are primarily self-storage facilities, rental centers, hardware stores, service stations and other similar service retailers. In addition to the dealers' principal businesses, the dealers rent our light- and medium-duty trucks to consumers and to our commercial accounts and are responsible for collecting payments on our behalf. The dealers receive a commission on all truck rentals and ancillary equipment. Generally, dealership agreements may be terminated by either party upon 30 to 90 days' prior written notice.

Competition

The truck rental industry is characterized by intense price and service competition. We compete with a large number of truck rental companies throughout the country, including U-Haul International, Inc., Penske Truck Leasing Corporation, Ryder System, Inc., Enterprise Rent-A-Car Company and many others.

Seasonality

Our truck rental operations are subject to seasonal demand patterns, with generally higher levels of demand occurring during the late spring and summer months when most self moves occur, with the third quarter typically being our busiest quarter. December is also a strong month due to increased retail sales activity and package deliveries.

Ancillary products and insurance coverage

We supplement our daily truck rental revenue by offering customers a range of ancillary optional products. We rent automobile towing equipment and other moving accessories such as hand trucks, furniture pads and moving supplies. We also make available to customers a range of optional liability-limiting products and coverages such as physical damage waivers, automobile towing protection, personal accident and cargo insurance and supplemental liability insurance. These ancillary products enhance our appeal to consumers by offering customers "one-stop" moving services.

Employees

As of December 31, 2005, we employed approximately 32,100 employees, of which approximately 10,700 people were employed on a part-time basis. Approximately 27% of our employees are covered by collective bargaining agreements. We believe our employee relations are satisfactory. We have never experienced a large-scale work stoppage.

Properties

Our principal executive offices are located at 6 Sylvan Way, Parsippany, New Jersey 07054. We also own a facility in Virginia Beach, Virginia, which serves as a satellite administrative facility for our car rental operations. Office space is also leased in Orlando, Florida; Denver, Colorado; Wichita Falls, Texas; Tulsa, Oklahoma; and Fredericton, Canada pursuant to leases expiring in 2007, 2007, 2010, 2010, and 2009, respectively. Budget offices at Carrollton, Texas and Redding, California were closed in 2003 and 2005, respectively, and are vacant. These locations are subject to leases expiring in 2006 and 2011, respectively. In addition, there are approximately 40 other leased office locations in the United States for regional sales and operations activities.

We lease or have vehicle rental concessions for both the Avis and Budget brands at locations throughout the world. Avis operates approximately 860 locations in the United States and approximately 320 locations outside the United States. Of those locations, approximately 230 in the United States and approximately 80 outside the United States are at airports. Budget

operates at approximately 490 locations in the United States of which approximately 140 are at airports. Budget also operates at approximately 190 locations outside the United States of which approximately 40 are at airports. Typically, an airport receives a percentage of vehicle rental revenue, with a guaranteed minimum. Because there is a limit to the number of vehicle rental locations in an airport, vehicle rental companies frequently bid for the available locations, usually on the basis of the size of the guaranteed minimums.

Insurance coverage

We generally assume the risk of our liability to third parties arising from vehicle rental services in the United States, Canada, Puerto Rico and the U.S. Virgin Islands, for up to \$1 million per occurrence, through a combination of self-insurance, insurance coverage provided by one of our domestic subsidiaries and insurance coverage secured from one or more unaffiliated domestic insurance carriers. We retain the exposure for up to \$9 million per occurrence, in excess of the previously described \$1 million level, through an unaffiliated fronting carrier who is reinsured by our offshore captive insurance company, Constellation Reinsurance Co., Ltd. We also purchase additional excess insurance coverage from a combination of unaffiliated excess carriers.

We insure the risk of liability to third parties in Argentina, Australia and New Zealand through a combination of unaffiliated carriers and our affiliates. These carriers provide coverage supplemental to minimum local requirements.

Litigation

During February 2006, we settled a litigation matter with respect to claims made by a purchaser of a business sold by Avis Group Holdings, Inc. prior to Cendant's acquisition of Avis Group Holdings, Inc. in 2001. The award of \$98 million had been fully reserved for in connection with the acquisition. The settlement will be funded by Cendant and will, therefore, have no impact on our future cash flows.

We, along with our subsidiaries, are involved, from time to time, in legal proceedings in the ordinary course of business, which, in the opinion of management, should not have a material adverse effect on our consolidated financial position, results of operations or cash flow.

Trademarks and intellectual property

The service marks "Avis" and "Budget", related marks incorporating the words "Avis" or "Budget", and related logos and marks such as "We try harder" are material to our vehicle rental business. Our subsidiaries and franchisees actively use these marks. All of the material marks used by the Avis and Budget Systems are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as all countries worldwide where Avis and Budget have operations. Our subsidiaries own the marks, patents and other intellectual property, including the Wizard System, used in our business.

Regulation

We are subject to federal, state and local laws and regulations, including those relating to taxing and licensing of vehicles, franchising, consumer credit, environmental protection, insurance, privacy and labor matters.

Environmental

The principal environmental regulatory requirements applicable to our vehicle and rental operations relate to the ownership or use of tanks for the storage of petroleum products, such as gasoline, diesel fuel and waste oils; the treatment or discharge of waste waters; and the generation, storage, transportation and off-site treatment or disposal of solid or liquid wastes. We

operate 440 Avis and Budget locations at which petroleum products are stored in underground or above ground tanks. We have instituted an environmental compliance program designed to ensure that these tanks are in compliance with applicable technical and operational requirements, including the replacement and upgrade of underground tanks to comply with the December 1998 EPA upgrade mandate and periodic testing and leak monitoring of underground storage tanks. We believe that the locations where we currently operate are in compliance, in all material respects, with such regulatory requirements.

We may also be subject to requirements related to the remediation of, or the liability for remediation of, substances that have been released into the environment at properties owned or operated by us or at properties to which we send substances for treatment or disposal. Such remediation requirements may be imposed without regard to fault and liability for environmental remediation can be substantial.

We may be eligible for reimbursement or payment of remediation costs associated with future releases from regulated underground storage tanks and have established funds to assist in the payment of remediation costs for releases from certain registered underground tanks. Subject to certain deductibles, the availability of funds, compliance status of the tanks and the nature of the release, these tank funds may be available to us for use in remediating future releases from our tank systems.

Loss damage waivers

A traditional revenue source for the vehicle rental industry has been the sale of loss damage waivers, by which rental companies agree to relieve a customer from financial responsibility arising from vehicle damage incurred during the rental period if there has been no breach of the rental agreement. Approximately 4.4% of our revenue during 2005 was generated by the sale of loss damage waivers. To date, 24 states have enacted legislation which requires disclosure to each customer at the time of rental that damage to the rented vehicle may be covered by the customer's personal automobile insurance and that loss damage waivers may not be necessary. In addition, New York permits the sale of loss damage waivers at a capped rate per day based on the vehicle manufacturer's suggested retail price. Illinois, Nevada and California have similar statutes, which establish the daily rate that can be charged for loss damage waivers.

Insurance

As a result of our reinsurance of the optional insurance coverages that we offer through unaffiliated third party insurance companies as well as other insurance obligations, we are subject to regulation under the insurance statutes, including insurance holding company statutes, of the jurisdictions in which our insurance company subsidiaries are domiciled. These regulations vary from state to state, but generally require insurance holding companies and insurers that are subsidiaries of insurance holding companies to register and file certain reports, including information concerning their capital structure, ownership, financial condition and general business operations with the state regulatory authority, and require prior regulatory agency approval of changes in control of an insurer and intracorporate transfers of assets within the holding company structure. Such insurance statutes may also require that we obtain limited licenses to sell optional insurance coverage to our customers at the time of rental.

Franchise regulation

The sale of franchises is regulated by various state laws, as well as by the Federal Trade Commission (the "FTC"). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. A number of states require registration or disclosure in connection with franchise offers and sales. In addition, several states have "franchise relationship laws" or "business opportunity laws" that limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. Although our franchising operations have not been materially adversely affected by

such existing regulations, we cannot predict the effect of any future federal, state or local legislation or regulation.

Privacy

Laws in some countries and jurisdictions limit the types of information we may collect about individuals with whom we deal or propose to deal, as well as how we collect, retain and use the information that we are permitted to collect. The centralized nature of our information systems requires the routine flow of information about customers and potential customers across national borders, particularly into the United States. If this flow of information were to become illegal, or subject to onerous restrictions, our ability to serve our customers could be seriously impaired for an extended period of time.

Certain relationships and related transactions

In connection with the proposed Separation Transactions, we currently expect to enter into a series of agreements to formalize our business arrangements with the Separated Businesses and enable us to conduct our operations on a stand-alone basis. Completion of the distributions is currently expected to be subject to satisfaction or waiver by Cendant of the conditions to the separation and distributions described below under “Separation and distribution agreement”.

Special note regarding agreements related to the Separation Transactions

Consummation of the Separation Transactions, including each of the distributions, is subject to a number of uncertainties and the satisfaction or waiver of certain conditions precedent, including final approval by Cendant’s Board of Directors, receipt of certain tax opinions of counsel, receipt of solvency opinions, and the filing and effectiveness of registration statements with the SEC. Also, the Separation Transactions are subject to the completion of certain debt financings of the Separated Businesses on terms acceptable to Cendant to be used in part to repay debt of Cendant. In addition, Cendant’s Board of Directors has reserved the right, in its sole discretion, to amend, modify or abandon each distribution at any time before the distribution. Therefore, we cannot provide any assurances that the Separation Transactions will be completed in whole or in part, nor can we give assurances as to the terms on which such transactions will be consummated. Accordingly, the descriptions of the agreements to be entered into in connection with the Separation Transactions, including the Separation Agreement, transition services agreement and tax sharing agreement, are preliminary and remain subject to change based upon the final terms of the Separation Transactions. Accordingly, there can be no assurance that the final terms of these agreements will not be materially different from the descriptions of those agreements presented below.

Separation and distribution agreement

The Separation Agreement is currently expected to set forth agreements among Cendant and the Separated Businesses regarding the principal transactions necessary to separate those businesses from Cendant. It is also currently expected to set forth other agreements governing certain aspects of the ongoing relationships among Cendant and the Separated Businesses after the separation. The parties currently intend to enter concurrently into the Separation Agreement before the first distribution of the equity ownership of a Separated Business to Cendant’s stockholders. The Separation Agreement is currently expected to be effective as between each of Cendant and the Separated Businesses that have not yet been separated, on the one hand, and a Separated Business, on the other hand, upon such Separated Business’ separation from Cendant.

Transfer of assets and assumption of liabilities

The Separation Agreement is currently expected to identify assets to be transferred, liabilities to be assumed and contracts to be assigned to each of the Separated Businesses and Cendant in the separation, and is currently expected to describe when and how these transfers, assumptions and assignments will occur, although many of the transfers, assumptions and assignments may have already occurred prior to the parties’ entering into the Separation Agreement. In particular, the Separation Agreement is currently expected to provide that, subject to the terms and conditions contained in the Separation Agreement:

- All of the assets and liabilities (including whether accrued, contingent or otherwise) primarily related to the business and operations of Cendant’s Real Estate Services segment will be retained by or transferred to the parent company that is expected to own these businesses and operations, which is expected to be named Realogy Corporation (“Realogy”), or one of its subsidiaries;

- All of the assets and liabilities (including whether accrued, contingent or otherwise) primarily related to the business and operations of Cendant's Hospitality Services (including Timeshare Resorts) segments will be retained by or transferred to the parent company that is expected to own these businesses and operations, which is expected to be named Wyndham Worldwide Corporation ("Wyndham"), or one of its subsidiaries;
- All of the assets and liabilities (including whether accrued, contingent or otherwise) primarily related to the business and operations of Cendant's Travel Distribution Services segment will be retained by or transferred to the parent company that is expected to own these businesses and operations ("TDS"), or one of its subsidiaries;
- All of the assets and liabilities (including whether accrued, contingent or otherwise) primarily related to the business and operations of ABCR and its subsidiaries will be retained by or transferred to Cendant or one of its subsidiaries engaged in its vehicle rental business;
- Liabilities (including whether accrued, contingent or otherwise) related to, arising out of or resulting from businesses of Cendant that were previously terminated or divested will be allocated amongst the parties to the extent formerly owned or managed by or associated with such parties or their respective businesses;
- Each party will assume or retain any liabilities relating to its employees in respect of the period prior to, on or following its separation;
- Each party or one of its subsidiaries will assume or retain any liabilities (including under applicable federal and state securities laws) relating to, arising out of or resulting from any registration statement or similar disclosure document which offers for sale any security of such party to the extent such documents exclusively relate to such party or its subsidiaries or affiliates;
- Each party or one of its subsidiaries will assume or retain any liabilities relating to, arising out of or resulting from any of its or its subsidiaries' or affiliates' indebtedness (including debt securities and asset-backed debt), regardless of the issuer of such indebtedness, exclusively relating to its business or secured exclusively by its assets;
- Realty is expected to assume 50%, Wyndham is expected to assume 30% and TDS is expected to assume 20% of certain contingent corporate liabilities of Cendant or its subsidiaries, which we refer to as assumed Cendant contingent liabilities, which are not primarily related to any of the respective businesses of a Separated Business and/or Cendant's vehicle rental business, in each case to be incurred on or prior to the earlier of (x) December 31, 2006 or (y) the date of the later to occur of the Wyndham separation or the TDS separation, including liabilities related to, arising out of or resulting from (i) certain terminated or divested businesses including, among others, Cendant's former PHH and Marketing Services (Affinion) businesses, (ii) certain actions or litigation matters, the liability for which is expected to be assumed by the Separated Businesses pursuant to the Separation Agreement and (iii) any actions with respect to the Separation Transactions, (other than actions arising out of disclosure documents relating to the securities or indebtedness of one of the four businesses) made or brought by any third party. Cendant will not assume liability for any of the assumed Cendant contingent liabilities (although, if a party defaults in payments in respect of any such liability each non-defaulting party, including Cendant, will pay an equal share of such defaulted amount);
- Realty will be entitled to receive 50%, Wyndham will be entitled to receive 30% and TDS will be entitled to receive 20% of the proceeds (or, in certain cases, a portion thereof) from certain contingent corporate assets of Cendant arising or accrued on or prior to the earlier of (x) December 31, 2006 or (y) the date of the later to occur of the

Wyndham separation or the TDS separation, which we refer to as Cendant contingent assets, which are not primarily related to any of the respective business of the Separated Businesses and/or Cendant's vehicle rental business; and

- Except as otherwise provided in the Separation Agreement or any ancillary agreement, other than the costs and expenses relating to the issuance of debt or debt related securities by any party or its subsidiaries (the costs and expenses of which are expected to be the responsibility of such party), the corporate costs and expenses relating to the Separation Transactions are expected to be shared among Realogy, Wyndham and TDS in a manner to be provided in the Separation Agreement.

Except as may expressly be set forth in the Separation Agreement or any ancillary agreement, all such assets are currently expected to be transferred on an "as is/where is" basis and the respective transferees are currently expected to bear the economic and legal risks that (i) any conveyance will prove to be insufficient to vest in the transferee good title, free and clear of any security interest and (ii) any necessary consents or governmental approvals are not obtained or that any requirements of laws or judgments are not complied with.

Certain of the liabilities and obligations to be assumed by one party or for which one party is currently expected to have an indemnification obligation under the Separation Agreement and the other agreements relating to the separation are, and following the separation may continue to be, the legal or contractual liabilities or obligations of another party. Each such party that continues to be subject to such legal or contractual liability or obligation is currently expected to rely on the applicable party that assumed the liability or obligation or the applicable party that undertook an indemnification obligation with respect to the liability or obligation, as applicable, under the Separation Agreement, to satisfy the performance and payment obligations with respect to such legal or contractual liability or obligation.

Further assurances

To the extent that any transfers contemplated by the Separation Agreement have not been consummated on or prior to the applicable separation date, the parties are currently expected to agree to cooperate to effect such transfers as promptly following such time as shall be practicable following the date of the applicable separation. In addition, each of the parties is currently expected to agree to cooperate with each other and use commercially reasonable efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Separation Agreement and the ancillary agreements.

The distributions and financings

The Separation Agreement is also currently expected to govern the rights and obligations of the parties regarding the proposed distributions. Each of the Separated Businesses is currently expected to agree to distribute to Cendant as a stock dividend the number of shares of such party's common stock distributable in the applicable distribution to effectuate the applicable separation. In addition, Cendant is currently expected to agree to cause its agent to distribute to stockholders that held shares of Cendant common stock as of the applicable record date all the shares of the common stock of the company being separated from Cendant.

The Separation Agreement is currently expected to provide that Realogy, Wyndham and TDS will incur indebtedness, establish and draw upon credit facilities, and transfer funds to Cendant in amounts sufficient, in aggregate, to permit Cendant to repay its existing corporate indebtedness and to pay other costs of Cendant associated with the Separation Transactions.

Additionally, the Separation Agreement is expected to provide that the distributions are subject to several conditions that must be satisfied or waived by Cendant in its sole discretion.

Releases and indemnification

Except as otherwise may be provided in the Separation Agreement or any ancillary agreement, each party is currently expected to release and forever discharge each other party and its respective subsidiaries and affiliates from all liabilities existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the separation from Cendant of any such parties. The releases are not currently expected to extend to obligations or liabilities under any agreements between the parties that remain in effect following the separation pursuant to the Separation Agreement or any ancillary agreement.

In addition, the Separation Agreement is currently expected to provide for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of Cendant's vehicle rental business, Realogy's business, Wyndham's business and TDS's business with Cendant, Realogy, Wyndham and TDS, respectively. Specifically, each party is currently expected to, and is currently expected to cause its subsidiaries and affiliates to, indemnify, defend and hold harmless the other parties, their respective affiliates and subsidiaries and each of their respective officers, directors, employees and agents for any losses arising out of or otherwise in connection with:

- the liabilities each such party assumed or retained pursuant to the Separation Agreement;
- any misstatement of or omission to state a material fact contained in any party's public filings, only to the extent the misstatement or omission is based upon information that was furnished by the applicable indemnifying party (or incorporated by reference from a filing of such indemnifying party) and then only to the extent the statement or omission was made or occurred after the separation of the party seeking indemnification; and
- any breach by such party of the Separation Agreement.

Legal matters

The Separation Agreement is currently expected to provide:

- Each party to the Separation Agreement is currently expected to assume the liability for, and control of, all pending and threatened legal matters related to its own business or assumed or retained liabilities and is currently expected to indemnify the other parties for any liability arising out of or resulting from such assumed legal matters.
- Each party to a claim is currently expected to agree to cooperate in defending any claims against two or more parties for events that took place prior to, on or after the date of the separation of such party from Cendant.
- Except with respect to actions brought against Cendant by a governmental entity (in which case Cendant will manage and assume control of such legal matters), Realogy is currently expected to act as managing party and manage and assume control of all legal matters related to any assumed Cendant contingent liability and Cendant contingent asset. Each of the parties is currently expected to cooperate fully with the applicable managing party in connection with the management of such assets and liabilities. The party responsible for managing an assumed Cendant contingent liability or Cendant contingent asset is currently expected to be reimbursed for all out-of-pocket costs and expenses related thereto by Wyndham, TDS and, if Cendant is acting as managing party, Realogy, in proportion to the applicable percentage that each party is responsible for in respect of such liability or right to such asset. If one or more parties defaults in payment of its portion of any assumed Cendant contingent liability or the cost of managing any Cendant contingent asset, each non-defaulting party (including Cendant) is currently expected to be responsible for an equal portion of the amount in default (although any such payments will not release the obligation of the defaulting party). Additionally, the

Separation Agreement is currently expected to provide that if, as a result of a change of control or other extraordinary corporate transaction, any of Realogy, Wyndham and/or TDS were to suffer certain downgrades to its senior credit rating, then upon the demand of Realogy, Wyndham, TDS or Cendant, as applicable, any such party suffering such credit downgrade would be required to post a letter of credit or similar security obligation generally in respect of its portion of the remaining Cendant contingent liabilities based on an appraisal prepared by a third party expert.

- The Separation Agreement is currently expected to provide for the formation of a contingent claim committee, which will have the responsibility for the adoption of any plan to settle, resolve or achieve the disposition of any assumed Cendant contingent liability or Cendant contingent asset, with one representative from each of Realogy, Wyndham, TDS and Cendant. Resolution of a matter submitted to the contingent claim committee is currently expected to require the approval of a majority of the representatives entitled to vote on such matters, except that in certain cases where a party may be adversely affected, the approval by the affected party is also required. Except with respect to certain limited matters where Cendant would be adversely effected by the disposition of a claim, Cendant's representative to the contingent claim committee is not currently expected to be entitled to vote on matters submitted to the contingent claim committee for resolution.

Employee matters

The Separation Agreement is currently expected to allocate liabilities and responsibilities relating to employee compensation and benefit plans and programs and other related matters in connection with the Separation Transactions, including the treatment of certain outstanding and long-term incentive awards, existing deferred compensation obligations and certain retirement and welfare benefit obligations. The Separation Agreement is currently expected to also provide that outstanding Cendant stock options and restricted stock unit awards will be equitably adjusted in connection with each distribution.

Insurance

The Separation Agreement is currently expected to provide for the allocation among the parties of benefits between each party under existing insurance policies for occurrences prior to each separation and sets forth procedures for the administration of insured claims. In addition, it is currently expected to allocate among the parties the right to proceeds and the obligation to incur deductibles under certain insurance policies. In addition, the Separation Agreement is currently expected to provide that Cendant will obtain, subject to the terms of the Separation Agreement, certain directors and officers insurance policies and errors and omissions run-off insurance policies to apply against certain pre-separation claims, if any.

Dispute resolution

In the event of any dispute arising out of the Separation Agreement, the general counsels or other representatives of each party are currently expected to negotiate for a reasonable period of time to resolve any disputes among the parties. If the parties are unable to resolve disputes in this manner, the disputes are currently expected to be resolved through binding arbitration.

Other matters governed by the Separation Agreement

Other matters governed by the Separation Agreement are currently expected to include access to financial and other information, confidentiality, access to and provision of records, non-competition, treatment of intercompany accounts and treatment of outstanding guarantees and similar credit support.

Transactions with management and others

Certain affiliates of Barclays Global Investors, N.A. (collectively, "Barclays"), an approximately 8.9% stockholder of Cendant based on a Schedule 13G filed by Barclays in January 2006 and approximately 1 billion shares of Cendant common stock outstanding on March 24, 2006, have performed, and may in the future perform, various commercial banking, investment banking and other financial advisory services for Cendant (including us and our subsidiaries) for which they have received, and will receive, customary fees and expenses. The fees paid to Barclays by Cendant and its subsidiaries in 2005 were approximately \$5 million.

From time to time, certain of our directors and executive officers have engaged, and may in the future engage, in commercial transactions involving certain of Cendant's and our current or past subsidiaries. Such transactions include, but are not limited to, mortgage loans made by Cendant's former mortgage lending subsidiaries, the purchase and/or sale of homes through Cendant's real estate brokerage subsidiaries or the purchase of timeshares from Cendant's timeshare resort subsidiaries. Such transactions are conducted on similar terms as those prevailing at the time for comparable transactions with other third party customers generally, and did not, or do not, involve more than the normal risk of collectibility, in the case of mortgages, or present other unfavorable features.

Tax sharing agreement

Cendant is currently expected to enter into a tax sharing agreement with the Separated Businesses that generally will govern the parties' respective rights, responsibilities and obligations after the Separation Transactions with respect to taxes, including ordinary course of business taxes and taxes, if any, incurred as a result of any failure of the distributions of all of the stock of the corporations owning each of the Separated Businesses to qualify as a tax-free distribution for U.S. federal income tax purposes within the meaning of Section 355 of the Internal Revenue Code of 1986, as amended. Under the tax sharing agreement, we currently expect, with certain exceptions, that:

- for taxable years ending on or before December 31, 2006, (a) Cendant generally will be responsible for the payment of income and non-income taxes attributable to our operations that we currently are obligated to pay on a separate return basis (i.e., not as part of a group of which Cendant is the common parent); (b) the corporations owning the Separated Businesses generally will be responsible for the payment of income and non-income taxes attributable to their own operations that they currently are obligated to pay on a separate return basis (i.e., not as part of a group of which Cendant is the common parent); and (c) Realogy, Wyndham and TDS generally are expected to be responsible for the payment of 50%, 30%, and 20%, respectively, of all income and non-income taxes imposed on Cendant and certain other subsidiaries the operations (or former operations) of which were determined by Cendant not to relate specifically to Realogy, Wyndham, TDS or ABCR; and
- for taxable years beginning on or after January 1, 2007, Cendant generally will be responsible for the payment of income and non-income taxes imposed on Cendant and its direct or indirect subsidiaries (which then will consist generally of ABCR and its subsidiaries).

Notwithstanding the foregoing, we currently expect that, under the tax sharing agreement, Cendant also will generally be responsible for the payment of taxes, if any, that arise from (a) actions of or transactions undertaken by Avis Budget Holdings, LLC or any of its direct or indirect subsidiaries after the distribution of all of the stock of Realogy which actions or transactions are not in the ordinary course of business and are not contemplated in connection with the Separation Transactions or (b) the failure of the distribution of the stock of each of the

corporations owning the Separated Businesses to qualify as a tax-free distribution for U.S. federal income tax purposes within the meaning of Section 355 of the Internal Revenue Code of 1986, as amended, if such failure to qualify is attributable to the actions of or transactions undertaken by Cendant or its direct or indirect subsidiaries after the Separation Transactions. The tax sharing agreement also is currently expected to impose restrictions on Cendant's ability to engage (or Cendant's ability to cause its subsidiaries to engage) in certain actions following the Separation Transactions and to set forth the Separated Businesses' and Cendant's respective obligations with respect to the filing of tax returns, the administration of tax contests, assistance and cooperation and other matters.

Commercial intercompany agreements with Cendant and its subsidiaries

Our historical and future relationships with each of Realogy, Wyndham and TDS are described below. In addition, Cendant may also execute certain commercial agreements with these businesses in connection with their respective separation. As a Cendant subsidiary, we may participate in these agreements.

Car rental rate agreements

We have entered into agreements with each of Realogy, Wyndham and TDS, pursuant to which each has agreed to designate our car rental brands, Avis and Budget, as the exclusive primary and secondary suppliers, respectively, of car rental services for their employees. These agreements provide for negotiated car rental rates and discounts for both business and leisure travel on a worldwide basis. The initial term of these agreements will commence upon each Separated Business' separation from Cendant for an initial term of three years, but the agreements will continue thereafter with automatic one-year renewals, unless terminated earlier by either party in accordance with the terms of the respective agreements. We received approximately \$3.3 million, \$3.1 million and \$3.1 million from such businesses for utilizing our car rental services in 2005, 2004 and 2003, respectively.

Marketing agreements

We have a marketing agreement with Cendant Timeshare Resort Group, Inc. ("CTRG"), a subsidiary of Wyndham, pursuant to which CTRG may market their products to our customers via transfer of interested callers to a CTRG sales agent. CTRG pays us commissions on a per call basis. This agreement terminates on December 31, 2007. We have received approximately \$1.0 million, \$276,000 and \$71,000 in 2005, 2004 and 2003, respectively, from CTRG with respect to this agreement.

We also have a marketing agreement with the Cendant Hotel Group, a subsidiary of Wyndham, pursuant to which we may market our products to customers calling into the hospitality reservation system via transfer of interested callers to one of our sales agents. We pay the Cendant Hotel Group commissions on a per call basis. This agreement terminates on December 31, 2006. We paid approximately \$48,000, \$65,000 and \$82,000 in 2005, 2004 and 2003, respectively, to the Cendant Hotel Group with respect to this agreement.

Supplier agreements

We have entered into certain supplier agreements pursuant to which we provide TDS with car rental rates for distribution through their various distribution channels, including their global distribution system and tour package programs. Under our global distribution system agreement, we pay Galileo, a subsidiary of TDS, a negotiated fee for each net reservation booked through the Galileo system. The initial term of this agreement will end on December 31, 2009, but the agreement will continue thereafter unless and until terminated by either party upon prior written notice. We paid approximately \$9.9 million, \$10.0 million and \$10.3 million in 2005, 2004, and 2003, respectively, with respect to these agreements.

Under separate retail agreements with other Cendant businesses, we pay commissions and other payments based on car rental revenue booked through various distribution channels. We have paid \$9.0 million, \$5.5 million and \$1.7 million in 2005, 2004 and 2003, respectively, with respect to these agreements.

Affinity and association agreements

Under separate affinity and association agreements with other Cendant businesses, we pay rebates to these businesses based on revenue generated from customers in these respective affinity and association organizations. The agreements terminate on December 31, 2009, unless terminated earlier in accordance with the terms of the agreements. We paid \$1.9 million, \$1.7 million and \$2.2 million in 2005, 2004 and 2003, respectively, with respect to these agreements.

Corporate relocation services agreement

We have agreed to continue to outsource to Cartus, a subsidiary of Realogy, our employee relocation services including relocation policy management, household goods moving services and departure and destination real estate related services. Pursuant to such agreement, we will pay a fee for each relocated employee as well as reimbursement for direct costs associated with the relocation. The effective date of this agreement is the date of the separation of Realogy and the agreement will have an initial term of three years, unless terminated earlier in accordance with the terms of the agreement. Our payments to Cartus will be based on the extent to which we use these services in the future.

Corporate travel agreement

We have entered into an agreement with Travelport, a subsidiary of TDS, to continue to utilize its corporate travel management services, which include full-service ticketing and fulfillment services, a custom-configured corporate on-line booking tool and access to a corporate travel call center. The effective date of this agreement is the date of the separation of TDS and the agreement will have an initial term of three years, unless terminated earlier by either party in accordance with the terms of this agreement. We paid approximately \$125,000 and \$109,000 in 2005 and 2004, respectively, with respect to this agreement. Corporate travel services were not provided through TDS in 2003.

Commercial intercompany agreements with former Cendant subsidiaries

Since 2003, Cendant has disposed of a number of its subsidiaries. Only those relationships between our company and each of those former subsidiaries are described below. Cendant and its other subsidiaries have entered into transition agreements as well as various commercial agreements with these former subsidiaries, none of which are material to our company.

PHH Corporation

In January 2005, Cendant completed the spin-off of the mortgage and fleet management services businesses conducted by its subsidiary, PHH Corporation. We are a party to a number of commercial agreements with PHH, which agreements are described below.

Vehicle parts supply agreements. We have agreements with two subsidiaries of PHH pursuant to which they provide us with all of our non-emergency requirements for automobile and truck parts utilized in our car and truck rental operations under our Avis and Budget brands. These agreements were entered into on January 1, 2005. There is no set term in these agreements. We paid approximately \$12.3 million, \$9.4 million and \$10.6 million in 2005, 2004 and 2003, respectively, with respect to these agreements.

Vehicle pre-delivery and replacement car rental program. PHH's fleet management business has designated Avis as its exclusive car rental supplier in the United States and Canada for their fleet customers who require interim car rental services prior to delivery of a fleet vehicle where such customers rely on PHH to select a car rental provider. These agreements will terminate in January 2012. We received approximately \$2.8 million, \$4.3 million and \$4.1 million in 2005, 2004 and 2003, respectively, with respect to these agreements.

Vehicle registration and processing agreement. We have an agreement with PHH pursuant to which we perform various vehicle registration renewal services and transmit registration data to the respective State Departments of Motor Vehicles. The agreement will terminate on January 1, 2011. We received approximately \$469,000, \$425,000 and \$424,000 in 2005, 2004 and 2003, respectively, with respect to this agreement.

Car rental rate agreements. We have agreements with PHH, pursuant to which PHH agreed to designate our car rental brands, Avis and Budget, as the exclusive primary and secondary suppliers, respectively, of car rental services for their employees. These agreements provide for negotiated car rental rates and discounts for both business and leisure travel on a worldwide basis. These agreements will terminate on January 14, 2012. We received approximately \$242,000, \$170,000 and \$218,000 from PHH for utilizing our car rental services in 2005, 2004 and 2003, respectively, with respect to these agreements.

Wright Express Corporation

In February 2005, Cendant completed the initial public offering of its fuel card services business, Wright Express Corporation. We are a party to a number of commercial agreements with Wright Express, which agreements are described below.

Payment processing agreement. We have an agreement with Wright Express for the provision of payment processing and information management services for the refueling purchases of our rental fleet. Under the agreement, we pay Wright Express for all purchase transactions made through the program. The agreement is secured by a third-party pledge in an amount equal to the credit extension. This agreement was entered into on August 5, 2003. There is no set term in the agreement. We paid Wright Express approximately \$4.1 million, \$3.3 million and \$1.3 million in 2005, 2004 and 2003, respectively, with respect to this agreement.

Car rental rate agreements. We have agreements with Wright Express pursuant to which we provide Avis and Budget negotiated car rental rates for rental cars used by employees for business and leisure purposes and for certain designated contractors for business purposes. The initial terms of these agreements will end on February 1, 2012, with automatic one-year renewals. Wright Express paid us approximately \$66,000 in 2005 pursuant to these agreements.

Corporate card program agreement. We have two agreements with Wright Express for which Wright Express provides us with MasterCard rotating account programs. We use this program for our purchasing needs and pay Wright Express for all of our purchases on the rotating account. Wright Express pays us a rebate based on the purchase volume. These agreements will terminate in April and August 2007. Under these agreements, we received rebates equal to approximately \$218,000 and \$23,000 in 2005 and 2004, respectively. No rebates were received in 2003 pursuant to this program.

Marketing Services Division

In October 2005, Cendant sold its direct marketing business ("MSD"). We are a party to a number of commercial agreements with the MSD companies, which agreements are described below.

Loyalty program agreements. We entered into an agreement pursuant to which MSD's loyalty solutions subsidiary administers Club Red, the Avis travel agent reward program. We paid MSD a one-time implementation fee of \$203,000, and pay an ongoing monthly administrative fee as well as fees for incidental activities, such as the creation of welcome kits. We also entered into certain ancillary agreements relating to the escrow of certain technology used by MSD to provide the services and our use of that technology upon the occurrence of certain events. The agreement terminates on December 31, 2009, subject to earlier termination in certain limited circumstances. We paid approximately \$1.4 million, \$2.0 million and \$1.1 million in 2005, 2004 and 2003, respectively, with respect to this agreement.

Marketing agreements. We entered into marketing agreements with MSD, pursuant to which MSD may market their products to our customers via direct mail solicitation or transfer of interested callers to an MSD sales agent. We are obligated to transfer a minimum number of callers each quarter to MSD. Certain amounts are payable to MSD if such minimums are not met. MSD pays us commissions based upon membership fees, with respect to the mail solicitation agreement as received, and on a per call basis for each call transferred, with respect to the call transfer agreement. The agreements terminate on December 31, 2010, subject to an earlier termination provision, which may require payment of certain termination payments to MSD. We received approximately \$2.8 million, \$3.2 million and \$3.7 million in 2005, 2004 and 2003, respectively, with respect to these agreements.

Supplier fulfillment agreements. The travel agency subsidiary of MSD has agreed to utilize Avis and Budget as preferred providers to their travel agency customers, subject to certain exceptions. We pay commission and royalty to MSD for qualifying rentals and they pay us for bookings from a third party. The agreements terminate on December 31, 2007, subject to an automatic one-year renewal. We paid \$2.6 million, \$3.2 million and \$5.0 million in 2005, 2004 and 2003, respectively, and received \$1.2 million, \$1.4 million and \$1.2 million in 2005, 2004 and 2003, respectively, with respect to these agreements.

Car rental rate agreements. We have agreements with certain of the MSD companies pursuant to which we provide Avis and Budget negotiated car rental rates for rental cars used by employees for business and leisure purposes and for certain designated contractors for business purposes. The initial terms of these agreements end on June 30, 2010, with automatic one-year renewals. MSD paid us approximately \$54,000 in 2005 pursuant to such agreements.

Services provided by Cendant and its subsidiaries to our company

As a wholly-owned subsidiary of Cendant, we have received and continue to receive various corporate and other services from Cendant, including services relating to human resources and employee benefits, payroll, financial systems management, treasury and cash management, accounts payable services, telecommunications services and information technology services. In connection with the Separation Transactions, certain services previously provided by Cendant may be provided, pursuant to the terms of the transition services agreement, to us by a former Cendant subsidiary following the date of such subsidiary's separation from Cendant. Unless specifically indicated below, Cendant is expected to continue to provide us with all corporate services outlined below following the Separation Transactions, as well as providing certain of the same services to its former subsidiaries following their respective separation.

The following sets forth a summary of the services that are provided to us by Cendant and the manner of allocation of costs to us for these services. Also set forth is a description of payments made in regards to such services for the preceding three fiscal years. We believe these allocations approximate the actual costs to Cendant to provide these services.

Human resources and employee benefits. Cendant provides us with human resources services and related technology solutions and administers Cendant's compensation, retirement and benefits plans in which we participate. Cendant has allocated the cost of human resources services (other than those costs related to HR-related technology solutions) to us based on the number of our employees. For 2005, 2004 and 2003, Cendant allocated the cost of HR related technology solutions to us through our share of Cendant's general corporate overhead, which is discussed below. Following the completion of the Separation Transactions, it is currently expected that these costs will be allocated to us based on the number of our employees. In addition to the general corporate overhead expenses described above, we were charged \$3.1 million, \$3.4 million and \$2.8 million in 2005, 2004 and 2003, respectively, for the cost of these services.

Payroll. Cendant provides us with payroll management services. Cendant has allocated the cost of payroll management services to us based on the number of our employees. In addition, we will pay Cendant a one-time management fee of \$50,000 to manage the transition of our payroll processing to a third party provider. Our allocated share of the cost of these services was \$1.7 million, \$1.6 million and \$1.2 million in 2005, 2004 and 2003, respectively.

Financial systems management. Cendant provides us with financial systems management. Cendant has allocated the cost of these services to us through our share of Cendant's general corporate overhead, which is discussed below.

Treasury and cash management. Cendant provides us with treasury and cash management services including services provided through agreements Cendant has with third party providers. Our allocated share of the cost of these services was \$921,000, \$1.3 million and \$1.2 million in 2005, 2004 and 2003, respectively.

Accounts payable services. Cendant provides us with management of limited accounts payable processing. Cendant has allocated the cost of this service to us based on the number of transactions it processed for us and will continue to allocate these costs to us in this manner. Our allocated share of the cost for this service was less than \$60,000 in each of 2005, 2004 and 2003.

Telecommunications services. Cendant provides us with telecommunications services through agreements it has with third-party providers until the third quarter of 2007. We pay the third party providers directly for these services and our equipment use, and we will continue to pay them in this manner. Our allocated share of the costs for telecommunications services was \$28.4 million, \$29.6 million and \$25.9 million in 2005, 2004 and 2003, respectively.

Information technology services. Cendant provides us with certain information technology support, software, hardware and services, primarily at or from Cendant's data center in Denver, Colorado, and generally through contracts with its third party licensors and hardware and service providers. Cendant and its third party contractors and providers will continue providing such support, software, hardware and services. Cendant has allocated the costs for these services to us based on our actual usage and pre-determined rates and the level of support we receive from Cendant and its service providers and will continue to allocate costs to us in this manner. Our allocated share of the costs for these services was \$48.3 million, \$36.4 million and \$25.9 million in 2005, 2004 and 2003, respectively.

Corporate real estate. Cendant provides us with construction management and finance services as well as space planning and building operations services. Our allocated share of the cost for these services was less than \$60,000 in each of 2005, 2004 and 2003.

Corporate security services. Cendant provides us with corporate security services, including strategic security planning and crisis management assistance. For 2005, 2004 and 2003, Cendant allocated the cost of these services to us through our share of Cendant's general corporate overhead, which is discussed below. In connection with the separation of TDS, certain of Cendant's corporate security operations and personnel will be transferred to that company, and they will provide us with those services through December 31, 2006. Thereafter, we will be required to develop internal capabilities to provide these services.

Preferred alliance and suppliers. We participate in Cendant's preferred alliance and supplier programs, pursuant to which we offer such programs to our franchisees and other third parties. In connection with such programs, Cendant may earn a commission on goods and services purchased from certain preferred vendors under those programs. Cendant allocated the costs of administration of the preferred alliance and supplier programs to us through our share of Cendant's general corporate overhead, which is discussed below. The third party agreements where we are a party or participant either have been or will be assigned to us in whole or in part with respect to the provisions that affect us.

Revenue audit services. Cendant provides us with revenue audit services by its internal auditors. These audit services include franchise audits, operations audits of corporate locations and financial audits. Cendant allocated the cost of these services to us based on the number of audits performed on our business. Our allocated share of the costs for these services was \$359,000, \$691,000 and \$94,000 in 2005, 2004 and 2003, respectively.

Advertising. We participate in Cendant's third party agreements for the purchase of national media advertising. We pay advertising costs directly to the third party vendor. In addition, Cendant allocated the costs of managing these agreements to us through our share of Cendant's general corporate overhead, which is discussed below. In connection with the separation of Realogy, Cendant's media advertising operations and personnel will be transferred to that business, and they will provide these services to us through December 31, 2007. Thereafter, we will be required to develop capabilities to provide these services.

Insurance. We have paid, and currently pay, Cendant for a variety of insurance products. These insurance policies include executive risk coverage, property and casualty, workers compensation, umbrella liability insurance and losses from crime. Cendant generally has allocated the cost of certain insurance to us based on the number of our employees. Due to the separation of Cendant into four independent public companies, our insurance in the future will be more expensive than the current insurance costs allocated to us by Cendant. Our allocated share of the costs of insurance was \$21.8 million, \$32.1 million and \$32.8 million in 2005, 2004 and 2003, respectively. In addition, costs for our directors' and officers' insurance in 2005, 2004 and 2003 were included in our share of Cendant's general corporate overhead, which is discussed below.

Event marketing. Cendant provides us with event marketing services, such as arranging our annual franchisee conventions and other franchisee events. Cendant has allocated the cost of these services to us based on the number of meetings and the number of attendees at meetings planned for us by Cendant. Our allocated share of the cost for these services was less than \$60,000 in each of 2005, 2004 and 2003. In connection with the separation of Realogy, Cendant's events marketing operations and personnel will be transferred to that business, and they will provide these services to us through December 31, 2006. Thereafter, we will be required to develop capabilities to provide these services.

Public and regulatory affairs. Cendant provides us with support in public and regulatory affairs services, including governmental affairs. Cendant allocated the cost of these services to us through our share of Cendant's general corporate overhead, which is discussed below. In connection with the separation of Realogy, Cendant's public and regulatory affairs operations and personnel will be transferred to that business, and they will provide these services to us through December 31, 2007. Thereafter, we will be required to maintain these services under our existing governmental affairs operations.

Corporate communications. Cendant provides us with corporate communications services, including both internal and external communication services. Cendant has allocated the cost of these services to us through our share of Cendant's general corporate overhead, which is discussed below. In connection with the separation of Realogy, certain of Cendant's corporate communications operations and personnel will be transferred to that company. They will provide internal communication services, such as employee newsletters and magazine, to us through the earlier of December 31, 2006 or the separation of TDS. Thereafter, we will be required to develop internal capabilities to provide these services.

Executive support. Cendant provides us with executive support services. Our allocated share of the costs for executive support was \$275,000, \$1.5 million and \$500,000 in 2005, 2004 and 2003, respectively.

General corporate overhead. In addition to those services discussed above, which are directly allocated to us by Cendant, certain corporate services are charged to us through Cendant's general corporate overhead allocation, which is calculated based on a percentage of our

revenues. These services include certain of those services discussed above and will be provided as transition services for a period of time. Our share of the general corporate overhead was \$56.2 million, \$51.3 million and \$52.0 million in 2005, 2004 and 2003, respectively.

Other intercompany relationships between Cendant and its subsidiaries and our company

Franchise agreement guarantees. Regulations applicable to the offer and sale of franchises require the inclusion of audited financial statements in offering materials delivered to prospective franchisees. Cendant's audited financial statements, and its guarantee of our obligations under the franchise agreements attributable to such offering materials, were included in the offering materials to satisfy the regulations. Accordingly, Cendant historically has guaranteed the performance of our obligations to our franchisees under our franchise agreements and will continue to do so.

Subleases and related guarantees. Cendant has allocated to us the cost of occupying approximately 155,000 usable square feet within the Six Sylvan Way and Ten Sylvan Way facilities for our corporate and vehicle rental operations in Parsippany, New Jersey, as well as 9,000 rentable square feet at Three Huntington Quadrangle in Melville, New York. We also pay Cendant for other services relating to our Parsippany locations, such as access to the cafeteria, maintenance and security. Our rent and related costs under these agreements were \$4.9 million, \$4.6 million and \$3.7 million in 2005, 2004 and 2003, respectively. Leases for all three locations will be assigned to us prior to the date of the separation of Realogy, and we will enter into a sublease arrangement with Wyndham to permit its personnel to occupy up to 21,200 rentable square feet within the Ten Sylvan Way location until June 30, 2008. Monthly rental costs for that sublease will be approximately \$51,000. We lease our other seven office facilities directly from the respective landlords.

Cendant will remain liable to landlords for all lease obligations pursuant to either guarantee agreements or the assignment provision of those leases assigned by Cendant to us, unless expressly released from such liability by the relevant landlord. Estimated liabilities associated with these obligations will decline over an average term of five years.

We shared a contact center facility in St. John, Halifax, Canada with another Cendant subsidiary until December 2004. We paid \$336,000 and \$391,000 in 2004 and 2003, respectively, for use of that space.

Equity compensation. Pursuant to the terms of its existing equity compensation, Cendant has, from time to time, granted options and restricted stock units to our named executive officers. During 2005, the aggregate value of restricted stock units granted to our named executive officers was \$12 million, which is included in compensation expense in our financial statements over the vesting period. See "Management—Summary compensation table".

Description of other indebtedness

The following is a summary of certain indebtedness that is currently, or we expect will be, outstanding following consummation of this offering. The following descriptions do not purport to be complete and are qualified in their entirety by reference to the agreements and related documents referred to herein, copies of which will be provided to you upon your request.

Overview

Upon completion of the sale of the notes, we expect to have outstanding indebtedness under the senior notes, our new senior secured credit facilities, secured vehicle financing and certain other financing arrangements.

Senior secured credit facilities

Concurrently with this offering, we expect that Avis Budget Car Rental, LLC, as borrower, and certain of its subsidiaries, as subsidiary borrowers, will enter into senior secured credit facilities with JPMorgan Chase Bank, N.A., as administrative agent, Deutsche Bank Securities, Inc., as syndication agent, and the lenders party thereto from time to time. The following is a summary description of certain terms of our senior secured credit facilities. The terms of the credit agreement and related documentation for the senior secured credit facilities are under discussion, and accordingly their definitive terms may vary from those described below.

The senior secured credit facilities are expected to provide for an aggregate maximum borrowing of \$2,375 million under (i) a term loan in an aggregate principal amount of \$875 million and (ii) a revolving credit facility, providing for up to \$1,500 million of revolving extensions of credit outstanding at any time (including revolving loans, swingline loans and letters of credit). Concurrently with the consummation of this offering, we expect that the full amount under the term loan will be drawn and that none of the revolving loans will be drawn, provided that letters of credit in an aggregate face amount of approximately \$350 million will be issued and outstanding under the revolving credit facility. The proceeds of the term loan, together with the proceeds from the sale of the notes and cash on hand, will be used to repay various of our asset-backed vehicle indebtedness and to pay fees and expenses related to these financings. The revolving credit facility will be available on a revolving basis to finance the working capital needs and general corporate purposes of the borrower and its subsidiaries.

Maturity; prepayments

The revolving credit facility is expected to mature in April 2011. The term loan is expected to mature in April 2012. The principal amount of the term loan is expected to amortize in quarterly installments equal to 0.25% of the original principal amount of the term loan for the first five and three-quarter years, with the balance payable at maturity.

Subject to certain exceptions, the senior secured credit facilities are expected to be subject to mandatory prepayments in amounts equal to:

- 100% of the net proceeds of any sale or other disposition by the holding company parent of the borrower, the borrower or any of its subsidiaries of any assets, with certain exceptions, including sales or other dispositions in connection with securitizations and vehicle-related financings, sales of inventory or obsolete or worn-out property (including vehicles) in the ordinary course of business, and certain other dispositions, including those made in connection with the Separation Transactions, and with customary reinvestment provisions; and
- 75% of the net proceeds of any incurrence of debt after the closing date by the holding company parent of the borrower, the borrower or any of its domestic subsidiaries, with

certain exceptions including securitizations and vehicle-related financings, certain subordinated debt and refinancing of existing debt, including the notes.

Mandatory prepayment provisions will be suspended at any time when the borrower's senior unsecured non-credit enhanced long term indebtedness is rated at least Baa3 by Moody's Investors Service, Inc. and BBB- by Standard & Poor's Ratings Group, in each case with stable or positive outlook.

Voluntary prepayments and commitment reductions will be permitted in minimum amounts to be agreed upon.

Security; guarantees

The obligations of the borrower under the senior secured credit facilities are expected to be guaranteed by the direct parent company of the borrower and each direct and indirect existing and future domestic subsidiary of the borrower other than certain securitization subsidiaries.

The senior secured credit facilities and any swap agreements and cash management arrangements provided by any lender party to the senior credit facilities are expected to be secured on a first priority basis by (i) pledges of all of the capital stock of all direct or indirect domestic subsidiaries (excluding securitization subsidiaries) of the borrower other than certain securitization subsidiaries and up to 66% of the capital stock of each direct foreign subsidiary of the borrower and (ii) liens on substantially all of the intellectual property of the borrower and each of the guarantors, subject to certain exceptions.

Interest

At the borrower's election, the interest rate per annum applicable to the loans under the senior secured credit facilities will be based on a fluctuating rate of interest determined by reference to either (i) the eurodollar rate or (ii) the base rate, in each case plus an applicable margin; provided that all swingline loans will bear interest at a rate per annum equal to the base rate plus the applicable margin.

Fees

We will pay certain fees with respect to the senior secured credit facilities, including (i) fees on the unused commitments of the lenders under the revolving facility, (ii) letter of credit fees on the aggregate face amount of outstanding letters of credit plus a fronting fee to the issuing bank, and (iii) administration fees.

Covenants

The senior secured credit facilities will contain a number of covenants that, among other things, will limit or restrict the ability of the borrower and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, pay or modify material debt instruments (adverse to the lenders) and modify agreements relating to the Separation Transactions, pay dividends, create liens, make acquisitions, investments, loans and advances, engage in mergers or make capital expenditures, or engage in certain transactions with affiliates (with exceptions relating to the Separation Transactions). In addition, under the senior secured credit facilities, the borrower will be required to comply with specified financial ratios.

Events of default

The senior secured credit facilities will contain customary events of default including non-payment of principal, interest or fees, failure to comply with covenants, material inaccuracy of representation or warranties, cross-default to material indebtedness, material judgments, change of control, actual or asserted invalidity of any guaranty or security document, and certain bankruptcy events. Our ability to borrow under the senior secured credit facilities will be dependent on, among other things, our compliance with the above-described financial ratios.

Failure to comply with these ratios or the other provisions of the credit agreement for the senior secured credit facilities (subject to certain grace periods) could, absent a waiver or an amendment from the lenders under such agreement, restrict the availability of the revolving credit facility and permit the acceleration of all outstanding borrowings under such credit agreement.

Rental car ABS Facility

The AESOP ABS Facility, a domestic integrated financing program, is our principal domestic financing facility for our rental car and light truck fleet with \$6.9 billion of indebtedness outstanding and total indebtedness capacity of up to \$7.6 billion as of December 31, 2005. The AESOP ABS Facility indebtedness includes ordinary term notes and notes with varying principal amounts that may be increased or decreased as needed, both of which are issued by Cendant Rental Car Funding (AESOP) LLC (the "ABS Issuer"), an indirect limited purpose and bankruptcy-remote subsidiary of ABCR. No other company currently owned by Cendant, including the Issuers, is obligated to make any payments on, or guarantee the payment of, the indebtedness issued pursuant to the AESOP ABS Facility. None of the assets purchased with the proceeds of the AESOP ABS Facility are available to make payment on the Notes.

Cendant has filed copies of the indenture, the primary lease and the primary loan agreement described below with the SEC, and they are available for investors to review at www.sec.gov.

Basic structure—indenture, leases and loans

The ABS Issuer currently has outstanding seventeen series of notes issued under the Second Amended and Restated Base Indenture, dated as of June 3, 2004, and a separate series supplement for each series of notes. The ABS Issuer pledges substantially all of its assets as security for the repayment of those notes.

Covenants

The ABS Issuer agrees to provide information to the holders of the notes, maintain its business and properties, comply with laws and assign manufacturer repurchase programs and guaranteed depreciation programs to the trustee. The indenture limits the ability of the ABS Issuer to create liens, incur indebtedness, merge, dispose of and acquire assets, make investments and enter into agreements and limits the types of business it conducts.

Credit enhancement

Each series of notes (and each class thereof) has the benefit of credit enhancement in the form and amount specified for the series of notes. Credit enhancement may consist of over-collateralization, which is the estimated value of vehicles pledged above the amount of the ABS Issuer's indebtedness, cash or demand notes supported by letters of credit. Prior to the issuance of a series of notes, the ABS Issuer determines the amount of credit enhancement desired to achieve a targeted credit rating for the series of notes from selected credit rating agencies, usually Moody's Investors Service Inc. and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. For the notes currently outstanding, credit enhancement includes over-collateralization, demand notes and cash reserves. The demand notes are obligations of Cendant, ABCR or Avis to fund up to a maximum amount upon a demand by the trustee. Generally, the demand notes are supported by a letter of credit from a highly rated bank. The letters of credit may be called upon if the obligor on the demand note fails to fund in a timely manner. If the trustee draws on a letter of credit, Cendant will be obligated to reimburse the provider of the letter of credit.

Financial guaranty

The ABS Issuer has traditionally paid for each outstanding series of notes that are medium term notes (which excludes variable funding notes) to have the benefit of a financial guaranty insurance policy issued by a highly rated monoline insurance company. The insurance policy

guarantees timely payment of interest and ultimate payment of principal on the notes. The monoline insurance companies each have a separate contract with the ABS Issuer governing the terms of issuance of the policy and receive all voting rights of the holders of the notes for the series covered by the policy.

Amortization events

The base indenture and the supplements for each series of notes specify events that could cause a series of notes or all series of notes to amortize earlier than expected. Early amortization events include:

- non-payment of interest, principal or premium amounts beyond the grace period;
- default in the performance by us of our obligations as the administrator of the AESOP ABS Facility (which do not constitute a financial guaranty of principal or interest of any series of notes);
- deficiency in the amount of the ABS Issuer's assets compared to the outstanding amount of the ABS Issuer's notes;
- cross defaults to the leases and the loan agreements (each described below), including failure to pay rent or to comply with obligations under the AESOP transaction documents;
- violation of any covenants that materially and adversely affect the noteholders of any series of Notes beyond the grace period;
- material inaccuracy of representations or warranties;
- events involving bankruptcy or insolvency of the AESOP Issuer, ABCR, Avis or Budget;
- failure to maintain adequate credit enhancement or adequate liquid credit enhancement;
- failure to maintain sufficient assets allocable to the series of notes;
- failure to pay principal and interest by the expected final maturity for each class of notes issued under the series supplement; and
- liens and injunctions with respect to collateral that is specific to the series of notes issued under the series supplement.

An early amortization event would prevent the ABS Issuer from making loans under the loan agreements until each series of notes amortizing has been paid in full. Without the loans under the loan agreements, neither AESOP Leasing L.P. (a parent company of the ABS Issuer) nor AESOP Leasing Corp. II would be able to borrow funds to purchase cars or light trucks for use in the Avis or Budget rental car businesses. Unless waived by the holders of the notes (or the monoline insurance company for the series of notes), an uncured early amortization event will usually lead to a forced sale of all or a portion of the cars and light trucks used in the Avis and Budget businesses by the trustee under the AESOP ABS Facility.

Loan agreements

The ABS Issuer uses proceeds from the notes to make secured loans to AESOP Leasing L.P., an indirect limited purpose subsidiary of ABCR. Proceeds from the notes may also be used to make loans to AESOP Leasing Corp. II under a loan agreement, although no amount is currently outstanding by AESOP Leasing Corp. II. Proceeds from the loans are used to purchase cars and light trucks. AESOP Leasing L.P. and AESOP Leasing Corp. II each pledge substantially all of their assets to secure their obligations under the loan agreements.

AESOP Leasing L.P. and AESOP Leasing Corp. II each agree to maintain insurance for the vehicles leased under the leases, provide for the timely return of vehicles to the respective

vehicle manufacturers, keep accurate records, provide notices, provide for maintenance of the vehicles, ensure that payments from manufacturers are deposited into the correct accounts, verify and maintain good and marketable title for the vehicles, arrange for any necessary sale of vehicles and maintain its business and properties. The loan agreements require that AESOP Leasing L.P. and AESOP Leasing Corp. II refrain from creating liens, limit their indebtedness, refrain from merging, limit their disposition and acquisition of assets, limit payment of dividends, limit their investments, limit the acquisition and redesignation of vehicles, restrict the maximum hold period for vehicles and limit the agreements they enter into and the types of business they conduct.

Leases

AESOP Leasing L.P. leases its cars and light trucks to us under an operating lease and a finance lease. AESOP Leasing L.P. also leases vehicles to Avis and Budget under the finance lease. Under the operating lease, AESOP Leasing L.P. titles vehicles in its name or in the name of a person appointed on AESOP Leasing L.P.'s behalf to hold title to the vehicles. Under the finance lease, AESOP Leasing L.P. allows each lessee to title vehicles in the lessee's name. Each lessee under the finance lease grants a security interest to the trustee in the vehicles leased under the finance lease. The finance lease also requires that the lessees pay additional rent to cover any difference between the depreciated value of leased vehicles and the amount received for the leased vehicles from a manufacturer under a manufacturer program or as sales proceeds from a sale at auction. Approximately 5% of our vehicles are leased under the finance lease.

In the leases, the lessees, ABCR, Avis and Budget, agree to maintain insurance for the vehicles leased under the leases, provide for the timely return of vehicles to the respective vehicle manufacturers, keep accurate records, provide notices, pay taxes and remove liens, provide for maintenance of the vehicles, ensure that payments from manufacturers are deposited into the correct accounts, arrange for any necessary disposition of vehicles, preserve security interests and maintain their businesses. The leases require that ABCR, Avis and Budget refrain from creating liens, refrain from merging, prevent unauthorized use of the vehicles, limit subleasing and limit the agreements it enters into.

Master Exchange Agreement

We and several of our subsidiaries purchase and dispose of vehicles used in our rental car business through a like-kind-exchange program, which is designed to comply with Section 1031 of the Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations promulgated thereunder. The like-kind-exchange program allows the vehicle owner to defer realization of taxable gains and losses that would otherwise arise upon the disposition of a vehicle used in the rental car business.

Under the Master Exchange Agreement, the vehicle owner can dispose of used vehicles and acquire new vehicles through an intermediary qualified under the U.S. tax code, rather than through a direct relationship with vehicle manufacturers. The Master Exchange Agreement also governs the terms of ownership of the vehicles, the use of cash within the like-kind-exchange program and the purchase of new vehicles with loan proceeds or amounts received from the sale of used vehicles.

When disposing of a vehicle through the like-kind-exchange program, the vehicle owner transfers one or more used vehicles to the qualified intermediary, who, in turn, either returns the vehicles to the manufacturer pursuant to a repurchase arrangement or sells the vehicles at a public auction. The qualified intermediary immediately transfers all proceeds received from vehicle sales to the ABS Issuer, which proceeds are automatically credited to us or reduce the outstanding principal amount of loans under a loan agreement between the ABS Issuer and AESOP Leasing, L.P.

In order to purchase a vehicle through the like-kind-exchange program, the qualified intermediary uses the proceeds of a loan made under a loan agreement between AESOP Leasing and the ABS Issuer to finance the acquisition of new vehicles. Using the loan proceeds, the qualified

intermediary will purchase vehicles from a manufacturer, typically pursuant to a repurchase program. The qualified intermediary delivers all replacement vehicles to the subsidiary requesting the vehicle acquisition on the same day it receives the vehicles from the manufacturers.

HFS Truck Funding Co-Purchase Facility

The HFS Truck Funding Co-Purchase Facility is a domestic financing program with approximately \$149 million outstanding as of December 31, 2005. We use this facility primarily to finance rental vehicles of our Budget truck rental business, principally those vehicles acquired by us in connection with our November 2002 acquisition of substantially all of Budget Group, Inc.'s domestic assets. Indebtedness under this facility is evidenced by one series of notes issued by HFS Truck Funding Corporation ("HFS Truck"), an indirect limited purpose bankruptcy-remote subsidiary of ABCR. Trucks purchased under this facility can be sold at market value to pay down amounts outstanding. No other company currently owned by Cendant, including the Issuers, is obligated to make any payments on, or guarantee the payment of, the HFS Truck Funding Co-Purchase Facility.

HFS Truck currently has outstanding one series of notes issued under the Base Indenture, dated as of November 22, 2002. HFS Truck pledges substantially all of its assets as security for the repayment of the notes.

In the indenture, HFS Truck agrees to provide information and notices for the holders of the notes, maintain its business and properties, comply with laws, maintain insurance for the trucks and provide for commercially reasonable disposition of the trucks. The indenture requires that HFS Truck refrain from creating liens, limit its indebtedness, refrain from merging, limit the disposition of assets, limit its acquisition of assets, limit its investments and limit the agreements it enters into and the types of business it conducts.

Amortization events

The indenture specifies events that could cause the notes to amortize earlier than expected. Early amortization events that would cause all notes to amortize earlier than expected are set forth in the base indenture and include:

- non-payment of interest, principal or premium amounts beyond the grace period;
- default in the performance by Avis of its obligations as the administrator of the HFS Truck Funding Co-Purchase Facility (which do not constitute a financial guaranty of principal or interest of the notes);
- deficiency in the amount of HFS Truck's assets compared to the outstanding amount of the notes;
- violation of covenants that materially and adversely affect the noteholders beyond the grace period;
- material inaccuracy of representations or warranties;
- events involving bankruptcy or insolvency of HFS Truck, Budget, Avis or ABCR;
- failure to maintain adequate credit enhancement or adequate liquid credit enhancement;
- failure to maintain sufficient assets allocable to the series 2002-1 notes; and
- liens and injunctions with respect to collateral.

An uncured early amortization event will usually lead to a forced sale of all or a portion of the trucks used in the Budget truck rental business by the trustee under the HFS Truck Funding Co-Purchase Facility.

The notes are currently amortizing at decreasing amounts per month as expected and are on schedule to be repaid by November 2007. The interest rate of the series 2002-1 notes varies each month, depending on the monthly funding costs with respect to each holder of the notes, the average outstanding amount during the given interest period and the number of days in the interest period.

HFS Truck leases its trucks to Budget under an operating lease and ABCR guarantees Budget's obligation under the lease. Under the operating lease, HFS Truck titles trucks in its name or in the name of a person appointed on HFS Truck's behalf to hold title to the trucks.

In the lease, Budget, as lessee, and ABCR each agrees to maintain insurance for the trucks leased under the leases, keep accurate records, provide notices, pay taxes and remove liens, provide for maintenance of the trucks, arrange for any necessary disposition of trucks and maintain its business. The lease requires that Budget (and that ABCR cause Budget to) refrain from creating liens, refrain from merging, prevent unauthorized use of the trucks and limit the agreements it enters into.

Certain other indebtedness

Lease financing transactions

In 2004 and 2005, Budget entered into 28 substantially similar lease financing transactions with various institutional investors for purposes of funding newly acquired rental trucks. Budget intends that the leases be "qualified motor vehicle operating agreements", commonly referred to as TRAC leases under the Internal Revenue Code of 1986. As part of these transactions, separate Delaware statutory trusts created by these institutional investors acquired title to a total of 15,668 light- or medium-duty box trucks, which had been ordered by Budget from the manufacturers for an aggregate purchase price of approximately \$399 million. The trusts then leased the trucks to Budget, which agreed to pay quarterly rents to the trusts, as lessors. The starting dates of the leases ranged from February 23, 2004 to June 24, 2005, and the scheduled expiration dates of the leases ranged from October 31, 2007 to December 24, 2009. As few as 167 or as many as 1,315 trucks were leased under any particular lease, and the total value of the trucks under any particular lease ranged from approximately \$6.4 million to \$27.6 million. As of December 31, 2005, approximately \$370 million was outstanding under the TRAC leases. Budget uses the trucks in its general truck rental business.

Under the leases, Budget has agreed to refrain from creating liens on the trucks, to refrain from selling or disposing of its interest in the trucks, to maintain appropriate records and to procure insurance meeting agreed terms. If any truck is stolen, destroyed or requisitioned, Budget must either compensate the lessor by paying an agreed amount which is intended to preserve the investor's investment or provide a replacement truck with equal or higher value. Budget may terminate any lease with respect to any truck that it no longer needs, in which case it is required to make a payment which, together with the net proceeds of any sale of the trucks covered by such lease, is intended to preserve the investor's investment. If Budget proposes to merge or consolidate or sell or dispose of all or substantially all of its assets under circumstances not permitted by the lease documents, Budget may terminate any lease and purchase all, but not less than all, of the trucks under such lease for a price intended to preserve the investor's investment. Budget has rights to renew each lease for a limited period. In connection with the termination of any lease, whether at the end of its original term or renewal term, Budget is required to arrange a sale of the trucks and to pay to the lessor the net proceeds of such sale and, if such proceeds are not equal to or greater than an amount which has been agreed between Budget and the investor, an additional amount up to the set agreed amount. If the trucks are not sold by the end of the lease term, Budget must return the trucks to the lessor at a designated location or, if requested by the lessor, must bear the cost of keeping the trucks in storage until sold but in no case for more than 120 days. Budget must then continue to use its best efforts to sell the trucks.

In June and July 2004, Budget also leased 532 trucks worth approximately \$24 million from another institutional investor. These leases were similar in many respects to the leases described above, but, because the leases entered into in June and July 2004 are not “qualified motor vehicle operating agreements” under the Internal Revenue Code, they differed with respect to the options and obligations which apply at the end of the lease term. Pursuant to the June and July 2004 leases, which have an initial term of approximately five years, Budget has the option at the end of the term to return the trucks or purchase them for fair market value determined at that time. If Budget has not provided notice of its election to return or purchase at least 90 days before the end of the lease term, the lease will be extended for six months. Trucks that are to be returned must be returned in accordance with specified return conditions, which include a requirement that there not be more than 150,000 miles of usage for each truck. Budget is required to pay \$0.05 per mile for mileage above 150,000.

Under the leases, an event of default may occur if Budget defaults in rent or other payments; fails to maintain required insurance; enters into an unauthorized merger, consolidation or sale; or materially breaches any representation, warranty or covenant; if certain bankruptcy, liquidation or dissolution with respect to Budget occur; or if the Cendant parent guarantee is defective. If any event of default occurs, the lessor may take legal remedial actions under the lease or as permitted by law, including: terminating the lease; demanding immediate return of trucks; physically repossessing the trucks; selling the trucks; holding the trucks, keeping them idle, or leasing them to others; and demanding accrued and unpaid rent, as well as damages and expenses.

Cendant has filed copies of the form of the principal agreements described above with the SEC, and they are available for investors to review at www.sec.gov.

Other

In addition, as of December 31, 2005, we had an aggregate of approximately \$16 million outstanding under various secured and unsecured foreign credit facilities. Where these foreign credit facilities are denominated in currencies other than U.S. dollars, the approximate value of such outstanding amounts is based upon applicable currency exchange rates as of December 31, 2005.

WTH Funding Limited Partnership

WTH Funding Limited Partnership is an Ontario limited partnership formed among Aviscar Inc., a subsidiary of Avis, and Budgetcar Inc., a subsidiary of Budget, 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.

The terms of WTH Funding are set out in the Fourth Amended and Restated Limited Partnership Agreement dated as of April 20, 2005, as amended.

WTH Funding purchases, owns, rents and sells prescribed classes of vehicles throughout Canada. In general, the purchase of vehicles by WTH Funding is funded by capital contributions from each of the partners, with the general partners obligated to contribute between approximately 9% and 17% of the amount of the contributions made by the limited partners on a go-forward basis. The termination date of the partnership agreement is April 30, 2010.

The current capacity of the program is Cdn.\$700 million plus the aggregate principal amount of outstanding bonds issued by the limited partners. Currently, STARS Trust has a Cdn.\$75 million Series 2003-1 bond outstanding with a final payment date of July 20, 2006. As of December 31, 2005, \$397 million of U.S. borrowings were included as debt on our consolidated balance sheet in connection with this structure.

The partnership agreement contains standard representations, warranties and covenants from the general partners, including restrictive covenants on transfers of assets, mergers and the incurrence of debt by the general partners on behalf of WTH Funding, subject to certain exceptions. Certain performance obligations of the general partners under the partnership agreement are guaranteed pursuant to a guarantee provided by Cendant, which is not a financial guarantee of WTH Funding's obligations to the limited partners. ABCR indemnifies the limited partners and WTH Funding with respect to certain matters relating to the transfer and title of vehicles transferred to WTH Funding, which is not a financial guarantee of WTH Funding's obligations to the limited partners.

The partnership agreement also contains certain customary trigger events, including the occurrence of an event of default pursuant to the guarantee provided by Cendant. Upon the occurrence of a trigger event, if not waived by the limited partners, the obligation of the limited partners to make additional capital contributions to WTH Funding shall cease.

Cendant has filed a copy of the partnership agreement with the SEC, and it is available for investors to review at www.sec.gov.

The limited partners and their respective affiliates have performed, and may in the future perform, various commercial banking, investment banking and other financial advisory services for Cendant and its subsidiaries for which they have received, and will receive, customary fees and expenses.