

Risk factors

An investment in the notes involves significant risks. You should carefully consider the risks described below as well as other information and data included in this offering memorandum before making an investment decision. If any of the events described in the risk factors below occur, our business, financial condition, operating results and prospects could be materially adversely affected, which in turn could adversely affect the value of the notes

Risks related to our business

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

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

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

Vehicle depreciation represents approximately 24% of our aggregate expenses and can vary from year to year based on the prices at which we are able to purchase and dispose of rental vehicles. 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. We refer to cars subject to such agreements as "program cars". Under these repurchase programs, automobile manufacturers agree to repurchase cars at a specified price during a specified time period, typically subject to certain car condition and mileage requirements. Repurchase programs, therefore, enable us to determine, in advance, our depreciation expense, which is a significant cost factor in our car rental operations. Repurchase programs also limit the risk to us that the market value of a car, at the time of its disposition, will be less than its estimated residual (or depreciated) value.

Automobile manufacturers may not continue to sell cars to us subject to repurchase programs at all or on terms consistent with past practice. Should the percentage of our car rental fleet subject to repurchase programs decrease, we would expect to bear increased risk relating to the residual market value of our car rental fleet and car depreciation, which could have a material adverse effect on our results of operations and financial condition. Under such a scenario, we would have to find an alternate method for disposition of the additional non-program cars, which could significantly increase our overall fleet expenses and decrease our proceeds on sales. The overall cost of cars subject to repurchase programs could also increase if the manufacturers were to make changes to these programs, particularly if such changes were to result in a decrease in the repurchase price without a corresponding decrease to the original purchase price. Repurchase programs also generally provide us with flexibility to reduce the size of our fleet rapidly in response to an economic downturn or changes in demand by returning cars sooner than originally expected. This flexibility may be reduced in the future to the extent the percentage of program cars in our car rental fleet decreases or this feature of repurchase programs is altered.

During 2005, approximately 82% of the cars acquired for our U.S. car rental fleet were manufactured by either General Motors Corporation or Ford Motor Company. A default on any repurchase agreement, particularly with respect to GM or Ford, might also leave us with a substantial unpaid claim against the manufacturer with respect to program cars that were sold and returned to the car manufacturer but for which we were not paid, as well as potential additional expenses if the prices at which we were able to dispose of program cars were less than the specified prices under the repurchase program. Any increased risk with respect to the likelihood of these defaults could also impact our ability to finance the purchase of cars to maintain our car rental fleet.

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

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

In 2005, we generated approximately 79% of our consolidated car rental revenue from our corporate owned on-airport locations. As a result, a decline in airline passenger traffic could have a material adverse effect on our results of operations. Events that affect air travel could include work stoppages, military conflicts, terrorist incidents or threats, pandemic diseases, natural disasters or the response of governments to any of these events. We also face increased costs of maintaining our positions on-airport through increased competitive bidding and minimum airport guarantees.

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

The operators of third party distribution channels, through which we generate approximately 44% of our domestic reservations, generally can cancel or modify their agreements with us upon relatively short notice. Changes in our pricing agreements, commission schedules or arrangements with third party distribution channels, the termination of our relationships or a reduction in the transaction volume of such channels could have a material adverse effect on our business, financial condition and results of operations. Most of these reservations are made in connection with GDS (Amadeus, Galileo, Sabre and Worldspan), which aggregate reservations from various sources. Our largest third party source of reservations (other than from GDS) in 2005 was responsible for less than 2% of our domestic reservations.

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

In our business, the third quarter of the year has historically been our strongest quarter due to the increased level of leisure travel and household moving activity. In 2005, the third quarter accounted for approximately 29% of our total revenue and 43% of our income before income taxes. Any occurrence that disrupts rental activity during the third quarter could have a disproportionately material adverse effect on our results of operations.

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

A significant amount of our borrowings, primarily borrowings under our new senior secured credit facility and our vehicle-backed debt, bear or will bear interest at variable rates and expose us to interest rate risk. If interest rates increase, whether because of an increase in market interest rates or an increase in our own cost of borrowing, our debt service obligations for our variable

rate indebtedness would increase even though the amount of borrowings remained the same, and our net income could be materially adversely affected. As of December 31, 2005, on a pro forma basis after giving effect to the Pro Forma Transactions and our intent to purchase interest rate derivatives with respect to the term loan, our total outstanding debt of approximately \$7.9 billion included interest rate sensitive debt of approximately \$1.7 billion (either by its original terms or through the use of interest rate derivatives), which had a weighted average interest rate of approximately 4.7% per annum. During our seasonal borrowing peak in 2005, outstanding interest rate sensitive debt totaled approximately \$2.5 billion, with a weighted average interest rate of approximately 3.7% per annum.

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

We rely heavily on information systems, including the Wizard System, to accept reservations, process rental and sales transactions, manage our fleet of vehicles, account for our activities and otherwise conduct our business. We have centralized our information systems, and we rely on communications services providers to link our systems with the business locations these systems serve. A failure of a major system, or a major disruption of communications between the system and the locations it serves, could cause a loss of reservations, interfere with our ability to manage our fleet, slow rental and sales processes and otherwise materially adversely affect our ability to manage our business effectively. Our systems' business continuity plans and insurance programs are designed to mitigate such a risk, not to eliminate it. In addition, because our systems contain information about millions of individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance of others, could harm our reputation or give rise to legal liabilities leading to lower revenue, increased costs and other material adverse effects on our results of operations.

We face risks related to liability and insurance.

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

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

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

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

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

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

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

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

In many states, we are allowed to recover various licensing costs, concession costs and other fees that we are required to remit to government agencies, including airport authorities. Our practice is to show any such charge as an additional separately stated item on the customer invoice, to clearly disclose the existence of these fees to consumers in all distribution channels and to provide an estimated total price inclusive of surcharges and taxes. Prior opinions from the Federal Trade Commission and various courts support this business practice and we believe these pass-through charges, where imposed, are lawful. However, the Attorneys General of Virginia, Montana and Massachusetts have questioned this practice, and we cannot assure you that these or other Attorneys General may not bring an enforcement proceeding against us with respect to these matters.

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

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

Risks related to the Separation Transactions

We have no recent operating history as part of a separately owned and stand-alone company.

The historical and pro forma financial information included in this offering memorandum does not reflect the financial condition, results of operations or cash flows we would have achieved as a separately owned and stand-alone company during the periods presented or those we will achieve in the future. This is primarily a result of the following factors:

- Prior to the completion of the Separation Transactions, our business was and will be operated by Cendant as part of its broader corporate organization, rather than as an independent company. Cendant or one of its affiliates performs various corporate functions for us, including, but not limited to, tax administration, certain governance functions (including compliance with the Sarbanes-Oxley Act of 2002 and internal audit) and external reporting. Our historical and pro forma financial results reflect allocations of corporate expenses from Cendant for these and similar functions. These allocations are less than the comparable expenses we believe we would have incurred had we operated as a separately owned company.
- Generally, our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, have historically been satisfied as part of the corporate-wide cash management policies of Cendant's broader corporate organization. Subsequent to the completion of the Separation Transactions, we will not have access to the cash generated by the Separated Businesses in order to finance our working capital or other cash requirements. Without the opportunity to obtain financing from the cash generated by the Separated Businesses, we may need to obtain additional financing from banks, or through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements.
- Subsequent to the completion of the Separation Transactions, the cost of capital for our business may be higher than Cendant's cost of capital prior to the completion of the Separation Transactions because Cendant's current credit ratings are higher than what ours are contemplated to be after the completion of the Separation Transactions.
- Currently, our business is integrated with the Separated Businesses. We share economies of scope and scale in costs, employees, vendor relationships and customer relationships. While we expect to enter into short-term transition agreements that will govern certain commercial and other relationships among us and the Separated Businesses after the completion of the Separation Transactions, those temporary arrangements may not capture the benefits our business has enjoyed as a result of being integrated with the Separated Businesses. The loss of these benefits could have an adverse effect on our business, results of operations and financial condition following the completion of the Separation Transactions.
- Other significant changes may occur in our cost structure, management, financing and business operations as a result of our operating as a company separate from the Separated Businesses.

We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company, and we may experience increased costs after the completion of, or as a result of, the Separation Transactions.

Following the completion of the Separation Transactions, the Separated Businesses are expected to be contractually obligated to provide to us only those services specified in the transition services agreement and the other agreements we enter into with them in preparation for the Separation Transactions. We may be unable to replace, in a timely manner or on comparable terms, the services that the Separated Businesses previously provided to us that are not specified in the transition services agreement or the other agreements. In addition, if the Separated Businesses do not continue to perform effectively the transition services and other services that are called for under the transition services agreement and the other agreements, we may not be able to operate our business effectively and our profitability may decline. Furthermore, after the

expiration of the transition services and other agreements, we may be unable to replace, in a timely manner or on comparable terms, the services specified in such agreements.

The Separation Transactions may not be completed, or if completed, the terms of such transactions may differ than those currently contemplated.

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. Although we describe a number of the arrangements among Cendant and the Separated Businesses, including the Separation Agreement, tax sharing agreement, transition services agreement and certain commercial arrangements, those descriptions are preliminary and remain subject to change based upon the final terms of the Separation Transactions.

Our agreements with the Separated Businesses may not reflect terms that would have resulted from arm's-length negotiations among unaffiliated parties.

The agreements related to the Separation Transactions, including the separation and distribution, tax sharing, transition services and other agreements, were not the result of arm's-length negotiations and thus may not reflect terms that would have resulted from arm's-length negotiations among unaffiliated parties. Such terms include, among other things, those related to allocation of assets, liabilities, rights, indemnifications and other obligations among the Separated Businesses and us.