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

Form 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from to

Commission File No. 1-10308

Avis Budget Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**06-0918165**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
6 Sylvan Way Parsippany, NJ	**07054**
(Address of principal executive offices)	*(Zip Code)*

(973) 496-4700
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

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

The number of shares outstanding of the issuer's common stock was 104,984,928 shares as of April 29, 2011.

Table of Contents

FORWARD-LOOKING STATEMENTS

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

- the high level of competition in the vehicle rental industry and the impact such competition may have on pricing and rental volume;
- an increase in our fleet costs as a result of an increase in the cost of new vehicles, disruption in the supply of new vehicles, including potential disruption due to the recent natural disasters in Japan, and/or a decrease in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;
- the results of operations or financial condition of the manufacturers of our cars, which could impact their ability to perform their payment obligations under the agreements we have with them, including repurchase and/or guaranteed depreciation arrangements, and/or their willingness or ability to make cars available to us or the rental car industry as a whole on commercially reasonable terms or at all;
- any reduction in travel demand, including any reduction in airline passenger traffic;
- any weakness in economic conditions generally, including in the housing market, particularly during our peak season or in key market segments;
- our ability to continue to achieve and maintain cost savings and successfully implement our business strategies;
- our ability to obtain financing for our operations, including the funding of our vehicle fleet via the asset-backed securities and lending market consistent with current costs, and the financial condition of financial-guaranty firms that have insured a portion of our outstanding vehicle-backed debt;
- an occurrence or threat of terrorism, pandemic disease, natural disasters or military conflict in the locations in which we operate;
- our dependence on third-party distribution channels, third-party suppliers of other services and co-marketing arrangements with third parties;
- our ability to utilize derivative instruments, and the impact of derivative instruments we currently utilize, which can be affected by fluctuations in interest rates, gasoline prices and exchange rates, changes in government regulations and other factors;
- our ability to accurately estimate our future results;
- a major disruption in our communication networks or information systems;
- our exposure to uninsured claims in excess of historical levels;
- our failure or inability to comply with regulations or contractual obligations or any changes in regulations or contractual obligations, including with respect to personally identifiable information;
- any impact on us from the actions of our licensees, dealers and independent contractors;

- substantial increases in the cost, or decreases in the supply, of fuel, vehicle parts, energy, labor or other resources on which we depend to operate our business;
- risks related to our indebtedness, including our substantial amount of debt and our ability to incur substantially more debt;
- our ability to meet the financial and other covenants contained in the agreements governing our indebtedness;
- the terms of agreements among us and our former real estate, hospitality and travel distribution businesses following the separation of those businesses from us during third quarter 2006, particularly with respect to the allocation of assets and liabilities, including contingent liabilities and guarantees, the ability of each of the separated companies to perform its obligations, including its indemnification obligations, under these agreements, and the former real estate business' right to control the process for resolving disputes related to contingent liabilities and assets;
- risks associated with litigation involving the Company;
- risks related to tax obligations;
- the effect of future changes in accounting standards;
- risks related to the proposed acquisition of Dollar Thrifty Automotive Group, Inc. ("Dollar Thrifty"), including the timing to consummate such acquisition, the ability and timing to obtain required regulatory approvals and financing (and any conditions thereto), the expected incurrence of incremental indebtedness to help fund the acquisition, our ability to promptly and effectively integrate the businesses of Dollar Thrifty and Avis Budget Group, and the impact of pending or future litigation relating to any potential acquisition; and
- other business, economic, competitive, governmental, regulatory, political or technological factors affecting our operations, pricing or services.

Other factors and assumptions not identified above, including those described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2010 Annual Report on Form 10-K were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

You should consider the areas of risk described above, as well as those described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2010 Annual Report on Form 10-K and those that may be disclosed from time to time in filings with the Securities and Exchange Commission, in connection with any forward-looking statements that may be made by us and our businesses generally. Except to the extent of our obligations under the federal securities laws, we undertake no obligation to release any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31,	
	2011	**2010**
Revenues		
Vehicle rental	$ 918	$ 866
Other	317	287
Net revenues	1,235	1,153
Expenses		
Operating	659	612
Vehicle depreciation and lease charges, net	276	297
Selling, general and administrative	156	131
Vehicle interest, net	63	74
Non-vehicle related depreciation and amortization	23	23
Interest expense related to corporate debt, net		
Interest expense	47	41
Early extinguishment of debt	—	40
Restructuring charges	—	1
Total expenses	1,224	1,219
Income (loss) before income taxes	11	(66)
Provision for (benefit from) income taxes	4	(28)
Net income (loss)	$ 7	$ (38)
Earnings (loss) per share		
Basic	$ 0.07	$ (0.37)
Diluted	$ 0.06	$ (0.37)

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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

	March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 913	$ 911
Receivables	349	315
Deferred income taxes	130	130
Other current assets	289	282
Total current assets	1,681	1,638
Property and equipment, net	413	425
Deferred income taxes	632	587
Goodwill	76	76
Other intangibles, net	483	481
Other non-current assets	244	255
Total assets exclusive of assets under vehicle programs	3,529	3,462
Assets under vehicle programs:		
Program cash	7	4
Vehicles, net	7,088	6,422
Receivables from vehicle manufacturers and other	111	149
Investment in Avis Budget Rental Car Funding (AESOP) LLC—related party	305	290
	7,511	6,865
Total assets	$ 11,040	$ 10,327
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	$ 904	$ 925
Current portion of long-term debt	7	8
Total current liabilities	911	933
Long-term debt	2,492	2,494
Other non-current liabilities	531	535
Total liabilities exclusive of liabilities under vehicle programs	3,934	3,962
Liabilities under vehicle programs:		
Debt	546	528
Debt due to Avis Budget Rental Car Funding (AESOP) LLC—related party	4,565	3,987
Deferred income taxes	1,384	1,333
Other	173	107
	6,668	5,955
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $.01 par value—authorized 10 million shares; none issued and outstanding	—	—
Common stock, $.01 par value—authorized 250 million shares; issued 136,992,120 and 136,982,068 shares	1	1
Additional paid-in capital	8,507	8,828
Accumulated deficit	(2,630)	(2,637)
Accumulated other comprehensive income	112	92
Treasury stock, at cost—31,652,445 and 33,247,139 shares	(5,552)	(5,874)
Total stockholders' equity	438	410
Total liabilities and stockholders' equity	$ 11,040	$ 10,327

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Operating Activities		
Net income (loss)	$ 7	$ (38)
Adjustments to reconcile net income (loss) to net cash used in operating activities exclusive of vehicle programs:		
Non-vehicle related depreciation and amortization	23	23
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Receivables	(1)	(5)
Income taxes and deferred income taxes	(25)	(34)
Accounts payable and other current liabilities	(5)	45
Other, net	(27)	(1)
Net cash used in operating activities exclusive of vehicle programs	(28)	(10)
Vehicle programs:		
Vehicle depreciation	305	290
	305	290
Net cash provided by operating activities	277	280
Investing Activities		
Property and equipment additions	(8)	(7)
Proceeds received on asset sales	3	6
Other, net	(1)	(1)
Net cash used in investing activities exclusive of vehicle programs	(6)	(2)
Vehicle programs:		
Decrease (increase) in program cash	(2)	162
Investment in vehicles	(2,526)	(2,487)
Proceeds received on disposition of vehicles	1,674	1,832
Investment in debt securities of Avis Budget Rental Car Funding (AESOP) LLC — related party	(195)	(130)
Proceeds from debt securities of Avis Budget Rental Car Funding (AESOP) LLC — related party	195	130
	(854)	(493)
Net cash used in investing activities	(860)	(495)

Table of Contents

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Financing Activities		
Proceeds from borrowings	—	444
Principal payments on borrowings	(2)	(454)
Debt financing fees	(1)	(28)
Other, net	1	1
Net cash used in financing activities exclusive of vehicle programs	(2)	(37)
Vehicle programs:		
Proceeds from borrowings	2,957	2,733
Principal payments on borrowings	(2,366)	(2,438)
Net change in short-term borrowings	—	(47)
Debt financing fees	(3)	(11)
	588	237
Net cash provided by financing activities	586	200
Effect of changes in exchange rates on cash and cash equivalents	(1)	3
Net increase (decrease) in cash and cash equivalents	2	(12)
Cash and cash equivalents, beginning of period	911	482
Cash and cash equivalents, end of period	$ 913	$ 470

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
(Unless otherwise noted, all dollar amounts in tables are in millions, except per share amounts)

1. Basis of Presentation and Recently Issued Accounting Pronouncements

Basis of Presentation

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

The Company operates in the following business segments:

- **Domestic Car Rental**—provides car rentals and ancillary products and services in the United States.
- **International Car Rental**—provides vehicle rentals and ancillary products and services primarily in Argentina, Australia, Canada, New Zealand, Puerto Rico and the U.S. Virgin Islands.
- **Truck Rental**—provides truck rentals and related services to consumers and commercial users in the United States.

In presenting the Consolidated Condensed Financial Statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgments and available information. Accordingly, actual results could differ from those estimates. In management's opinion, the Consolidated Condensed Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These financial statements should be read in conjunction with the Company's 2010 Annual Report on Form 10-K.

Vehicle Programs. The Company presents separately the financial data of its vehicle programs. These programs are distinct from the Company's other activities since the assets under vehicle programs are generally funded through the issuance of debt that is collateralized by such assets. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of the Company's vehicle programs. The Company believes it is appropriate to segregate the financial data of its vehicle programs because, ultimately, the source of repayment of such debt is the realization of such assets.

2. Restructuring Charges

Beginning in late 2008, the Company implemented initiatives within the Company's Domestic Car Rental, International Car Rental and Truck Rental segments to reduce costs, enhance organizational efficiency and consolidate and rationalize existing processes and facilities.

As of March 31, 2011, the remaining liability relating to restructuring actions amounted to $5 million, for Domestic Car Rental facility-related lease obligation costs for vacated locations which are expected to be paid through 2015. The Company has substantially completed its activities under this plan.

The utilization of the restructuring liability is recorded within the Company's segments as follows:

	Domestic Car Rental	Total
Balance as of January 1, 2011	$ 6	$ 6
Cash payment/utilization	(1)	(1)
Balance as of March 31, 2011	$ 5	$ 5

3. Earnings Per Share

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

	Three Months Ended March 31,	
	2011	2010
Net income (loss) for basic and diluted EPS	$ 7	$ (38)
Basic weighted average shares outstanding [a]	104.6	102.6
Options, warrants and non-vested stock	2.2	—
Diluted weighted average shares outstanding [b]	106.8	102.6
Earnings per share:		
Basic	$ 0.07	$ (0.37)
Diluted	$ 0.06	$ (0.37)

(a) As the Company incurred a net loss for the three months ended March 31, 2010, all outstanding stock options, restricted stock units, warrants and issuable shares underlying the 3 1/2% convertible notes have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding for the period. Accordingly, basic and diluted weighted average shares outstanding are equal for the period.

(b) For the three months ended March 31, 2011, the shares underlying the 3 1/2% convertible notes have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding for the period.

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

	Three Months Ended March 31,	
	2011	2010
Options [a]	1.2	6.0
Warrants [b]	21.2	21.2
Shares underlying 3 1/2% convertible notes [c]	21.2	21.2

(a) For the three months ended March 31, 2010, all outstanding stock options were anti-dilutive, as the Company incurred a loss from continuing operations. For the three months ended March 31, 2011 the weighted average exercise price for anti-dilutive options was $24.23.

(b) Represents all outstanding warrants for the three months ended March 31, 2011 and 2010. The exercise price for the warrants outstanding in 2010 and 2011 was $22.50.

(c) Represents the number of shares issuable pursuant to the 3 1/2% convertible notes. For the three months ended March 31, 2011 and 2010, the shares underlying these convertible notes are considered anti-dilutive in the computation of diluted EPS.

4. Intangible Assets

Intangible assets consisted of:

	As of March 31, 2011			As of December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets						
Franchise agreements	$ 73	$ 25	$ 48	$ 73	$ 24	$ 49
Customer lists	19	10	9	19	10	9
Other	2	1	1	2	1	1
	$ 94	$ 36	$ 58	$ 94	$ 35	$ 59
Unamortizable Intangible Assets						
Goodwill	$ 76			$ 76		
Trademarks [a]	$ 425			$ 422		

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

Amortization expense relating to all intangible assets was approximately $1 million during first quarter 2011 and 2010. Based on the Company's amortizable intangible assets at March 31, 2011, the Company expects amortization expense of approximately $2 million for the remainder of 2011 and approximately $3 million for each of the five fiscal years thereafter.

5. Financial Instruments

Debt Instruments

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

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

	As of March 31, 2011		As of December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Corporate debt				
Current portion of long-term debt	$ 7	$ 7	$ 8	$ 8
Long-term debt, excluding convertible debt	2,147	2,237	2,149	2,211
Convertible debt	345	455	345	407
Debt under vehicle programs				
Vehicle-backed debt due to Avis Budget Rental Car Funding (AESOP) LLC	$ 4,565	$ 4,652	$ 3,987	$ 4,045
Vehicle-backed debt	540	550	521	526

Derivative instruments and hedging activities

The Company uses foreign exchange forward contracts to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and forecasted royalties, forecasted earnings of foreign subsidiaries and forecasted foreign currency denominated acquisitions. The Company primarily hedges its foreign currency exposure to the Canadian, Australian and New Zealand dollars. The majority of forward contracts do not qualify for hedge accounting treatment. The fluctuations in the value of these forward contracts do, however, largely offset the impact of changes in the value of the underlying risk they economically hedge. Forward contracts used to hedge forecasted third party receipts and disbursements up to twelve months are designated and do qualify as cash flow hedges. The amount of gains or losses reclassified from accumulated other comprehensive income to earnings resulting from ineffectiveness, or from excluding a component of the forward contracts' gain or loss from the effectiveness calculation for cash flow hedges, during the three months ended March 31, 2011 and 2010 was not material, nor is the amount of gains or losses the Company expects to reclassify from accumulated other comprehensive income to earnings over the next twelve months.

The Company uses various hedging strategies including interest rate swaps and interest rate caps to create an appropriate mix of fixed and floating rate assets and liabilities. The Company uses interest rate swaps, designated as cash flow hedges, to manage the risk related to its floating rate corporate debt. In connection with such cash flow hedges, the Company records the effective portion of changes in the fair value of these cash flow hedges to other comprehensive income, net of tax, and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized. The changes in fair values of hedges that were determined to be ineffective are immediately reclassified from accumulated other comprehensive income into earnings. During the three months ended March 31, 2010, the Company reclassified $36 million from accumulated other comprehensive income to earnings in connection with the early termination of certain interest rate swaps related to the repayment of a portion of the Company's floating rate term loan. The Company estimates that approximately $55 million of losses deferred in accumulated other comprehensive income will be recognized over the next twelve months, which is expected to be offset in earnings by the impact of the underlying hedged items.

To manage the risk associated with its floating rate vehicle-backed debt, the Company uses derivatives. These derivatives include freestanding derivatives and derivatives designated as cash flow hedges. In connection with such cash flow hedges, the Company records the effective portion of the change in fair value in other comprehensive income, net of tax. The Company records the change in fair value gains or losses related to freestanding derivatives in its consolidated results of operations.

The Company periodically enters into derivative commodity contracts to manage its exposure to changes in the price of unleaded gasoline. These instruments were designated as freestanding derivatives and the changes in fair value are recorded in the Company's consolidated results of operations.

Certain of the Company's derivative instruments contain collateral support provisions that require the Company to post cash collateral to the extent that these derivatives are in a liability position. The aggregate fair value of such derivatives that are in a liability position and the aggregate fair value of assets needed to settle these derivatives as of March 31, 2011 was approximately $8 million, for which the Company has posted cash collateral in the same amount in the normal course of business.

As of March 31, 2011, the Company held derivative instruments with absolute notional values as follows: interest rate caps of approximately $4.3 billion, interest rate swaps of $137 million, foreign exchange forward contracts of $108 million, foreign exchange swaps of $81 million and commodity contracts for the purchase of 2.2 million gallons of unleaded gasoline.

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

Fair values of derivative instruments are as follows:

	As of March 31, 2011		As of December 31, 2010	
	Fair Value Asset Derivatives	Fair Value Liability Derivatives	Fair Value Asset Derivatives	Fair Value Liability Derivatives
Derivatives designated as hedging instruments [a]				
Interest rate swaps [b]	$ —	$ 4	$ —	$ 4
Derivatives not designated as hedging instruments [a]				
Foreign exchange forward contracts [c]	—	4	—	3
Interest rate swaps [b]	—	—	—	1
Interest rate contracts [d]	1	6	1	7
Commodity contracts [e]	1	—	—	—
Total	$ 2	$ 14	$ 1	$ 15

(a) Amounts in this table exclude derivatives issued by Avis Budget Rental Car Funding (AESOP) LLC ("Avis Budget Rental Car Funding"), as it is not consolidated by the Company; however, certain amounts related to the derivatives held by Avis Budget Rental Car Funding are included within accumulated other comprehensive income, as discussed in Note 12—Stockholders' Equity.
(b) Included in other non-current liabilities.
(c) Included in other current liabilities.
(d) Included in assets under vehicle programs and liabilities under vehicle programs.
(e) Included in other current assets.

The effect of derivative instruments not designated as hedging instruments in the Company's consolidated results of operations for the three months ended March 31, 2011 was (i) a gain of $1 million recognized as a component of operating expenses related to our commodity contracts, (ii) a loss of $1 million recognized as a component of operating expenses related to foreign exchange forward contracts, and (iii) an insignificant gain recognized as a component of interest expense related to interest rate swaps and interest rate caps not designated as hedging instruments. The gain on the interest rate swaps had no impact on net interest expense as it was offset by increased interest expense on the underlying floating rate debt which it hedges.

The Company also recorded an unrealized gain of $10 million as a component of other comprehensive income, net of tax, for the three months ended March 31, 2011 which primarily relates to Avis Budget Rental Car Funding interest rate swaps designated as cash flow hedges.

The effect of derivative instruments not designated as hedging instruments in the Company's consolidated results of operations for the three months ended March 31, 2010 was (i) a loss of $2 million recognized as a component of interest expense related to interest rate swaps and interest rate caps not designated as hedging instruments, (ii) a loss of $1 million recognized as a component of operating expenses related to foreign exchange forward contracts, and (iii) a gain of $2 million recognized as a component of operating expenses related to our commodity contracts. The loss on the interest rate swaps had no impact on net interest expense as it was offset by reduced interest expense on the underlying floating rate debt which it hedges.

The Company also recorded an unrealized gain of $6 million as a component of other comprehensive income, net of tax, for the three months ended March 31, 2010 which primarily relates to Avis Budget Rental Car Funding interest rate swaps designated as cash flow hedges.

6. Vehicle Rental Activities

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

	As of March 31, 2011	As of December 31, 2010
Rental vehicles	$ 8,042	$ 7,007
Less: Accumulated depreciation	(1,181)	(1,135)
	6,861	5,872
Vehicles held for sale	227	550
Vehicles, net	$ 7,088	$ 6,422

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

	Three Months Ended March 31,	
	2011	2010
Depreciation expense	$ 305	$ 290
Lease charges	10	15
Gain on sales of vehicles, net including cost of vehicle disposition	(39)	(8)
Vehicle depreciation and lease charges, net	$ 276	$ 297

For the three months ended March 31, 2011 and 2010, vehicle interest, net excludes $51 million and $41 million, respectively, of interest expense related to the Company's convertible notes and the fixed and floating rate borrowings of the Company's Avis Budget Car Rental, LLC ("Avis Budget Car Rental") subsidiary. Such interest is recorded within interest expense related to corporate debt, net.

7. Income Taxes

The Company's effective tax rate from continuing operations for the three months ended March 31, 2011 is a provision of 36.4%. Such rate differs from the Federal statutory rate of 35.0% primarily due to state taxes.

The Company's effective tax rate from continuing operations for the three months ended March 31, 2010 is a benefit of 42.4%. Such rate differs from the Federal statutory rate of 35.0% primarily due to a $3 million benefit relating to additional tax depreciation within the Company's operations in Australia.

Table of Contents

8. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of:

	As of March 31, 2011	As of December 31, 2010
Accounts payable	$ 208	$ 209
Accrued payroll and related	131	155
Public liability and property damage insurance liabilities – current	94	93
Advertising and marketing	51	53
Other	420	415
	$ 904	$ 925

9. Long-term Debt and Borrowing Arrangements

Long-term debt consisted of:

	Maturity Dates	As of March 31, 2011	As of December 31, 2010
Floating rate term loan [(a)]	April 2014	$ 270	$ 271
Floating rate notes	May 2014	250	250
7 5/8% notes	May 2014	200	200
3 1/2% convertible notes	October 2014	345	345
7 3/4% notes	May 2016	375	375
9 5/8% notes	March 2018	444	444
8 1/4% notes	January 2019	602	602
		2,486	2,487
Other		13	15
Total long-term debt		2,499	2,502
Less: Current portion		7	8
Long-term debt		$ 2,492	$ 2,494

(a) The floating rate term loan and our revolving credit facilities are secured by pledges of all of the capital stock of all of the Company's direct or indirect domestic subsidiaries and up to 66% of the capital stock of each direct foreign subsidiary, subject to certain exceptions, and liens on substantially all of the Company's intellectual property and certain other real and personal property. The floating rate term loan bears interest at the greater of three month LIBOR or 1.50%, plus 425 basis points, for a rate of 5.75% at March 31, 2011.

Committed Credit Facilities and Available Funding Arrangements

At March 31, 2011, the committed credit facilities available to the Company and/or its subsidiaries included:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Revolving credit facility maturing 2011 [(a) (c) (d)]	$ 192	$ —	$ 92	$ 100
Revolving credit facility maturing 2013 [(b) (c) (d)]	983	—	471	512

(a) This revolving credit facility, which matured in April 2011, bears interest of one month LIBOR plus 400 basis points as of March 31, 2011.
(b) This revolving credit facility matures in April 2013 and bears interest of one month LIBOR plus 450 basis points.
(c) In May 2011, the Company expanded, extended and consolidated its revolving credit facilities into a single $1.2 billion revolving credit facility, which matures in 2016 and bears interest of one month LIBOR plus 300 basis points.
(d) The senior credit facilities, which encompass the floating rate term loan and the revolving credit facilities, are secured by pledges of all of the capital stock of all of the Company's direct or indirect domestic subsidiaries and up to 66% of the capital stock of each foreign subsidiary directly owned by the Company's domestic subsidiaries, subject to certain exceptions, and liens on substantially all of the Company's intellectual property and certain other real and personal property.

The agreements governing the Company's indebtedness contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries, the incurrence of additional indebtedness by the Company and certain of its subsidiaries, acquisitions, mergers, liquidations, and sale and leaseback transactions. The Company's senior credit facilities contain maximum leverage and minimum interest coverage ratio requirements. As of March 31, 2011, the Company was in compliance with the financial covenants of its senior credit facilities.

10. Debt Under Vehicle Programs and Borrowing Arrangements

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

	As of March 31, 2011	As of December 31, 2010
Debt due to Avis Budget Rental Car Funding [(a)]	$ 4,565	$ 3,987
Budget Truck Funding program	226	244
Other [(b)]	320	284
	$ 5,111	$ 4,515

(a) The increase reflects increased borrowing within Domestic Car Rental operations to fund an increase in the size of the Company's domestic car rental fleet.
(b) The increase principally reflects increased borrowing within International Car Rental operations due to an increase in the size of the Company's international vehicle rental fleet.

During 2010, the Company established a variable funding note program with a maximum capacity of $400 million of notes to be issued by Avis Budget Rental Car Funding to the Company to finance the purchase of vehicles. These variable funding notes pay interest of 5.5% at March 31, 2011 and mature in March 2012. As of March 31, 2011, there were no outstanding amounts due to the Company from Avis Budget Rental Car Funding under the program; however, for the three months ended March 31, 2011, the Company earned interest income of $2 million and incurred an equal amount of interest expense on these notes, which was eliminated in consolidation in the Company's financial statements. As of March 31, 2011, the Company's related interest receivable from Avis Budget Rental Car Funding was insignificant.

The following table provides the contractual maturities of the Company's debt under vehicle programs (including related party debt due to Avis Budget Rental Car Funding) at March 31, 2011:

	Vehicle-Backed Debt
Within 1 year [(a)]	$ 1,449
Between 1 and 2 years	1,808
Between 2 and 3 years	277
Between 3 and 4 years	588
Between 4 and 5 years	695
Thereafter	294
	$ 5,111

(a) Vehicle-backed debt maturing within one year includes term asset-backed securities maturities of $507 million and bank and bank-sponsored borrowings of $942 million.

As of March 31, 2011, available funding under the Company's vehicle programs (including related party debt due to Avis Budget Rental Car Funding) consisted of:

	Total Capacity [(a)]	Outstanding Borrowings	Available Capacity
Debt due to Avis Budget Rental Car Funding [(b)]	$ 5,785	$ 4,565	$ 1,220
Budget Truck financing [(c)]	226	226	—
Other [(d)]	777	320	457
	$ 6,788	$ 5,111	$ 1,677

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.
(b) The outstanding debt is collateralized by approximately $6.2 billion of underlying vehicles and related assets.
(c) The outstanding debt is collateralized by $336 million of underlying vehicles and related assets.
(d) The outstanding debt is collateralized by $997 million of underlying vehicles and related assets.

Debt agreements under the Company's vehicle-backed funding programs contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries and restrictions on indebtedness, mergers, liens, liquidations and sale and leaseback transactions and in some cases also require compliance with certain financial requirements. As of March 31, 2011, the Company is not aware of any instances of non-compliance with any of the financial or restrictive covenants contained in the debt agreements under its vehicle-backed funding programs.

11. Commitments and Contingencies

Contingencies

Separation. In connection with the separation of Cendant Corporation (as the Company was formerly known) into four independent companies (the “Separation”), the Company completed the spin-offs of Realogy Corporation (“Realogy”) and Wyndham Worldwide Corporation (“Wyndham”) on July 31, 2006 and completed the sale of Travelport, Inc. (“Travelport”) on August 23, 2006. In connection with the spin-offs of Realogy and Wyndham, the Company entered into the Separation Agreement, pursuant to which Realogy assumed 62.5% and Wyndham assumed 37.5% of certain contingent and other corporate liabilities of the Company or its subsidiaries, which are not primarily related to any of the respective businesses of Realogy, Wyndham, Travelport and/or the Company’s vehicle rental operations, in each case incurred or allegedly incurred on or prior to the separation of Travelport from the Company (“Assumed Liabilities”). Additionally, if Realogy or Wyndham were to default on its payment of costs or expenses to the Company related to any Assumed Liabilities, the Company would be responsible for 50% of the defaulting party’s obligation.

The Company does not believe that the impact of any contingent liabilities constituting Assumed Liabilities should result in a material liability to the Company in relation to its consolidated financial position or liquidity, as Realogy and Wyndham each have agreed to assume responsibility for these liabilities. The Company is also named in various litigation that is primarily related to the businesses of its former subsidiaries, including Realogy, Wyndham and Travelport and their current or former subsidiaries. The Company is entitled to indemnification under the Separation Agreement from such entities for any liability resulting from such litigation.

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

Litigation. In October 2009, a judgment was entered against the Company in the amount of $16 million following the completion of a jury trial for damages in the United States District Court for the District of Alaska. The lawsuit, which was filed in 2003, involved breach of contract and other claims by one of the Company’s licensees related to the acquisition of its Budget vehicle rental business in 2002. The Company believes the verdict in this case is unsupported by the evidence. In addition to the judgment for damages, in June 2010, the district court also entered an order against the Company in the amount of $3 million, in favor of the plaintiff’s motions for pre-judgment interest and attorneys’ fees. The Company has filed an appeal of the judgment and attorneys’ fees awarded with the United States Court of Appeals for the Ninth Circuit.

In addition to the matters discussed above, the Company is also involved in claims, legal proceedings and governmental inquiries related to its vehicle rental operations, including with respect to contract disputes, business practices including wage and hour claims, insurance claims, intellectual property claims, environmental issues and other commercial, employment and tax matters, and breach of contract claims by licensees. The Company believes that it has adequately accrued for such matters as appropriate or, for matters not requiring accrual, believes that they will not have a material adverse impact on its results of operations, financial position or cash flows based on information currently available. However, litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur, which could adversely impact the Company’s results of operations or cash flows in a particular reporting period.

Commitments to Purchase Vehicles

The Company maintains agreements with vehicle manufacturers under which the Company has agreed to purchase approximately $2.8 billion of vehicles from manufacturers over the next twelve months. The majority of these commitments are subject to the vehicle manufacturers’ satisfying their obligations under the repurchase and guaranteed depreciation agreements. The purchase of such vehicles is financed primarily through the issuance of vehicle-backed debt in addition to cash received upon the sale of vehicles in the used car market and under repurchase and guaranteed depreciation programs.

Concentrations

Concentrations of credit risk at March 31, 2011 include (i) risks related to the Company's repurchase and guaranteed depreciation agreements with domestic and foreign car manufacturers, including General Motors Company, Ford Motor Company, Chrysler Group LLC, Hyundai Motor America and Toyota Motor Corporation and (ii) risks related to Realogy and Wyndham, including receivables of $100 million and $61 million, respectively, related to certain contingent, income tax and other corporate liabilities assumed by Realogy and Wyndham in connection with the Separation.

Other Guarantees

The Company has provided certain guarantees to, or for the benefit of, subsidiaries of Realogy, Wyndham and Travelport. These guarantees primarily relate to various real estate operating leases that were entered into prior to the Separation. The maximum potential amount of future payments that the Company may be required to make under the guarantees relating to the various real estate operating leases is estimated to be approximately $161 million, the majority of which expire by the end of 2014. At March 31, 2011, the liability recorded by the Company in connection with these guarantees was approximately $3 million. To the extent that the Company would be required to perform under any of these guarantees, the Company is entitled to indemnification by Realogy, Wyndham and Travelport, as applicable. The Company monitors the credit ratings and other relevant information for Realogy, Wyndham and Travelport's parent company in order to assess the status of the payment/performance risk of these guarantees.

12. Stockholders' Equity

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income were as follows:

	Currency Translation Adjustments	Net Unrealized Gains (Losses) on Cash Flow Hedges	Net Unrealized Gains on Available-for Sale Securities	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income
Balance, January 1, 2011	$ 182	$ (46)	$ —	$ (44)	$ 92
Current period change	9	10	1	—	20
Balance, March 31, 2011	$ 191	$ (36)	$ 1	$ (44)	$ 112

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

Total Comprehensive Income

Comprehensive income consists of net income (loss) and other gains and losses affecting stockholders' equity that are excluded from net income (loss).

The components of other comprehensive income were as follows:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Net income (loss)	$ 7	$ (38)
Other comprehensive income:		
Reclassification of unrealized losses on cash flow hedges to net loss, net of tax	—	22
Unrealized gains on cash flow hedges, net of tax	10	6
Unrealized gains on available-for-sale securities	1	—
Currency translation adjustments	9	12
	20	40
Total comprehensive income	$ 27	$ 2

During the three months ended March 31, 2011 and 2010, the Company recorded unrealized gains on cash flow hedges of $16 million and $9 million ($10 million and $6 million, net of tax), respectively, in other comprehensive income, which primarily related to the derivatives used to manage the interest-rate risk associated with the Company's vehicle-backed debt and the Company's floating rate corporate debt. Such amount in the three months ended March 31, 2011 and 2010 included $15 million and $13 million of unrealized gains ($9 million and $8 million, net of tax), respectively, on cash flow hedges related to the Company's vehicle-backed debt and is offset by a corresponding change in the Company's Investment in Avis Budget Rental Car Funding on the Consolidated Condensed Balance Sheets.

In first quarter 2010, the Company reclassified $36 million ($22 million, net of tax) of unrealized losses on certain interest rate swaps to early extinguishment of debt in connection with the repayment of a portion of the Company's floating rate term loan and the settlement of such hedges.

13. Stock-Based Compensation

The Company records compensation expense for all outstanding employee stock awards based on the estimated fair value of the award at the grant date, which is recognized over the requisite service period. The Company recorded stock-based compensation expense of $4 million and $4 million ($3 million and $2 million, net of tax) during first quarter 2011 and 2010, respectively, related to employee stock awards that were granted by the Company.

The Company applies the direct method and tax law ordering approach to calculate the tax effects of stock-based compensation. In jurisdictions with net operating loss carryforwards, tax deductions for exercises of stock-based awards did not generate a cash benefit. Approximately $39 million of tax benefits will be recorded in additional paid-in capital when realized in these jurisdictions.

Restricted Stock and Stock Unit Awards

During first quarter 2011 and 2010, the Company granted 629,000 and 968,000 time-based restricted stock units, respectively, and 347,000 and 962,000 market-vesting restricted stock units, respectively, under the Company's amended 2007 Equity and Incentive Plan. The number of market-vesting restricted stock units which will ultimately vest is based on the Company's common stock achieving certain price targets for a specified number of trading days. Of the market-vesting restricted stock units granted in first quarter 2011, 254,000 units cliff vest after three years and 93,000 units vest 50% on each of the third and fourth anniversary of the date of grant. Of the time-based restricted stock units granted in first quarter 2011, 598,000 vest ratably over a three-year period and 31,000 vest on the first anniversary of the date of the grant.

For the market-vesting restricted stock units granted in first quarter 2010, 600,000 units vest ratably over years two through five following the date of grant and 362,000 units cliff vest after three years. Of the time-based restricted stock units, 768,000 vest ratably over a three-year period and 200,000 vest on the first anniversary of the date of the grant.

The Company determined the fair value of its market-vesting restricted stock units granted in first quarter 2011 and 2010 using a Monte Carlo simulation model. The fair value of each of the Company's market-vesting restricted stock units which contain three- and four-year vesting periods, issued in 2011, was estimated to be approximately $11.35 and $12.53, respectively. The fair value of each of the Company's market-vesting restricted stock units which contain five- and three-year vesting periods, issued in first quarter 2010, was estimated to be approximately $9.57 and $8.88, respectively. The assumptions used to estimate the fair values of the market-vesting restricted stock awards using the Monte Carlo simulation model in first quarter 2011 and 2010 were as follows:

	Three Months Ended March 31,	
	2011	2010
Expected volatility of stock price	48%	54%
Risk-free interest rate	0.97% - 1.21%	1.47% - 1.74%
Valuation period	3-4 years	3-5 years
Dividend yield	0.0%	0.0%

Stock Options

During first quarter 2010, the Company granted 160,000 stock options under the Company's amended 2007 Equity and Incentive Plan. The stock options (i) vest ratably over a five-year term, (ii) expire ten years from the date of grant and (iii) have an exercise price that was set at the closing price of the Company's common stock on the date of the grant.

The Company used the Black-Scholes option pricing model to calculate the fair value of the time-vesting stock options granted in first quarter 2010. Based on facts and circumstances at the time of the grant, the Company used the implied volatility of its publicly traded, near-the-money stock options with a remaining maturity of at least one year. The Company considered several factors in estimating the life of the options granted, including the historical option exercise behavior of employees and the option vesting periods. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant and, since the Company does not currently pay or plan to pay a dividend on its common stock, the expected dividend yield was zero. The fair value of the Company's time-vesting stock options issued in first quarter 2010 was estimated to be $6.16. The assumptions used to estimate the fair value using the Black-Scholes simulation option pricing in first quarter 2010 were as follows:

	Three Months Ended March 31, 2010
Expected volatility of stock price	54%
Risk-free interest rate	2.82%
Expected life of options	6 years
Dividend yield	0.0%

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

	RSUs		Options	
	Number of RSUs	Weighted Average Grant Price	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2011	3,059	$ 13.64	5,026	$ 7.22
Granted at fair market value	976	14.39	—	—
Vested/exercised [a]	(712)	14.42	(1,142)	0.98
Canceled	(296)	23.73	(171)	19.74
Balance at March 31, 2011 [b] [c]	3,027	12.71	3,713	8.56

(a) During the three months ended March 31, 2011, zero performance-based RSUs vested. Stock options exercised during the three months ended March 31, 2011 had intrinsic value of $17 million.

(b) As of March 31, 2011, the Company's outstanding RSUs had aggregate intrinsic value of $54 million; aggregate unrecognized compensation expense related to RSUs amounted to $30 million; and the balance of RSUs at March 31, 2011 consists of 1,285,000 related to time-based awards and 1,742,000 related to market-vesting and performance-based awards. Approximately 18,000 time-based and 327,000 performance-based RSUs are eligible to vest in 2011, if applicable service and performance criteria are satisfied.

(c) As of March 31, 2011, the Company's outstanding stock options had aggregate intrinsic value of $43 million; there were 2.6 million "in-the-money" stock options; aggregate unrecognized compensation expense related to unvested stock options amounted to $1 million. Approximately 3.6 million stock options are exercisable as of March 31, 2011.

The table below summarizes information regarding the Company's outstanding stock options as of March 31, 2011 (in thousands of shares):

Range of Exercise Prices	Weighted Average Contractual Life (years)	Number of Options
Less than $10.00	7.8	2,465
$10.01 to $15.00	8.8	160
$15.01 to $20.00	1.3	197
$20.01 to $25.00	0.1	11
$25.01 to $30.00	0.8	870
$30.01 and above	3.5	10
	5.8	3,713

As of March 31, 2011, the Company also had approximately 0.5 million outstanding stock appreciation rights with a weighted average exercise price of $24.40, and a weighted average remaining contractual life of 2.3 years.

14. Segment Information

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

	Three Months Ended March 31,			
	2011		2010	
	Revenues	Adjusted EBITDA	Revenues	Adjusted EBITDA
Domestic Car Rental	$ 929	$ 57	$ 880	$ 16
International Car Rental	231	30	201	29
Truck Rental	75	—	71	(4)
Corporate and Other [(a)]	—	(6)	1	(3)
Total Company	$ 1,235	81	$ 1,153	38
Less: Non-vehicle related depreciation and amortization		23		23
Interest expense related to corporate debt, net				
Interest expense		47		41
Early extinguishment of debt		—		40
Income (loss) before income taxes		$ 11		$ (66)

(a) Includes unallocated corporate overhead and the elimination of transactions between segments. During the three months ended March 31, 2011, the Company incurred $2 million of expenses related to the potential acquisition of Dollar Thrifty.

Since December 31, 2010, there have been no significant changes in segment assets with the exception of the Company's Domestic Car Rental segment assets under vehicle programs. As of March 31, 2011 and December 31, 2010, Domestic Car Rental segment assets under vehicle programs amounted to approximately $6.2 billion and approximately $5.5 billion, respectively.

15. Guarantor and Non-Guarantor Consolidating Condensed Financial Statements

The following consolidating financial information presents Consolidating Condensed Statements of Income for the three months ended March 31, 2011 and 2010, Consolidating Condensed Balance Sheets as of March 31, 2011 and December 31, 2010, and Consolidating Condensed Statements of Cash Flows for the three months ended March 31, 2011 and 2010 for: (i) Avis Budget Group, Inc. (the "Parent"); (ii) Avis Budget Car Rental and Avis Budget Finance, Inc. (the "Subsidiary Issuers"); (iii) the guarantor subsidiaries; (iv) the non-guarantor subsidiaries; (v) elimination entries necessary to consolidate the Parent with the Subsidiary Issuers, and the guarantor and non-guarantor subsidiaries; and (vi) the Company on a consolidated basis. The Subsidiary Issuers and the guarantor and non-guarantor subsidiaries are 100% owned by the Parent, either directly or indirectly. All guarantees are full and unconditional and joint and several. This financial information is being presented in relation to the Company's guarantee of the payment of principal, premium (if any) and interest on the senior notes issued by Avis Budget Car Rental. These senior notes consist of Avis Budget Car Rental's 7 5/8% Notes due 2014, 7 3/4% Notes due 2016, Floating Rate Notes due 2014, 9 5/8% Notes due 2018 and 8 1/4% Notes due 2019 (collectively, the "Notes"). See Note 9—Long-term Debt and Borrowing Arrangements for additional information regarding these Notes. The Notes are guaranteed by the Parent and certain subsidiaries.

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

Three Months Ended March 31, 2011

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Vehicle rental	$ —	$ —	$ 760	$ 158	$ —	$ 918
Other	1	—	221	409	(314)	317
Net revenues	1	—	981	567	(314)	1,235
Expenses						
Operating	—	2	518	139	—	659
Vehicle depreciation and lease charges, net	—	—	227	253	(204)	276
Selling, general and administrative	5	—	128	23	—	156
Vehicle interest, net	—	—	55	44	(36)	63
Non-vehicle related depreciation and amortization	—	—	21	2	—	23
Interest expense related to corporate debt, net:						
Interest expense	2	46	—	(1)	—	47
Intercompany interest expense (income)	(4)	(46)	50	—	—	—
Total expenses	3	2	999	460	(240)	1,224
Income (loss) before income taxes and equity in earnings of subsidiaries	(2)	(2)	(18)	107	(74)	11
Provision (benefit) for income taxes	(1)	(1)	(4)	10	—	4
Equity in earnings (loss) of subsidiaries	8	9	23	—	(40)	—
Net income (loss)	$ 7	$ 8	$ 9	$ 97	$ (114)	$ 7

Table of Contents

Three Months Ended March 31, 2010

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Vehicle rental	$ —	$ —	$ 728	$ 138	$ —	$ 866
Other	—	—	203	370	(286)	287
Net revenues	—	—	931	508	(286)	1,153
Expenses						
Operating	1	2	488	121	—	612
Vehicle depreciation and lease charges, net	—	—	253	220	(176)	297
Selling, general and administrative	3	—	108	20	—	131
Vehicle interest, net	—	—	69	30	(25)	74
Non-vehicle related depreciation and amortization	—	—	21	2	—	23
Interest expense related to corporate debt, net:						
Interest expense	3	38	—	—	—	41
Intercompany interest expense (income)	(1)	(38)	39	—	—	—
Early extinguishment of debt	—	40	—	—	—	40
Restructuring charges	—	—	1	—	—	1
Total expenses	6	42	979	393	(201)	1,219
Income (loss) before income taxes and equity in earnings of subsidiaries	(6)	(42)	(48)	115	(85)	(66)
Provision (benefit) for income taxes	(2)	1	(33)	6	—	(28)
Equity in earnings (loss) of subsidiaries	(34)	9	24	—	1	—
Net income (loss)	$ (38)	$ (34)	$ 9	$ 109	$ (84)	$ (38)

Table of Contents

Consolidating Condensed Balance Sheets

As of March 31, 2011

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 269	$ 497	$ 2	$ 145	$ —	$ 913
Receivables, net	—	107	148	94	—	349
Deferred income taxes	8	—	122	5	(5)	130
Other current assets	57	77	83	106	(34)	289
Total current assets	334	681	355	350	(39)	1,681
Property and equipment, net	—	63	307	43	—	413
Deferred income taxes	42	350	226	14	—	632
Goodwill	—	—	74	2	—	76
Other intangibles, net	—	7	382	94	—	483
Other non-current assets	137	88	10	17	(8)	244
Intercompany receivables (payables)	100	459	(724)	165	—	—
Investment in subsidiaries	357	1,137	2,434	—	(3,928)	—
Total assets exclusive of assets under vehicle programs	970	2,785	3,064	685	(3,975)	3,529
Assets under vehicle programs:						
Program cash	—	—	—	7	—	7
Vehicles, net	—	4	5	7,079	—	7,088
Receivables from vehicle manufacturers and other	—	—	—	111	—	111
Investment in Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	305	—	305
	—	4	5	7,502	—	7,511
Total assets	$ 970	$ 2,789	$ 3,069	$ 8,187	$ (3,975)	$11,040
Liabilities and stockholders' equity						
Current liabilities:						
Accounts payable and other current liabilities	$ 56	$ 248	$ 494	$ 139	$ (33)	$ 904
Current portion of long-term debt	—	4	3	—	—	7
Total current liabilities	56	252	497	139	(33)	911
Long-term debt	345	2,138	9	—	—	2,492
Other non-current liabilities	131	54	229	123	(6)	531
Total liabilities exclusive of liabilities under vehicle programs	532	2,444	735	262	(39)	3,934
Liabilities under vehicle programs:						
Debt	—	5	—	541	—	546
Due to Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	4,565	—	4,565
Deferred income taxes	—	—	1,197	187	—	1,384
Other	—	—	—	173	—	173
	—	5	1,197	5,466	—	6,668
Total stockholders' equity	438	340	1,137	2,459	(3,936)	438
Total liabilities and stockholders' equity	$ 970	$ 2,789	$ 3,069	$ 8,187	$ (3,975)	$11,040

Table of Contents

As of December 31, 2010

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 257	$ 513	$ 3	$ 138	$ —	$ 911
Receivables, net	—	77	148	90	—	315
Deferred income taxes	8	—	122	5	(5)	130
Other current assets	70	65	84	97	(34)	282
Total current assets	335	655	357	330	(39)	1,638
Property and equipment, net	—	61	321	43	—	425
Deferred income taxes	44	300	229	14	—	587
Goodwill	—	—	74	2	—	76
Other intangibles, net	—	7	382	92	—	481
Other non-current assets	140	97	11	24	(17)	255
Intercompany receivables (payables)	105	539	(792)	148	—	—
Investment in subsidiaries	337	1,112	2,392	—	(3,841)	—
Total assets exclusive of assets under vehicle programs	961	2,771	2,974	653	(3,897)	3,462
Assets under vehicle programs:						
Program cash	—	—	—	4	—	4
Vehicles, net	—	8	24	6,390	—	6,422
Receivables from vehicle manufacturers and other	—	—	—	149	—	149
Investment in Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	290	—	290
	—	8	24	6,833	—	6,865
Total assets	$ 961	$ 2,779	$ 2,998	$ 7,486	$ (3,897)	$10,327
Liabilities and stockholders' equity						
Current liabilities:						
Accounts payable and other current liabilities	$ 72	$ 250	$ 488	$ 148	$ (33)	$ 925
Current portion of long-term debt	—	4	4	—	—	8
Total current liabilities	72	254	492	148	(33)	933
Long-term debt	345	2,139	10	—	—	2,494
Other non-current liabilities	134	58	237	120	(14)	535
Total liabilities exclusive of liabilities under vehicle programs	551	2,451	739	268	(47)	3,962
Liabilities under vehicle programs:						
Debt	—	7	—	521	—	528
Due to Avis Budget Rental Car Funding (AESOP) LLC-related party	—	—	—	3,987	—	3,987
Deferred income taxes	—	—	1,147	186	—	1,333
Other	—	—	—	107	—	107
	—	7	1,147	4,801	—	5,955
Total stockholders' equity	410	321	1,112	2,417	(3,850)	410
Total liabilities and stockholders' equity	$ 961	$ 2,779	$ 2,998	$ 7,486	$ (3,897)	$10,327

Table of Contents

Consolidating Condensed Statements of Cash Flows

Three Months Ended March 31, 2011

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided by (used in) operating activities	$ 13	$ (27)	$ (43)	$ 299	$ 35	$ 277
Investing activities						
Property and equipment additions	—	(3)	(4)	(1)	—	(8)
Proceeds received on asset sales	—	3	—	—	—	3
Other, net	—	(1)	1	(1)	—	(1)
Net cash used in investing activities exclusive of vehicle programs	—	(1)	(3)	(2)	—	(6)
Vehicle programs:						
Decrease (increase) in program cash	—	—	—	(2)	—	(2)
Investment in vehicles	—	(3)	—	(2,523)	—	(2,526)
Proceeds received on disposition of vehicles	—	8	4	1,662	—	1,674
Investment in AESOP debt securities - related party	(195)	—	—	—	—	(195)
Proceeds from AESOP debt securities - related party	195	—	—	—	—	195
	—	5	4	(863)	—	(854)
Net cash provided by (used in) Investing activities	—	4	1	(865)	—	(860)
Financing activities						
Principal payments on borrowings	—	(1)	(1)	—	—	(2)
Net intercompany transactions	(2)	10	42	(15)	(35)	—
Debt financing fees	—	(1)	—	—	—	(1)
Other, net	1	—	—	—	—	1
Net cash provided by (used in) financing activities exclusive of vehicle programs	(1)	8	41	(15)	(35)	(2)
Vehicle programs:						
Proceeds from borrowings	—	—	—	2,957	—	2,957
Principal payments on borrowings	—	—	—	(2,366)	—	(2,366)
Net change in short-term borrowing	—	—	—	—	—	—
Debt financing fees	—	(1)	—	(2)	—	(3)
	—	(1)	—	589	—	588
Net cash provided by (used in) financing activities	(1)	7	41	574	(35)	586
Effect of changes in exchange rates on cash and cash equivalents	—	—	—	(1)	—	(1)
Net (decrease) increase in cash and cash equivalents	12	(16)	(1)	7	—	2
Cash and cash equivalents, beginning of period	257	513	3	138	—	911
Cash and cash equivalents, end of period	$ 269	$ 497	$ 2	$ 145	$ —	$ 913

Table of Contents

Three Months Ended March 31, 2010

	Parent	Subsidiary Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided by (used in) operating activities	$ 6	$ 21	$ 46	$ 234	$ (27)	$ 280
Investing activities						
Property and equipment additions	—	(1)	(5)	(1)	—	(7)
Proceeds received on asset sales	—	4	—	2	—	6
Other, net	—	(1)	—	—	—	(1)
Net cash provided by (used in) investing activities exclusive of vehicle programs	—	2	(5)	1	—	(2)
Vehicle programs:						
Decrease in program cash	—	—	—	162	—	162
Investment in vehicles	—	(8)	—	(2,479)	—	(2,487)
Proceeds received on disposition of vehicles	—	9	3	1,820	—	1,832
Investment in AESOP debt securities - related party	(130)	—	—	—	—	(130)
Proceeds from AESOP debt securities - related party	130	—	—	—	—	130
	—	1	3	(497)	—	(493)
Net cash provided by (used in) investing activities	—	3	(2)	(496)	—	(495)
Financing activities						
Proceeds from borrowings	—	444	—	—	—	444
Principal payments on borrowings	—	(453)	(1)	—	—	(454)
Net intercompany transactions	(82)	91	(37)	1	27	—
Debt financing fees	—	(28)	—	—	—	(28)
Other, net	—	1	—	—	—	1
Net cash provided by (used in) financing activities exclusive of vehicle programs	(82)	55	(38)	1	27	(37)
Vehicle programs:						
Proceeds from borrowings	—	—	—	2,733	—	2,733
Principal payments on borrowings	—	(1)	(3)	(2,434)	—	(2,438)
Net change in short-term borrowing	—	—	—	(47)	—	(47)
Debt financing fees	—	(8)	(3)	—	—	(11)
	—	(9)	(6)	252	—	237
Net cash provided by (used in) financing activities	(82)	46	(44)	253	27	200
Effect of changes in exchange rates on cash and cash equivalents	—	—	—	3	—	3
Net (decrease) increase in cash and cash equivalents	(76)	70	—	(6)	—	(12)
Cash and cash equivalents, beginning of period	242	70	7	163	—	482
Cash and cash equivalents, end of period	$ 166	$ 140	$ 7	$ 157	$ —	$ 470

16. Subsequent Events

In May 2011, the Company's Avis Budget Rental Car Funding subsidiary issued $700 million in asset-backed notes, in three issuances, to provide funds for the repayment of maturing vehicle-backed debt and the acquisition of rental cars in the United States. The expected final payment dates for each issuance of these notes are November 2013, 2014 and 2016.

In May 2011, the Company expanded, extended and consolidated its corporate revolving credit facilities into a single $1.2 billion revolving credit facility which matures in 2016 and bears interest of one month LIBOR plus 300 basis points.

* * * *

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

The following discussion should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes thereto included elsewhere herein and with our 2010 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "2010 Form 10-K"). Unless otherwise noted, all dollar amounts in tables are in millions and those relating to our results of operations are presented before taxes.

We operate two of the most recognized brands in the global vehicle rental industry through Avis Rent A Car System, LLC and Budget Rent A Car System, Inc. We provide car and truck rentals and ancillary services to businesses and consumers in the United States and internationally.

We operate in the following business segments:

- **Domestic Car Rental**—provides car rentals and ancillary products and services in the United States.
- **International Car Rental**—provides vehicle rentals and ancillary products and services primarily in Argentina, Australia, Canada, New Zealand, Puerto Rico and the U.S. Virgin Islands.
- **Truck Rental**—provides truck rentals and related services to consumers and commercial users in the United States.

Our revenues are derived principally from car and truck rentals in our Company-owned operations and include (i) time and mileage ("T&M") fees charged to our customers for vehicle rentals, (ii) reimbursement from our customers for certain operating expenses we incur, including gasoline and vehicle licensing fees, as well as airport concession fees, which we pay in exchange for the right to operate at airports and other locations, and (iii) sales of loss damage waivers and insurance and rentals of navigation units and other items in conjunction with vehicle rentals. We also earn royalty revenue from our licensees in the United States and more than 100 other countries in conjunction with their vehicle rental transactions.

Car rental volumes are closely associated with the travel industry, particularly airline passenger volumes, or enplanements. Because we operate primarily in the United States and generate a significant portion of our revenue from our on-airport operations, we expect that our ability to generate revenue growth will be somewhat dependent on increases in domestic enplanements. Our ability to achieve profit margins consistent with prior periods remains dependent on our ability to successfully manage our costs and to increase our revenues per vehicle. Our vehicle rental operations are seasonal. Historically, the third quarter of the year has been our strongest quarter due to the increased level of leisure travel and household moving activity. Any occurrence that disrupts rental activity during the third quarter could have a disproportionate adverse effect on our results of operations. We have a partially variable cost structure and routinely adjust the size and, therefore, the cost of our rental fleet in response to fluctuations in demand. However, certain expenses, such as rent, are fixed and cannot be reduced in response to seasonal fluctuations in our operations.

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

- Domestic enplanements;
- Fleet, pricing, marketing and strategic decisions made by us and by our competitors;
- Changes in per-unit fleet costs and in conditions in the used vehicle marketplace;
- Changes in borrowing costs and in market willingness to purchase corporate and vehicle-related debt;
- Our potential acquisition of Dollar Thrifty Automotive Group, Inc. ("Dollar Thrifty");
- Changes in the price or availability of unleaded gasoline;
- Changes in foreign exchange rates; and
- Demand for truck rentals.

We believe that the economic recovery in the United States during 2010 and first quarter 2011 favorably impacted demand for vehicle rental services, but that such demand nonetheless remained below levels seen prior to the 2008-09 recession. Historically, our results of operations have declined during periods of general economic weakness. If economic conditions in the United States were to weaken, our results of operations could be materially and adversely impacted in 2011 and beyond. In our cost-reduction initiatives and restructuring activities, we are driving process improvements to reduce costs, enhance service to our customers and improve our operations. We are pursuing an acquisition of Dollar Thrifty, which, if completed, could have a material impact on our operations, financial condition and liquidity. There can be no assurances (i) that such potential acquisition will be completed, (ii) as to the timing to accomplish such acquisition or the terms thereof, or (iii) as to our ability and timing to obtain required regulatory approval and financing (and any conditions thereto). Due to uncertainties related to our business, there can be no assurance that we will be able to satisfy the covenants contained in our senior credit facilities and our asset-backed car rental conduit facilities. Failure to comply with such covenants could significantly impact our liquidity if we were unable to obtain an amendment or waiver or were unable to refinance or replace such facilities. See "Risk Factors" set forth in Item 1A of our 2010 Form 10-K.

RESULTS OF OPERATIONS

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

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

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

THREE MONTHS ENDED MARCH 31, 2011 VS. THREE MONTHS ENDED MARCH 31, 2010

Our consolidated results of operations comprised the following:

	Three Months Ended March 31,		
	2011	2010	Change
Net revenues	$ 1,235	$ 1,153	$ 82
Total expenses	1,224	1,219	5
Income (loss) before income taxes	11	(66)	77
Provision for (benefit from) income taxes	4	(28)	32
Net income (loss)	$ 7	$ (38)	$ 45

During first quarter 2011, our net revenues increased $82 million (7%) principally due to a 6% increase in T&M revenue driven primarily by a 7% increase in domestic and international car rental days and a 17% increase in truck rental days. The increased revenues also include a 10% increase in our ancillary revenues, such as sales of insurance products, GPS navigation unit rentals, gasoline sales and fees charged to customers. These increases were partially offset by a 1% decrease in car rental T&M revenue per day and a 7% decrease in truck rental T&M revenue per day. First quarter 2011 revenues include a $17 million favorable effect related to the translation of our international results into U.S. dollars.

Total expenses increased $5 million principally due to (i) a $47 million (8%) increase in direct operating expenses largely resulting from the 7% increase in car rental days, (ii) a $25 million (19%) increase in selling, general and administrative expenses primarily because of our strategic initiative to invest in incremental advertising and marketing, as well as higher rental volumes and $2 million of expenses associated with the potential acquisition of Dollar Thrifty, and (iii) a $6 million increase in interest expense related to corporate debt, as we have pre-funded a portion of the cost of a potential acquisition of Dollar Thrifty. These year-over-year increases were largely offset by (i) the absence of the prior year $40 million expense related to the extinguishment of a portion of our corporate debt and associated interest rate swaps, (ii) a $21 million (7%) decrease in vehicle depreciation and lease charges resulting from a decline in our per-unit depreciation costs and (iii) an $11 million decrease in vehicle interest. Expenses also include a $15 million adverse impact from foreign currency exchange rates. As a result of these items, partially offset by a $32 million decrease in our benefit from income taxes, our net income increased $45 million.

Our effective tax rate was a provision of 36.4% for first quarter 2011 and a benefit of 42.4% for first quarter 2010.

Following is a discussion of the results of each of our reportable segments during the three months ended March 31:

	Revenues			Adjusted EBITDA		
	2011	2010	% Change	2011	2010	% Change
Domestic Car Rental	$ 929	$ 880	6%	$ 57	$ 16	256%
International Car Rental	231	201	15%	30	29	3%
Truck Rental	75	71	6%	—	(4)	*
Corporate and Other [(a)]	—	1	*	(6)	(3)	*
Total Company	$1,235	$1,153		81	38	
Less: Non-vehicle related depreciation and amortization				23	23	
Interest expense related to corporate debt, net:						
Interest expense				47	41	
Early extinguishment of debt				—	40	
Income (loss) before income taxes				$ 11	$ (66)	

* Not meaningful.
(a) Includes unallocated corporate overhead and the elimination of transactions between segments. For 2011, includes $2 million of expenses related to the potential acquisition of Dollar Thrifty.

Domestic Car Rental

Revenues and Adjusted EBITDA increased $49 million (6%) and $41 million (256%), respectively, in first quarter 2011 compared with first quarter 2010. Revenues increased primarily due to higher rental volumes, partially offset by decreased pricing. The increase in Adjusted EBITDA was primarily due to higher revenue and lower fleet costs.

The revenue increase of $49 million was comprised of a $28 million (4%) increase in T&M revenue and a $21 million (10%) increase in ancillary revenues. The increase in T&M revenue was principally the result of a 7% increase in rental days, partially offset by a 3% decrease in T&M revenue per day. The $21 million increase in ancillary revenues reflects (i) a $10 million increase in ancillary revenues from GPS rentals, sales of insurance products, emergency road service and other items, reflecting a 3% increase on a per-rental-day basis, (ii) a $6 million increase in gasoline sales, which was completely offset in Adjusted EBITDA by higher gasoline expense, and (iii) a $5 million increase in airport concession and vehicle licensing revenue, $1 million of which was offset by higher airport concession and vehicle licensing fees remitted to airport and other regulatory agencies.

While we continued to achieve significant benefits from our cost-saving initiatives, Adjusted EBITDA reflected a $27 million (5%) increase in operating expenses, primarily related to (i) a $19 million (19%) increase in selling, general and administrative expenses principally due to our strategic initiative to invest in incremental marketing and selling expenditures, as well as higher rental volumes, (ii) a $13 million (7%) increase in employee costs, rents and other expenses related primarily to increased staffing levels related to volume and inflationary increases and (iii) a $4 million increase in agency operator commissions, shuttling, credit card fees, and other costs related to increased rental volumes. Adjusted EBITDA benefited from (i) a $26 million (11%) decline in fleet depreciation and lease charges, including gains on vehicle disposition, despite a 6% increase in the average size of our domestic rental fleet, reflecting a 16% decrease in per-unit fleet costs, and (ii) a $9 million (14%) decrease in vehicle interest expense due to lower interest rates on our vehicle debt.

International Car Rental

Revenues increased $30 million (15%) and Adjusted EBITDA increased $1 million (3%) in first quarter 2011 compared with first quarter 2010, primarily due to the impact of foreign currency exchange rate movements and increased car rental volumes.

The revenue increase of $30 million was comprised of a $19 million (14%) increase in T&M revenue and an $11 million (18%) increase in ancillary revenues. The total increase in revenue includes a $17 million increase related to foreign currency exchange rates, impacting T&M revenue by $11 million and ancillary revenues by $6 million, and was largely offset in Adjusted EBITDA by the opposite impact on expenses of $15 million. The increase in T&M revenue was principally driven by a 7% increase in rental days and a 7% increase in T&M revenue per rental day (a decrease of 1% excluding exchange-rate effects). The increase in ancillary revenues reflects a 6% increase in ancillary revenue per rental day from GPS rentals, sales of insurance products and other items and a $4 million increase in airport concession and vehicle licensing revenues, all of which was offset in Adjusted EBITDA by higher airport concession and vehicle licensing fees remitted to airport and other regulatory authorities.

Adjusted EBITDA reflected a $14 million (14%) increase in operating expenses and a $10 million increase in fleet depreciation and lease charges. These increases were partially due to foreign-exchange effects, as well as increased headcount to support higher rental volumes, increased marketing and sales commissions, inflationary increases in rent, higher per-unit fleet costs and a 6% increase in the average size of our international vehicle rental fleet, partially offset by lower vehicle interest expense.

Certain of our facilities and vehicles were damaged as a result of the February 2011 earthquake in Christchurch, New Zealand, but we expect that insurance recoveries will largely offset the economic costs of the damage.

Truck Rental

Revenues and Adjusted EBITDA increased $4 million (6%) and $4 million, respectively, in first quarter 2011 compared with first quarter 2010.

The revenue increase was primarily due to a 17% increase in rental days, partially offset by a 7% decrease in T&M revenue per day. The increase in rental days and the decrease in average daily rate both reflect our successful initiative to increase commercial rental volumes, which carry a lower average daily rate but which also allowed us to increase vehicle utilization 23% in first quarter 2011. Adjusted EBITDA benefited from our increased revenue and a $5 million (25%) decline in fleet depreciation, interest and lease charges, reflecting lower per-unit fleet costs and a 5% decrease in the average size of our truck rental fleet. The increase in Adjusted EBITDA was partially offset by a $4 million increase in maintenance and damage expenditures as we incurred incremental costs in first quarter 2011 to prepare for the upcoming seasonal peak in volume.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

FINANCIAL CONDITION

	March 31, 2011	December 31, 2010	Change
Total assets exclusive of assets under vehicle programs	$ 3,529	$ 3,462	$ 67
Total liabilities exclusive of liabilities under vehicle programs	3,934	3,962	(28)
Assets under vehicle programs	7,511	6,865	646
Liabilities under vehicle programs	6,668	5,955	713
Stockholders' equity	438	410	28

Total assets exclusive of assets under vehicle programs increased $67 million primarily due to a $34 million increase in accounts receivable, principally related to incentives from manufacturers, and a $45 million increase in non-current deferred taxes. These increases were partially offset by an $11 million decrease in other non-current assets, principally related to the amortization of deferred debt financing costs.

Total liabilities exclusive of liabilities under vehicle programs decreased $28 million primarily due to a decrease in accounts payable and other current liabilities, principally related to decreases in accrued income taxes and payroll and other employee related costs.

Assets under vehicle programs increased $646 million primarily due to an increase in our net vehicles, related mainly to an increase in the size of our domestic car rental fleet from December 31, 2010, to accommodate increased rental volumes.

Liabilities under vehicle programs increased $713 million reflecting additional borrowing to support the increase in our domestic car rental fleet described above. See "Liquidity and Capital Resources—Debt and Financing Arrangements" for a detailed account of the change in our debt related to vehicle programs.

Stockholders' equity increased $28 million primarily due to (i) $7 million of net income and (ii) a $20 million increase in accumulated other comprehensive income, attributable to $11 million of net unrealized gains, principally related to our cash flow hedges, and a $9 million increase in currency translation.

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOWS

At March 31, 2011, we had $913 million of cash on hand, an increase of $2 million from $911 million at December 31, 2010. The following table summarizes such increase:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Change
Cash provided by (used in):			
Operating activities	$ 277	$ 280	$ (3)
Investing activities	(860)	(495)	(365)
Financing activities	586	200	386
Effects of exchange rate changes	(1)	3	(4)
Net change in cash and cash equivalents	$ 2	$ (12)	$ 14

During first quarter 2011, we generated $3 million less cash from operating activities compared with the same period in 2010. This change principally reflects (i) improved operating results in first quarter 2011, (ii) increased use of cash for working capital requirements and (iii) a $9 million increase related to income taxes and deferred income taxes.

We used $365 million more cash in investing activities during first quarter 2011 compared with the same period in 2010. This change primarily reflects the activities of our vehicle programs, which (i) received $158 million less in proceeds on dispositions of vehicles due to reduced vehicle sales and (ii) used $164 million less program cash primarily due to the repayment in first quarter 2010 of certain term notes which reached maturity. We anticipate that our non-vehicle capital expenditures will approximate $85-95 million in 2011.

We generated approximately $386 million more cash from financing activities during first quarter 2011 compared with the same period in 2010. This change primarily reflects (i) a $351 million net increase in cash provided under our vehicle programs' financing activities primarily due to increased borrowings and reduced principal payments required on our vehicle-backed debt and (ii) a $27 million decrease in debt financing fees.

DEBT AND FINANCING ARRANGEMENTS

At March 31, 2011, we had approximately $7.6 billion of indebtedness (including corporate indebtedness of approximately $2.5 billion and debt under vehicle programs of approximately $5.1 billion).

Corporate indebtedness consisted of:

	Maturity Date	As of March 31, 2011	As of December 31, 2010	Change
Floating rate term loan [a]	April 2014	$ 270	$ 271	$ (1)
Floating rate notes	May 2014	250	250	—
7 5/8 % notes	May 2014	200	200	—
3 1/2 % convertible notes	October 2014	345	345	—
7 3/4 % notes	May 2016	375	375	—
9 5/8 % notes	March 2018	444	444	—
8 1/4 % notes	January 2019	602	602	—
		2,486	2,487	(1)
Other		13	15	(2)
		$ 2,499	$ 2,502	$ (3)

(a) The floating rate term loan and our revolving credit facilities are secured by pledges of all of the capital stock of all of our direct or indirect domestic subsidiaries and up to 66% of the capital stock of each direct foreign subsidiary, subject to certain exceptions, and liens on substantially all of our intellectual property and certain other real and personal property. The floating rate term loan bears interest at the greater of three month LIBOR or 1.50%, plus 425 basis points, for a rate of 5.75% at March 31, 2011.

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

	As of March 31, 2011	As of December 31, 2010	Change
Debt due to Avis Budget Rental Car Funding [a]	$ 4,565	$ 3,987	$ 578
Budget Truck Funding program	226	244	(18)
Other [b]	320	284	36
	$ 5,111	$ 4,515	$ 596

(a) The increase reflects increased borrowing within Domestic Car Rental operations to fund an increase in the size of our domestic car rental fleet.
(b) The increase principally reflects increased borrowings within International Car Rental operations due to an increase in the size of our international vehicle rental fleet.

At March 31, 2011, we had approximately $2.3 billion of available funding under our various financing arrangements (comprised of $612 million of availability under our revolving credit facility and approximately $1.7 billion available for use in our vehicle programs). As of March 31, 2011, the committed credit facilities available to us and/or our subsidiaries included:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Revolving credit facility maturing 2011 [a] [c] [d]	$ 192	$ —	$ 92	$ 100
Revolving credit facility maturing 2013 [b] [c] [d]	983	—	471	512

(a) This revolving credit facility, which matured in April 2011, bears interest of one month LIBOR plus 400 basis points as of March 31, 2011.
(b) This revolving credit facility matures in April 2013 and bears interest of one month LIBOR plus 450 basis points.
(c) In May 2011, the corporate revolving credit facilities were expanded, extended and consolidated into a single $1.2 billion revolving credit facility, maturing in 2016 and bearing interest of one month LIBOR plus 300 basis points.
(d) The senior credit facilities, which encompass the floating rate term loan and the revolving credit facilities, are secured by pledges of all of the capital stock of all of our direct or indirect domestic subsidiaries and up to 66% of the capital stock of each foreign subsidiary directly owned by our domestic subsidiaries, subject to certain exceptions, and liens on substantially all of our intellectual property and certain other real and personal property.

The following table presents available funding under our debt arrangements related to our vehicle programs at March 31, 2011:

	Total Capacity [a]	Outstanding Borrowings	Available Capacity
Debt due to Avis Budget Rental Car Funding [b]	$ 5,785	$ 4,565	$ 1,220
Budget Truck Funding program [c]	226	226	—
Other [d]	777	320	457
	$ 6,788	$ 5,111	$ 1,677

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.
(b) The outstanding debt is collateralized by approximately $6.2 billion of underlying vehicles and related assets.
(c) The outstanding debt is collateralized by $336 million of underlying vehicles and related assets.
(d) The outstanding debt is collateralized by $997 million of underlying vehicles and related assets.

The significant terms for our outstanding debt instruments, credit facilities and available funding arrangements as of March 31, 2011 can be found in Notes 9 and 10 to our Consolidated Financial Statements.

LIQUIDITY RISK

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

As we discussed above, as of March 31, 2011, we have cash and cash equivalents of $913 million, available borrowing capacity under our revolving credit facility of $612 million, and available capacity under our vehicle programs of approximately $1.7 billion. Of our cash and cash equivalents as of March 31, 2011, $349 million is held either to repay outstanding corporate indebtedness or to help fund the potential acquisition of Dollar Thrifty.

Our liquidity position may be negatively affected by financial market disruptions or a downturn in the U.S. and worldwide economies, which may result in unfavorable conditions in the vehicle rental industry, in the asset-backed financing market, and in the credit markets generally. We believe these factors have affected and could affect the debt ratings assigned to us by credit rating agencies and the cost of our borrowings. Additionally, a downturn in the U.S. economy or a disruption in the credit markets could impact our liquidity due to (i) decreased demand and pricing for vehicles in the used vehicle market, (ii) increased costs associated with, and/or reduced capacity or increased collateral needs under, our financings, (iii) the adverse impact of vehicle manufacturers, including General Motors Company, Ford Motor Company, Chrysler Group LLC, Hyundai Motor America, or Toyota Motor Corporation, being unable or unwilling to honor obligations under the contracts we have with such manufacturers, including repurchase or guaranteed depreciation obligations related to program vehicles, (iv) disruption in our ability to obtain financing due to negative credit events specific to us or affecting the overall debt market, (v) the impact of an insolvency event or actual or potential default by any of the financial guaranty firms that have insured a portion of our outstanding vehicle-backed debt and (vi) the effect of any of Realogy, Wyndham or Travelport being unable or unwilling to honor its obligations under the Separation Agreement and the Tax Sharing Agreement. Financial guaranty firms Ambac Assurance Corporation and Assured Guaranty Corp. currently provide financial guaranties for approximately $900 million (expiring in 2012) and $250 million (expiring in 2012), respectively, of our domestic term asset-backed car rental financing. Certain insolvency events by these financial guarantors would result in principal of the related financings being required to be repaid sooner than anticipated.

Our liquidity position also may be negatively affected if we are unable to remain in compliance with the financial and other covenants associated with our senior credit facilities and other borrowings. The financial covenants of our senior credit facilities include maximum leverage and minimum coverage ratio requirements. As March 31, 2011, we were in compliance with the financial covenants in our senior credit facilities. For additional information regarding our liquidity risks, see Part I, Item 1A, “Risk Factors” of our 2010 Form 10-K.

CONTRACTUAL OBLIGATIONS

Our future contractual obligations have not changed significantly from the amounts reported within our 2010 Form 10-K with the exception of our commitment to purchase vehicles, which decreased by approximately $1.8 billion from December 31, 2010 to approximately $2.8 billion at March 31, 2011. Changes to our obligations related to corporate indebtedness and debt under vehicle programs are presented above within the section titled “Liquidity and Capital Resources—Debt and Financing Arrangements” and also within Notes 9 and 10 to our Consolidated Condensed Financial Statements.

As of March 31, 2011, our liability recorded for tax obligations was $34 million, plus interest. We are entitled to indemnification for most pre-Separation tax matters by Realogy and Wyndham (and we have received a letter of credit from Realogy to help ensure Realogy’s performance under its indemnification obligations) and therefore do not expect such pre-Separation tax matters to have a significant impact on our earnings, financial position or cash flows. For additional information regarding our contractual obligations, including information regarding the letter of credit referred to above, see Note 11 to our Consolidated Condensed Financial Statements.

ACCOUNTING POLICIES

The results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex. However, in presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions that we are required to make pertain to matters that are inherently uncertain as they relate to future events. Presented within the section titled “Critical Accounting Policies” of our 2010 Form 10-K are the accounting policies (related to goodwill and other indefinite-lived intangible assets, vehicles, income taxes, financial instruments and public liability, property damage and other insurance liabilities) that we believe require subjective and/or complex judgments that could potentially affect 2011 reported results. There have been no significant changes to those accounting policies or our assessment of which accounting policies we would consider to be critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of market risks, including changes in foreign currency exchange rates, interest rates and gasoline prices. We manage our exposure to market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments, particularly swap contracts, futures and options contracts, to manage and reduce the interest rate risk related to our debt; foreign currency forwards to manage and reduce foreign currency exchange rate risk; and derivative commodity instruments to manage and reduce the risk of changing unleaded gasoline prices.

We are exclusively an end user of these instruments. We do not engage in trading, market-making or other speculative activities in the derivatives markets. We manage our exposure to counterparty credit risk related to our use of derivatives through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience providing such derivative instruments.

Our total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. These "shock tests" are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled. For additional information regarding our long term borrowings and financial instruments, see Notes 5, 9 and 10 to our Consolidated Condensed Financial Statements.

Foreign Currency Risk Management

We have foreign currency rate exposure to exchange rate fluctuations worldwide and particularly with respect to the Australian dollar, Canadian dollar and the New Zealand dollar. We use foreign currency forward contracts and foreign currency swaps to manage foreign exchange risk that arises from certain intercompany transactions and from non-functional currency denominated assets and liabilities and earnings denominated in non-U.S. dollar currencies. Our foreign currency forward contracts are often not designated as hedges and therefore changes in the fair value of these derivatives are recognized in earnings as they occur. We anticipate that such foreign currency exchange rate risk will remain a market risk exposure for the foreseeable future.

We assess our market risk based on changes in foreign currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on earnings, cash flows and fair values based on a hypothetical 10% appreciation or depreciation in the value of the underlying currencies being hedged, against the U.S. dollar at March 31, 2011. With all other variables held constant, a hypothetical 10% change (increase or decrease) in foreign currency exchange rates would not have a material impact on our earnings for the period ending March 31, 2011. Because unrealized gains or losses related to foreign currency forward and swap contracts are expected to be offset by corresponding gains or losses on the underlying exposures being hedged, when combined, these foreign currency contracts and the offsetting underlying commitments do not create a material impact to our consolidated financial statements.

Interest Rate Risk Management

Our primary interest rate exposure at March 31, 2011 was interest rate fluctuations in the United States, specifically LIBOR and commercial paper interest rates due to their impact on variable rate borrowings and other interest rate sensitive liabilities. We use interest rate swaps and caps to manage our exposure to interest rate movements. We anticipate that LIBOR and commercial paper rates will remain a primary market risk exposure for the foreseeable future.

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. Based on our interest rate derivatives as of March 31, 2011, we estimate that a 10% change in interest rates would not have a material impact on our earnings. Because gains or losses related to interest rate derivatives are expected to be offset by corresponding gains or losses on the underlying exposures being hedged, when combined, these interest rate contracts and the offsetting underlying commitments do not create a material impact to our consolidated financial statements.

Commodity Risk Management

We have commodity price exposure related to fluctuations in the price of unleaded gasoline. We anticipate that such commodity risk will remain a market risk exposure for the foreseeable future. We determined that a hypothetical 10% change in the price of unleaded gasoline, would not have a material impact on our earnings for the period ending March 31, 2011.

Item 4. Controls and Procedures

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

(b) *Internal Controls Over Financial Reporting*. There have not been any changes in our internal control over financial reporting (as such term is defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

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

AVIS BUDGET GROUP, INC.

Date: May 6, 2011	/s/ David B. Wyshner David B. Wyshner Executive Vice President and Chief Financial Officer
Date: May 6, 2011	/s/ Izilda P. Martins Izilda P. Martins Vice President and Acting Chief Accounting Officer

Exhibit Index

Exhibit No.	Description
2.1	Separation and Distribution Agreement by and among Cendant Corporation*, Realogy Corporation, Wyndham Worldwide Corporation and Travelport Inc., dated as of July 27, 2006 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 1, 2006).
2.2	Letter Agreement dated August 23, 2006 related to the Separation and Distribution Agreement by and among Realogy Corporation, Cendant Corporation*, Wyndham Worldwide Corporation and Travelport Inc. dated as of July 27, 2006 (Incorporated by reference to Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007).
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated September 5, 2006).
3.2	Amended and Restated Bylaws of Avis Budget Group, Inc. (as of November 5, 2009) (Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated November 5, 2009).
10.1	Amendment No. 1, dated as of January 26, 2011, to the Employment Agreement dated December 29, 2008 between Avis Budget Group, Inc. and F. Robert Salerno. †
10.2	Global Amendment dated as of February 17, 2011, to the Trust Indenture dated as of August 26, 2010 and certain related agreements, by and among Aviscar Inc., Budgetcar Inc., 2233516 Ontario Inc., WTH Car Rental ULC, WTH Funding Limited Partnership, BNY Trust Company Of Canada, Bay Street Funding Trust, Canadian Master Trust, Deutsche Bank Ag, Canada Branch, Lord Securities Corporation, and Fiserv Automotive Solutions, Inc.
10.3	Series 2011-1 Indenture Supplement, dated as of March 17, 2011, to the Trust Indenture dated as of August 26, 2010, among WTH Car Rental ULC, WTH Funding Limited Partnership, as Administrator, and BNY Trust Company of Canada, as Indenture Trustee.
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Avis Budget Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Condensed Statements of Income for the three months ended March 31, 2011 and 2010, (ii) Consolidated Condensed Balance Sheets as of March 31, 2011 and March 31, 2010, (iii) Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2011 and 2010, and (iv) Notes to Consolidated Condensed Financial Statements, tagged as block of text**.

* Cendant Corporation is now known as Avis Budget Group, Inc.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

† Denotes management contract or compensatory plan.

Exhibit 10.1

AMENDMENT NO. 1
TO
EMPLOYMENT AGREEMENT WITH F. ROBERT SALERNO

DATED: JANUARY 26, 2011

WHEREAS, Avis Budget Group, Inc., a Delaware corporation (the "Company"), and F. Robert Salerno (the "Executive") entered into an Employment Agreement dated December 29, 2008 (the "Agreement"); and

WHEREAS, the Agreement may be amended from time to time in accordance with the provisions of Section XV thereof; and

WHEREAS, the Company and the Executive wish to amend the Agreement, effective as of the date hereof.

NOW, THEREFORE, the Agreement is hereby amended as set forth herein, effective as of the date hereof.

FIRST: Section III of the Agreement is hereby amended and restated in full as follows:

"**SECTION III**

PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement (the "**Period of Employment**") shall begin on the Effective Date and shall end on December 31, 2011, subject to earlier termination as provided in this Agreement."

SECOND: Section VII(b) of the Agreement is hereby amended by deleting reference to the date "January 1, 2012" set forth therein and substituting in its place the date of "December 31, 2011".

THIRD: Except as specifically modified herein, the Agreement shall remain in full force and effect in accordance with all of the terms and conditions thereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this amendment to the Agreement as of the date first written above.

AVIS BUDGET GROUP, INC.

By: /s/ Mark Servodidio
Name: Mark Servodidio
Title: EVP and Chief Administrative Officer

EXECUTIVE

/s/ F. Robert Salerno
F. Robert Salerno

Signature Page to Amendment No. 1 to Employment Agreement with F. Robert Salerno

Exhibit 10.2

AVISCAR INC.
as Avis General Partner

- and -

BUDGETCAR INC.
as Budget General Partner

- and -

2233516 ONTARIO INC.
as Limited Partner

- and -

WTH CAR RENTAL ULC
as Rental ULC

- and -

WTH FUNDING LIMITED PARTNERSHIP
as Administrator and Funding LP

- and -

BNY TRUST COMPANY OF CANADA
as Indenture Trustee

- and -

BAY STREET FUNDING TRUST
as Series 2010-1 Note Purchaser

- and -

CANADIAN MASTER TRUST
as Series 2010-2 Note Purchaser

- and -

DEUTSCHE BANK AG, CANADA BRANCH
as Series 2010-3 Note Purchaser

- and -

LORD SECURITIES CORPORATION
as Back-Up Administrator

- and -

FISERV AUTOMOTIVE SOLUTIONS, INC.
as Liquidation Agent

AVIS BUDGET SECURITIZATION

GLOBAL AMENDMENT

February 17, 2011

GLOBAL AMENDMENT

THIS GLOBAL AMENDMENT is made as of February 17, 2011.

AMONG:

AVISCAR INC., as Avis General Partner

- and -

BUDGETCAR INC., as Budget General Partner

- and -

2233516 ONTARIO INC., as Limited Partner (together with the Avis General Partner and the Budget General Partner being collectively referred to as the "**Partners**")

- and -

WTH FUNDING LIMITED PARTNERSHIP, a limited partnership formed under the laws of the Province of Ontario, it is own capacity ("**Funding LP**") and in its capacity as Administrator (the "**Administrator**")

- and -

WTH CAR RENTAL ULC, an unlimited liability company formed under the laws of the Province of Alberta ("**Rental ULC**")

- and -

BNY TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada, in its capacity as Indenture Trustee under the Indenture (the "**Indenture Trustee**")

- and -

LORD SECURITIES CORPORATION, a Delaware corporation, in its capacity as Back-up Administrator (the "**Back-up Administrator**")

- and -

FISERV AUTOMOTIVE SOLUTIONS, INC., a Delaware corporation, in its capacity as disposition agent (the "**Liquidation Agent**")

- and -

MONTREAL TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada, in its capacity as trustee of **BAY STREET FUNDING TRUST**, a trust established under the laws of the Province of Ontario, in its capacity as a Noteholder (the "**Series 2010-1 Noteholder**")

- and -

BNY TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada, in its capacity as trustee of **CANADIAN MASTER TRUST**, a trust established under the laws of the Province of Ontario, in its capacity as a Noteholder (the "**Series 2010-2 Noteholder**")

- and -

DEUTSCHE BANK AG, CANADA BRANCH, an Authorized Foreign Bank listed on Schedule III to the *Bank Act* (Canada), in its capacity as a Noteholder (the "**Series 2010-3 Noteholder**")

WHEREAS the Partners are parties to a Fifth Amended and Restated Limited Partnership Agreement dated as of August 26, 2010 (the "**Funding LP Partnership Agreement**");

WHEREAS Rental ULC and the Indenture Trustee are parties to a Trust Indenture dated as of August 26, 2010 (the "**Indenture**");

WHEREAS Rental ULC, Funding LP and the Indenture Trustee are parties to a Master Motor Vehicle Lease Agreement dated as of August 26, 2010 (the "**Master Lease Agreement**");

WHEREAS Rental ULC, the Administrator and the Indenture Trustee are parties to an Administration Agreement dated as of August 26, 2010 (the "**Administration Agreement**");

WHEREAS Rental ULC, the Administrator, the Indenture Trustee and the Back-up Administrator are parties to a Back-up Administration Agreement dated as of August 26, 2010 (the "**Back-up Administration Agreement**");

WHEREAS Rental ULC, the Administrator, the Indenture Trustee and the Liquidation Agent are parties to a Liquidation Agent Agreement dated as of August 26, 2010 (the "**Liquidation Agent Agreement**");

WHEREAS Rental ULC, the Administrator and the Indenture Trustee are parties to a Supplement to the Indenture in respect of Series 2010-1 dated as of August 26, 2010 (the "**Series 2010-1 Indenture Supplement**");

WHEREAS Rental ULC, the Administrator and the Indenture Trustee are parties to a Supplement to the Indenture in respect of Series 2010-2 dated as of August 26, 2010 (the "**Series 2010-2 Indenture Supplement**");

WHEREAS Rental ULC, the Administrator and the Indenture Trustee are parties to a Supplement to the Indenture in respect of Series 2010-3 dated as of August 26, 2010 (the "**Series 2010-3 Indenture Supplement**");

WHEREAS Funding LP and Rental ULC are parties to a Purchase Agreement dated as of August 26, 2010 (the "**Funding/Rental Purchase Agreement**");

WHEREAS the parties hereto wish to make certain amendments to the Funding LP Partnership Agreement, the Indenture, the Master Lease Agreement, the Administration Agreement, the Back-up Administration Agreement, the Liquidation Agent Agreement, the Funding/Rental Purchase Agreement, the Series 2010-1 Indenture Supplement, the Series 2010-2 Indenture Supplement, and the Series 2010-3 Indenture Supplement in accordance with, and pursuant to, Section 13.2 of the Indenture and Section 5.6(e) of each of the Supplements on the terms as set forth herein; and

WHEREAS the applicable Rating Agencies have been provided with prior written notice of the amendments herein provided in accordance with Section 13.2 of the Indenture and Section 5.6(e) of each of the Supplements.

NOW THEREFORE in consideration of the foregoing and of the mutual covenants and agreements contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Terms used herein which are defined in the Indenture, either directly or by reference therein, have the meanings assigned to them in the Indenture unless otherwise defined herein. In this Amendment:

"**Amendment**" means this Global Amendment;

"**Noteholders**" means, collectively, the Series 2010-1 Noteholder, Series 2010-2 Noteholder and Series 2010-3 Noteholder; and

"**Supplements**" means the Series 2010-1 Indenture Supplement, Series 2010-2 Indenture Supplement and Series 2010-3 Indenture Supplement.

1.2 Headings

The inclusion of headings in this Amendment is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.3 References to Articles and Sections

Whenever in this Amendment a particular Article, section or other portion thereof is referred to, unless otherwise indicated, such reference pertains to the particular Article, section or portion thereof contained herein.

1.4 Governing Law

This Amendment is governed by and shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party hereto irrevocably submits to the jurisdiction of the courts of competent jurisdiction in the Province of Ontario in respect of any action or proceeding relating in any way to this Amendment The parties hereto shall not raise any objection to the venue of any proceedings in any such court, including the objection that the proceedings have been brought in an inconvenient forum.

ARTICLE 2
AMENDMENTS

2.1 Amendment to Funding LP Partnership Agreement

Clause (vii) of Section 3.2 of the Funding LP Partnership Agreement is hereby removed and replaced with the following:

(vii)(A) rent any Vehicles other than Rental ULC Vehicles, (B) beneficially own any Vehicle or (C) hold registered title to any Vehicle, directly or through any Partner, other than as nominee, custodian and bare trustee for and on behalf of Rental ULC as beneficial owner, and in no other capacity;

2.2 Amendments to Indenture

The Indenture is hereby amended as set forth in this Section 2.2:

(a) The definition of "**Nissan**" in Section 1.1 of the Indenture is hereby removed and replaced with the following:

"**Nissan**" means Nissan Canada, Inc. and its Affiliates, and their respective successors.

(b) The definition of "**Toyota**" in Section 1.1 of the Indenture is hereby removed and replaced with the following:

"**Toyota**" means Toyota Canada Inc. and its Affiliates, and their respective successors.

(c) Clause (d) of Section 5.2 of the Indenture is hereby removed and replaced with the following:

Rental ULC shall deposit all Contributions received by it to the Master Vehicle Account, the Master Rental Account or any Series Account as provided for in the related Indenture Supplement.

(d) The first two lines of Section 6.3 of the Indenture are hereby amended by removing and replacing the text reading "…*a portion of the Rental Revenues received for the related Remittance Period…*" with the following:

…a portion of the Rental Revenues received, and Contributions deposited to the Master Rental Account, for the related Remittance Period…

(e) Clause (a) of Section 6.3 of the Indenture is hereby amended by inserting immediately after the words "Rental Revenues" in the third line of such Section the words ", and Contributions deposited to the Master Rental Account,".

(f) Clause (a) of Section 6.4 of the Indenture is hereby amended by removing and replacing the text reading "…*a portion of the Proceeds of Distribution and Enforcement Proceeds, if any, for the previous Settlement Period…*" with the following:

…a portion of the Proceeds of Distribution, Contributions deposited to the Master Vehicle Account and Enforcement Proceeds, if any, for the previous Settlement Period…

(g) Clause (d) of Section 10.1 of the Indenture is hereby amended by adding ")" after the text reading "*Sections 10.1(a), (b) or (c)*".

(h) Section 13.2 is of the Indenture is hereby amended by removing and replacing the text reading "…*and the consent of not less than 66 2/3% in Outstanding Principal Amount of the Senior Notes of each Class or Classes affected...*" with the following:

…and the consent of the Majority Holders of the Senior Notes of each Class or Classes affected...

2.3 Amendments to Master Lease Agreement

The Master Lease Agreement is hereby amended as set forth in this Section 2.3:

(a) Section 2.4 of the Master Lease is hereby amended by replacing the words "or, in respect of the Initial Vehicles," in the third line of that Section with the words "or, to the extent permitted by Section 2.5 of the Funding/Rental Purchase Agreement,".

(b) Clause (e) of Section 9.1 of the Master Lease is hereby amended by removing and replacing the reference to "$2,000,000" with "$20,000,000".

(c) Clause (f) of Section 9.1 of the Master Lease is hereby amended by adding the word "and" at the end of such clause.

(d) Clause (g) of Section 9.1 of the Master Lease is hereby amended by removing and replacing ";" and the word "and" at the end of such clause with ".".

(e) Clause (h) of Section 9.1 of the Master Lease Agreement is hereby removed and deleted in its entirety.

(f) Article 10 ‘General’ of the Master Lease Agreement is hereby amended by the addition of the following as Section 10.11:

10.11 Amendments

This Agreement may be amended from time to time by a written amendment duly executed and delivered by all parties hereto and, in respect of material amendments, satisfaction of the Rating Agency Condition for each Outstanding Series and Class of Notes.

2.4 Amendments to the Supplements

The Supplements are hereby amended as set forth in this Section 2.4:

(a) The definition of “**Excess Non-Program (36 month) Percentage**” in Section 1.1 of each of the Supplements is hereby removed and replaced with the following:

“**Excess Non-Program (36 month) Percentage**” means, on any date, the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are Non-Program Vehicles (other than box trucks) greater than 36 months old is of the aggregate Current Book Value of all Rental ULC Vehicles as of such date.

(b) Section 1.1 of each of the Supplements is hereby amended by adding the following as a new definition:

“**Excess Non-Program Truck (84 month) Percentage**” means, on any date, the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are both (x) box trucks and (y) Non-Program Vehicles greater than 84 months old, is of the aggregate Current Book Value of all Rental ULC Vehicles as of such date.

(c) Section 1.1 of each of the Supplements is hereby amended by the addition of the following definition of “**Funding LP Business Revenues**”:

“**Funding LP Business Revenues**” has the meaning given to it in the Master Vehicle Lease Agreement.

(d) Clause (l) of the definition of “**Series 2010-1 Incremental Enhancement Amount**”, “**Series 2010-2 Incremental Enhancement Amount**” and “**Series 2010-3 Incremental Enhancement Amount**”, as applicable, in Section 1.1 of each of the Supplements is hereby amended by removing and deleting the word “and” at the end of such clause.

(e) Clause (m) of the definition of “**Series 2010-1 Incremental Enhancement Amount**”, “**Series 2010-2 Incremental Enhancement Amount**” and “**Series 2010-3 Incremental Enhancement Amount**”, as applicable, in Section 1.1 of each of the Supplements is hereby amended by adding the word “and” at the end of such clause.

(f) The definition of “**Series 2010-1 Incremental Enhancement Amount**”, “**Series 2010-2 Incremental Enhancement Amount**” and “**Series 2010-3 Incremental Enhancement**

Amount”, as applicable, in Section 1.1 of each of the Supplements is hereby amended by the addition of the following clause (n) to the definition in each such Supplement:

the Excess Non-Program Truck (84 month) Percentage of the Series 2011-1 Principal Balance.

(g) Article 4 ‘Allocations, Deposits and Payments’ of each of the Supplements is hereby amended by the addition of the following as Section 4.10:

4.10 Contributions

Rental ULC may deposit Contributions received by it to any Series Account or to the VAT Account in accordance with the Note Purchase Agreement.

(h) Clause (g) of Section 5.4 of each Supplement is hereby amended by replacing the proviso in the last three lines of such clause with the following:

provided that in respect of the period from the Closing Date to December 31, 2010, the written report shall only be delivered in respect of the December, 2010 Settlement Period and such written report shall be delivered by March 21, 2011, and provided further that supplemental written reports regarding titling of Rental ULC Vehicles shall be delivered: (x) on March 21, 2011 in respect of Rental ULC Vehicles located in the Province of British Columbia; and (y) in respect of Rental ULC Vehicles located in the Province of Quebec, within 30 days of the earlier to occur of: (i) the re-titling of all Rental ULC Vehicles to the extent required in such Province; and (ii) June 30, 2011; each such supplemental written report shall include a minimum sample size of 25 vehicle files for each of such Provinces, except that in the case of clause (y) above, such vehicle files shall only relate to Rental ULC Vehicles ordered and received after the Closing Date.

(i) Clause (e) of Section 6.1 of each such Supplement is hereby hereby removed and replaced with the following:

Avis, Budget or Funding LP failing to pay when due any obligation (the “underlying obligation”) for a sum certain in excess of $2,000,000 and such failure continuing for three Business Days after (i) written notice to Avis, Budget or Funding LP, as applicable, from the party to whom the underlying obligation is owed if there is no grace period applicable to the underlying obligation; or (ii) the expiry of any grace period applicable to the underlying obligation;

(j) Part (x) of Clause (i) of Section 6.1 of each such Supplement is hereby removed and deleted in its entirety.

(k) Clause (l) of Section 6.1 of each of the Supplements is hereby amended by removing and deleting the word “or” at the end of such clause.

(l) Clause (m) of Section 6.1 of each of the Supplements is hereby amended by removing and replacing “.” at the end of such clause with “;” and the word “or”.

(m) The list of Early Amortization Events as described in Section 6.1 of each of the Supplements is hereby amended by the addition of the following clause (n) to Section 6.1 of each such Supplement:

(n) if the average of the ratio of:

(i) the Funding LP Business Revenues (as defined in the Master Vehicle Lease Agreement) for a Settlement Period to

(ii) the sum of (x) Rental Revenues for such Settlement Period and (y) Loss on Dispositions calculated in respect of Non-Program Vehicles for such Settlement Period;

for (x) three (3) consecutive Settlement Periods is less than 1.35:1 or (y) for 12 consecutive Settlement Periods is less than 1.6:1.

2.5 Amendment to Administration Agreement

Clause (e) of Section 5.2 of the Administration Agreement is hereby amended by removing and replacing the reference to “$2,000,000” with “$20,000,000”.

2.6 Amendment to Back-up Administration Agreement

Section 6.2 of the Back-up Administration Agreement is hereby removed and replaced with the following:

Amendment. This Agreement may be amended from time to time by a written amendment duly executed and delivered by all parties hereto and, in respect of material amendments, satisfaction of the Rating Agency Condition for each Outstanding Series and Class of Notes.

2.7 Amendment to Liquidation Agent Agreement

Section 4.14 of the Liquidation Agent Agreement is hereby removed and replaced with the following:

This Agreement may be amended from time to time by a written amendment duly executed and delivered by all parties hereto and, in respect of material amendments, satisfaction of the Rating Agency Condition for each Outstanding Series and Class of Notes.

2.8 Amendments to Funding/Rental Purchase Agreement

The Funding/Rental Purchase Agreement is hereby amended as set forth in this Section 2.8:

(a) Section 2.5(a) of the Funding/Rental Purchase Agreement is hereby amended by adding after the words “Rental ULC” in the second last line of such Section the words: “(including as and when required pursuant to clause (iii) of Section 2.5(c.1))”.

(b) The following clause (c.1) is hereby added immediately following Section 2.5(c) of the Funding/Rental Purchase Agreement:

(c.1) (i) to the extent that Funding LP has placed purchase orders for vehicles for Provinces other than British Columbia prior to the Closing

Date but such vehicles were not received by Funding LP in such Provinces until following the Closing Date, or (ii) until June 30, 2011 for all vehicles located in the Province of Quebec which were ordered and received after the Closing Date, or (iii) until March 21, 2011 for all vehicles located in the Province of British Columbia (including those located in such Province since the Closing Date), in each case Funding LP shall hold registered ownership of such vehicles as nominee, custodian and bare trustee for and on behalf of Rental ULC as beneficial owner, and in no other capacity.

ARTICLE 3
GENERAL

3.1 Effective Date

The amendments set forth in this Amendment shall be effective as of the date hereof other than those amendments in Section 2.8 hereof which shall be deemed to have been in effect as of the Closing Date.

3.2 Further Assurances

Each of the parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as any other party hereto may reasonably require from time to time for the purpose of giving effect to this Amendment and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Amendment.

3.3 Enurement

This Amendment shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

3.4 Counterparts

This Amendment may be executed in counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same document.

[*signature pages follow*]

IN WITNESS WHEREOF the undersigned have executed this Amendment.

AVISCAR INC., as Avis General Partner

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

BUDGETCAR INC., as Budget General Partner

By: /s/ Tim Smith
Name: Tim Smith
Title: Assistant Treasurer

2233516 ONTARIO INC., as Limited Partner

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

WTH CAR RENTAL ULC

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

WTH FUNDING LIMITED PARTNERSHIP, in its own capacity and in its capacity as Administrator, by its General Partner, **AVISCAR INC.**

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

BNY TRUST COMPANY OF CANADA, as Indenture Trustee and not in its individual capacity

By: /s/ Patricia Benjamin
Name: Patricia Benjamin
Title: Authorized Officer

FISERV AUTOMOTIVE SOLUTIONS, INC., as Liquidation Agent

By: /s/ Don Edman
Name: Don Edman
Title: Vice President

LORD SECURITIES CORPORATION, as Back-up Administrator

By: /s/ Orlando C. Figueroa
Name: Orlando C. Figueroa
Title: Managing Director

PURSUANT TO, AND IN ACCORDANCE WITH, Section 13.2 of the Indenture and Section 5.6(e) of each of the Supplements, the undersigned hereby consent and agree to this Amendment.

BNY TRUST COMPANY OF CANADA, as trustee of **CANADIAN MASTER TRUST**, by its Securitization Agent, **BMO NESBITT BURNS INC.**

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

By: /s/ Chris Romano
Name: Chris Romano
Title:

MONTREAL TRUST COMPANY OF CANADA, as trustee of **BAY STREET FUNDING TRUST**, by its Securitization Agent, **SCOTIA CAPITAL INC.**

By: /s/ Doug Noe
Name: Doug Noe
Title:

DEUTSCHE BANK AG, CANADA BRANCH

By: /s/ Renat Husnudinov
Name: Renat Husnudinov
Title: Vice President

By: /s/ Daniel W. Sooley
Name: Daniel W. Sooley
Title: Chief Legal Officer

Exhibit 10.3

SERIES 2011-1
INDENTURE SUPPLEMENT

Dated as of March 17, 2011

to

INDENTURE

Dated as of August 26, 2010

WTH FUNDING LIMITED PARTNERSHIP

as Administrator

- and -

WTH CAR RENTAL ULC

as Rental ULC

- and -

BNY TRUST COMPANY OF CANADA

as Indenture Trustee

This **SERIES 2011-1 INDENTURE SUPPLEMENT** (this "**Indenture Supplement**"), by and between **WTH FUNDING LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Ontario ("**Administrator**"), **WTH CAR RENTAL ULC**, an unlimited liability company formed under the laws of the Province of Alberta ("**Rental ULC**"), and **BNY TRUST COMPANY OF CANADA**, a trust company incorporated under the laws of Canada, in its capacity as indenture trustee under the Indenture (in such capacity, together with its successors and permitted assigns in such capacity, the "**Indenture Trustee**"), is made and entered into as of March 17, 2011.

Pursuant to this Indenture Supplement, Rental ULC shall create a new Series of Notes and shall specify the Principal Terms thereof.

ARTICLE 1 DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

1.1 Definitions

Terms used herein which are defined in the Indenture, either directly or by reference therein, have the meanings assigned to them in the Indenture unless otherwise defined herein. In this Indenture Supplement:

"**Avis**" means Aviscar Inc., a corporation incorporated under the laws of Canada, and its successors and permitted assigns.

"**Avis or Budget System Member**" means a licensee of Avis or Budget or any Affiliate of Avis or Budget.

"**Budget**" means Budgetcar Inc., a corporation incorporated under the laws of Canada, and its successors and permitted assigns.

"**Cash Collateral Accounts**" has the meaning given to it in Section 3.1(c).

"**Cash Collateral (CAD) Account**" has the meaning given to it in Section 3.1(c).

"**Cash Collateral (USD) Account**" has the meaning given to it in Section 3.1(c).

"**Controlled Amortization Amount"** means, for each Remittance Date during the Series 2011-1 Controlled Amortization Period, $33,333,333.33.

"**Controlled Deposit Amount**" means, for each Remittance Date during the Series 2011-1 Controlled Amortization Period, the Controlled Amortization Amount plus any portions of Controlled Amortization Amounts that were to be paid to the Series 2011-1 Noteholders on a prior Remittance Date but were not so paid.

"**Controlled Amortization Period Commencement Date**" means October 1, 2014.

"**Equivalent Amount**" on any given date in one currency (the "**first currency**") of any amount denominated in another currency (the "**second currency**") means the amount of the first currency which could be purchased with such amount of the second currency at the equivalent selling rate for commercial banks trading in Canadian dollars as published in the Wall Street Journal on the Business Day prior to such date.

“**Excess Automobile, Minivan and Sport Utility Vehicle OBV Percentage**” means, on any date, the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are automobiles, minivans and sport utility vehicles, each with an Original Book Value greater than $90,000, is of the aggregate Current Book Value of all Rental ULC Vehicles as of such date.

“**Excess Box Truck Percentage**” means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are box trucks is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y)10% as of such date.

“**Excess Hyundai Percentage**” means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles manufactured by Hyundai is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 25% as of such date.

“**Excess Kia Percentage**” means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles manufactured by Kia is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 10% as of such date.

“**Excess Mazda Percentage**” means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles manufactured by Mazda is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 10% as of such date.

“**Excess Mileage Percentage**” means, on any date, the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are Used Vehicles with mileage of more than 90,000 kilometres is of the aggregate Current Book Value of all Rental ULC Vehicles as of such date.

“**Excess Non-Program (36 month) Percentage**” means, on any date, the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are Non-Program Vehicles (other than box trucks) greater than 36 months old is of the aggregate Current Book Value of all Rental ULC Vehicles as of such date.

“**Excess Non-Program Truck (84 month) Percentage**” means, on any date, the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are both (x) box trucks and (y) Non-Program Vehicles greater than 84 months old, is of the aggregate Current Book Value of all Rental ULC Vehicles as of such date.

"**Excess Non-Program Percentage**" means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Non-Program Vehicles is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 75% as of such date.

"**Excess Other Manufacturer Aggregate Percentage**" means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of all Rental ULC Vehicles manufactured by Manufacturers other than Chrysler, Ford, General Motors, any other Eligible Manufacturer, Hyundai, Kia, Mazda, Nissan or Toyota is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 12.5% as of such date.

"**Excess Other Manufacturer Percentage**" means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles manufactured by any one Manufacturer other than Chrysler, Ford, General Motors, any other Eligible Manufacturer, Hyundai, Kia, Mazda, Nissan or Toyota is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 5% as of such date.

"**Excess Service Vehicle Percentage**" means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are Service Vehicles is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 1% as of such date.

"**Excess Trucks, Vans, and Service Vehicles OBV Percentage**" means, on any date, the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are trucks, vans, and Service Vehicles, each with an Original Book Value greater than $115,000, is of the aggregate Current Book Value of all Rental ULC Vehicles as of such date.

"**Excess Used Vehicle Percentage**" means, on any date, a percentage equal to the amount, if any, by which (x) the fraction (expressed as a percentage) which the aggregate Current Book Value of Rental ULC Vehicles that are Used Vehicles is of the aggregate Current Book Value of all Rental ULC Vehicles, exceeds (y) 5% as of such date.

"**Fleet Report**" means a monthly report provided by the Administrator concerning Rental ULC Vehicles substantially in the form of Schedule "A."

"**Funding LP Business Revenues**" has the meaning given to it in the Master Vehicle Lease Agreement.

"**Group Receivables Value**" means at any time in respect of a group of Vehicle Receivables having a common Vehicle Receivable Enhancement Percentage (and excluding, for greater certainty, any Vehicle Receivables for which there is no applicable Vehicle Receivable Enhancement Percentage), the quotient of (x) the aggregate Current Book Value of such Vehicle Receivables at such time divided by (y) the sum of one (1) plus the Vehicle Receivable Enhancement Percentage applicable to such Vehicle Receivables.

"**Group Required Vehicle Collateral Amount**" means at any time:

(a) in respect of each group of Program Vehicles having a common Program Vehicle Enhancement Percentage, the product of (x) the Series 2011-1 Principal Balance at such time, <u>multiplied by</u> (y) the percentage which the aggregate Current Book Value of such Program Vehicles at such time (other than any Program Vehicle in respect of which a Vehicle Receivable is outstanding and after deducting from such aggregate Current Book Value the aggregate amounts owing to the applicable Manufacturer or dealer by Rental ULC or Funding LP in respect of such Program Vehicles on such date) is of the aggregate Current Book Value of all Rental ULC Vehicles, <u>multiplied by</u> (z) the sum of one (1) plus the Program Vehicle Enhancement Percentage applicable to such Program Vehicles; and

(b) in respect of each group of Non-Program Vehicles having a common Non-Program Vehicle Enhancement Percentage, the product of (x) the Series 2011-1 Principal Balance at such time, <u>multiplied by</u> (y) the percentage which the aggregate Current Book Value of such Non-Program Vehicles at such time (other than any Non-Program Vehicle in respect of which a Vehicle Receivable is outstanding and after deducting from such aggregate Current Book Value the aggregate amounts owing to the applicable Manufacturer or dealer by Rental ULC or Funding LP in respect of such Non-Program Vehicles on such date) is of the aggregate Current Book Value of all Rental ULC Vehicles, <u>multiplied by</u> (z) the sum of one (1) plus the Non-Program Vehicle Enhancement Percentage applicable to such Non-Program Vehicles.

"**Indenture**" means the Trust Indenture, dated as of August 26, 2010, between Rental ULC and the Indenture Trustee, as amended, restated, supplemented or otherwise modified from time to time.

"**LC and Cash Collateral Amount**" means, on any date, the aggregate amount available to be drawn on such date under the Letter of Credit, as specified therein, plus the aggregate of the amount on deposit in the Cash Collateral (CAD) Account and 92.5% of the Canadian dollar Equivalent Amount of the amount on deposit in the Cash Collateral (USD) Account on such date.

"**L/C Provider**" means, initially, JPMorgan Chase Bank, N.A., and includes any subsequent provider(s) in respect of which the Rating Agency Condition has been satisfied.

"**Letter of Credit**" means an irrevocable letter of credit issued by an L/C Provider for the benefit of the Series 2011-1 Noteholders and delivered to the Indenture Trustee on behalf of the Series 2011-1 Noteholders from time to time pursuant to the terms hereof and, for greater certainty, excludes any Letter of Credit that has expired pursuant to

Section 5.2(a)(i), been terminated pursuant to Section 5.2(a)(ii) or in respect of which the related L/C Provider has been downgraded as provided for under Section 5.2(a)(iii) or the second last paragraph of Section 5.2(a), in each case, such exclusion only applies immediately after actions have been taken, in all cases, pursuant to Sections 5.2(a)(iv), 5.2(a)(v) or the second last paragraph of Section 5.2(a).

"**Licensee Vehicle Assignment Agreement**" means, where the vendor is Avis or Budget, an agreement to be entered into between Rental ULC and Avis or Budget, as applicable, and where the vendor is an Avis or Budget System Member, an agreement to be entered into between Rental ULC and such Avis or Budget System Member, each agreement in respect of which the Rating Agency Condition has been satisfied.

"**Licensee Vehicles**" means any Vehicles owned by (a) Avis or Budget System Members; or (b) Avis or Budget where such Vehicles have been acquired, directly or indirectly, by Avis or Budget from Avis or Budget System Members.

"**Non-Program Vehicle Enhancement Percentage**" means in respect of Non-Program Vehicles manufactured by a particular Manufacturer at any time:

(a) 45.97%, where (i) at such time, the highest of the Non-Program Vehicle Loss Percentages as determined on the six most recently completed Settlement Dates is less than or equal to 1.0%; and (ii) no Manufacturer Event of Bankruptcy has occurred and is continuing in respect of such Manufacturer;

(b) 59.39%, where (i) at such time, the highest of the Non-Program Vehicle Loss Percentages as determined on the six most recently completed Settlement Dates is greater than 1.0%; or (ii) a Manufacturer Event of Bankruptcy has occurred and is continuing in respect of such Manufacturer and such Manufacturer is not a Non-Performing Manufacturer; and

(c) 67.39%, where a Manufacturer Event of Bankruptcy has occurred and is continuing in respect of such Manufacturer and such Manufacturer is a Non-Performing Manufacturer.

"**Non-Program Vehicle Loss Percentage**" means a fraction, expressed as a percentage, calculated on each Settlement Date, equal to:

(a) the amount, if any, by which (i) the aggregate Current Book Value (as determined at the time of disposition) of all Non-Program Vehicles disposed of during the three most recently completed Settlement Periods prior to such Settlement Date (or such greater number of Settlement Periods as may be necessary such that the aggregate Proceeds of Disposition of Non-Program Vehicles disposed of during such time period is not less than $6,000,000); exceeds (ii) the aggregate Proceeds of Disposition of such Non-Program Vehicles;

divided by

(b) the amount determined in clause (a)(i) above.

"**Parent Guarantee**" means the guarantee dated as of the date hereof, made by the Parent in favour of the Indenture Trustee, on behalf of itself and the Series 2011-1 Noteholders, pursuant to which the Parent has guaranteed, among other things, certain of the non-monetary obligations of Avis, Budget, and Funding LP under the Series 2011-1 Transaction Documents, as the same may be amended or restated from time to time in accordance with its terms.

"**Proceeds of Disposition Series Required Amount**" means, in respect of the Series 2011-1 Notes:

(a) on each Remittance Date during the Series 2011-1 Revolving Period, an amount equal to the aggregate of the amounts referred to in Section 4.3(a)(i) and 4.3(a)(ii) for such Remittance Date,

(b) on each Remittance Date during the Series 2011-1 Controlled Amortization Period, an amount equal to the aggregate of the amounts referred to in Section 4.3(b)(i) through 4.3(b)(iii) for such Remittance Date,

(c) on each Remittance Date during the Series 2011-1 Early Amortization Period, an amount equal to the aggregate of the amounts referred to in Section 4.3(c)(i) and 4.3(c)(ii) for such Remittance Date, and

(d) on each Remittance Date during the Series 2011-1 Enforcement Period, an amount equal to the aggregate of the amounts referred to in Section 4.3(d)(i) through 4.3(d)(vi) for such Remittance Date.

"**Program Negotiation Vehicles**" has the meaning given to it in Section 5.1(a).

"**Program Vehicle Enhancement Percentage**" means, in respect of an Eligible Manufacturer of Program Vehicles at any time, (a) if such Eligible Manufacturer's unsecured long-term debt rating by DBRS at such time is (i) BBB or higher, 27%; (ii) BBB (low), 31.16%; (iii) BB (high), 35.61%; (iv) BB, 40.37%; and (v) BB (low) or lower or is unrated by DBRS, (1) with respect to the portion of the aggregate Current Book Value of the Program Vehicles manufactured by such Eligible Manufacturer that represents up to and including 33% of the aggregate Current Book Value of all Program Vehicles, 45.48%; and (2) with respect to the portion of the aggregate Current Book Value of the Program Vehicles of such Eligible Manufacturer representing greater than 33% of the aggregate Current Book Value of all Program Vehicles, 52.11%; or (b) if a Manufacturer Event of Bankruptcy has occurred in respect of such Eligible Manufacturer and is continuing, and (i) such Eligible Manufacturer is not a Non-Performing Manufacturer, 59.39 %, or (ii) such Eligible Manufacturer is a Non-Performing Manufacturer, 67.39%.

"**Rating Agency**" means, with respect to the Series 2011-1 Notes, DBRS.

“**Rating Agency Condition**” means a condition which is satisfied in respect of any proposed action and the Series 2011-1 Notes when the Rating Agency has notified Rental ULC in writing that such proposed action will not result in a withdrawal or downgrade of its then current rating of the Series 2011-1 Notes.

“**Reports**” has the meaning given to it in Section 5.3(c).

“**Required LC and Cash Collateral Amount**” means, at any time, an amount equal to 5.875% of the Series 2011-1 Principal Balance at such time.

“**Series 2011-1 Aggregate Vehicle Collateral Amount**” means, at any time, the excess, if any, of (a) the Aggregate Vehicle Collateral Amount at such time over (b) the aggregate of all amounts included in Aggregate Vehicle Collateral Amount pursuant to clause (c) of the definition thereof.

“**Series 2011-1 Allocation Percentage**” means the Series Allocation Percentage in respect of the Series 2011-1 Notes.

“**Series 2011-1 Closing Date**” means March 17, 2011.

“**Series 2011-1 Controlled Amortization Period**” means the period beginning on the Controlled Amortization Period Commencement Date and terminating on the earlier of (a) the Remittance Date on which the Series 2011-1 Principal Balance is reduced to zero; and (b) the close of business on the day immediately preceding the day on which the Series 2011-1 Early Amortization Period commences.

“**Series 2011-1 Early Amortization Event**” means the occurrence of any of the events specified in Section 6.1 of this Indenture Supplement.

“**Series 2011-1 Early Amortization Period**” means the period beginning at the earlier of (a) the occurrence of an Event of Default (as specified as an Early Amortization Event in Section 6.1(e)), and (b) the date specified in a written notice delivered to Rental ULC pursuant to Section 6.2(a)(i) following the occurrence of any other Series 2011-1 Early Amortization Event, and terminating on the earlier of (x) the first Remittance Date on which all principal and interest owing to the Series 2011-1 Noteholders has been paid in full, and (y) the close of business on the day immediately preceding the day on which the Series 2011-1 Enforcement Period commences.

“**Series 2011-1 Enforcement Period**” means the period beginning on the date on which the Indenture Trustee commences any enforcement actions under Section 10.3 of the Indenture or Section 5.3 of the Funding LP Security Agreement, and ending on the first Remittance Date on which all principal and interest owing to the Series 2011-1 Noteholders has been paid in full; which period shall be the “Enforcement Period” for the Series 2011-1 Notes under the Indenture.

“**Series 2011-1 Expected Final Payment Date**” means March 20, 2015.

“**Series 2011-1 Final Maturity Date**” means the earlier of (a) September 21, 2015, and (b) the date that is six months following the commencement of the Series 2011-1 Early Amortization Period.

“**Series 2011-1 Incremental Enhancement Amount**” means, as of any date of determination, the sum, without duplication, of:

(a) the Excess Automobile, Minivan and Sport Utility Vehicle OBV Percentage of the Series 2011-1 Principal Balance;

(b) the Excess Box Truck Percentage of the Series 2011-1 Principal Balance;

(c) the Excess Hyundai Percentage of the Series 2011-1 Principal Balance;

(d) the Excess Kia Percentage of the Series 2011-1 Principal Balance;

(e) the Excess Mazda Percentage of the Series 2011-1 Principal Balance;

(f) the Excess Mileage Percentage of the Series 2011-1 Principal Balance;

(g) the Excess Non-Program (36 month) Percentage of the Series 2011-1 Principal Balance;

(h) the Excess Non-Program Truck (84 month) Percentage of the Series 2011-1 Principal Balance;

(i) the Excess Non-Program Percentage of the Series 2011-1 Principal Balance;

(j) the Excess Other Manufacturer Aggregate Percentage of the Series 2011-1 Principal Balance;

(k) the Excess Other Manufacturer Percentage of the Series 2011-1 Principal Balance;

(l) the Excess Service Vehicle Percentage of the Series 2011-1 Principal Balance;

(m) the Excess Trucks, Vans, and Service Vehicles OBV Percentage of the Series 2011-1 Principal Balance; and

(n) the Excess Used Vehicle Percentage of the 2011-1 Principal Balance;

“**Series 2011-1 Initial Principal Balance**” means $200,000,000.

“**Series 2011-1 Interest Amount**” means, in respect of each Remittance Date and the related Remittance Period, an amount equal to the aggregate of (x) the amount of interest that has accrued on the Series 2011-1 Principal Balance during such related Remittance Period at the Series 2011-1 Interest Rate, plus (y) the amount (if any) representing interest that has accrued on the Series 2011-1 Principal Balance during prior Remittance Periods at the Series 2011-1 Interest Rate but has not yet been paid to the Series 2011-1 Noteholders, together with accrued interest on that amount at the Series 2011-1 Interest Rate to the extent permitted by applicable law.

"**Series 2011-1 Interest Rate**" has the meaning given to it in Section 4.5(a).

"**Series 2011-1 Noteholder**" means each Person in whose name a Series 2011-1 Note is registered in the Note Register.

"**Series 2011-1 Notes**" means the WTH Car Rental ULC Asset Backed Notes, Series 2011-1, substantially in the form of Exhibit A-1.

"**Series 2011-1 Principal Balance**" means, on any date of determination, an amount equal to (a) the Series 2011-1 Initial Principal Balance; minus (b) the aggregate amount of principal payments made to the Series 2011-1 Noteholders on or prior to such date.

"**Series 2011-1 Rental Account**" has the meaning given to it in Section 3.1(a).

"**Series 2011-1 Rental ULC Expenses**" means, for any Remittance Date and the related Settlement Period, an amount equal to the product of (a) the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) and (b) the sum of (x) Rental ULC Expenses for the related Settlement Period plus (y) the amount of any Rental ULC Expenses previously due but not paid in respect of prior Settlement Periods.

"**Series 2011-1 Revolving Period**" means the period beginning at the close of business on the Series 2011-1 Closing Date, and terminating at the earlier of (a) the close of business on the day immediately preceding the Controlled Amortization Period Commencement Date; and (b) the close of business on the day immediately preceding the day on which the Series 2011-1 Early Amortization Period commences; which period shall be the "Revolving Period" for the Series 2011-1 Notes under the Indenture.

"**Series 2011-1 Required Vehicle Collateral Amount**" means, at any time,

(a) the Total Required Vehicle Collateral Amount,

plus

(b) the Series 2011-1 Incremental Enhancement Amount,

minus

(c) the Total Receivables Value multiplied by the Series 2011-1 Principal Balance and divided by the Aggregate Outstanding Principal Amount,

minus

(d) the LC and Cash Collateral Amount;

which amount shall be the "Series Required Vehicle Collateral Amount" for the Series 2011-1 Notes under the Indenture.

"**Series 2011-1 Transaction Documents**" means (a) the Indenture, the Master Vehicle Lease Agreement, the Administration Agreement, the Funding LP Partnership Agreement, the Funding LP Security Agreement, the Liquidation Agent Agreement, the Back-up Administration Agreement, the Funding/Rental Purchase Agreement and the Account Control Agreement, and (b) this Indenture Supplement, the Underwriting Agreement, and the Parent Guarantee, and each document listed in clause (b) of this definition shall also constitute a "**Transaction Document**" for purposes of the Indenture.

"**Series 2011-1 Vehicle Account**" has the meaning given to it in Section 3.1(b).

"**Series Cost of Funds Amount**" means, in respect of the Series 2011-1 Notes and a Remittance Period and the related Remittance Date, the Series 2011-1 Interest Amount, less, in the case of the initial Remittance Date in respect of the Series 2011-1 Notes, any amounts deposited into the Series 2011-1 Rental Account on the Series 2011-1 Closing Date pursuant to Section 4.5(c).

"**Settlement Report**" means a monthly report substantially in the form of Schedule "B" provided by the Administrator to the Indenture Trustee pursuant to Section 5.3(a).

"**Total Receivables Value**" means at any time the sum of the Group Receivables Values for all Vehicle Receivables at such time.

"**Total Required Vehicle Collateral Amount**" means at any time the sum of the Group Required Vehicle Collateral Amounts for all Rental ULC Vehicles at such time.

"**Vehicle Receivable Enhancement Percentage**" means, if the related Manufacturer, Approved Dealer, auction house or other Person who is the debtor of the related Vehicle Receivable has a long-term unsecured debt rating by DBRS at such time of (a) BBB or higher, 27%; (b) BBB (low), 31.16%; (c) BB (high), 566.67%; (d) BB, 630.59%; (e) BB (low) or lower or is unrated by DBRS, 708.08%.

"**Underwriters**" means Scotia Capital Inc., BMO Nesbitt Burns Inc. and Deutsche Bank Securities Limited.

"**Underwriting Agreement**" means the underwriting agreement dated as of March 10, 2011, between Rental ULC, Funding LP, Avis, Budget and the Underwriters, as the same may be amended, restated, supplemented or modified from time to time.

1.2 Governing Law

This Indenture Supplement shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein, without reference to its conflict of law provisions and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

1.3 Counterparts

This Indenture Supplement may be executed in any number of counterparts and by facsimile, each of which so executed will be deemed to be an original, but all such counterparts will together constitute but one and the same instrument.

1.4 Ratification of Indenture

As supplemented by this Indenture Supplement, the Indenture is in all respects ratified and confirmed and the Indenture as so supplemented by this Indenture Supplement shall be read, taken and construed as one and the same instrument.

ARTICLE 2 THE SERIES 2011-1 NOTES

2.1 Creation and Designation

(a) There is hereby created and designated a Series of Notes to be issued pursuant to the Indenture and this Indenture Supplement to be known as “WTH Car Rental ULC Asset Backed Notes, Series 2011-1” or the “Series 2011-1 Notes.” The Series 2011-1 Notes will be issued in only one class.

(b) The Series 2011-1 Notes will not be subordinated to any other Series of Notes and shall constitute Senior Notes.

(c) The “Stated Principal Amount” of the Series 2011-1 Notes shall be the Series 2011-1 Principal Balance.

(d) The Series 2011-1 Notes shall be denominated in Dollars.

(e) The initial Remittance Period for the Series 2011-1 Notes will begin on the Series 2011-1 Closing Date and end on April 19, 2011 and the initial Remittance Date for the Series 2011-1 Notes will occur on April 20, 2011.

2.2 Form of Delivery

The Series 2011-1 Notes, upon original issuance, shall be delivered in registered form as provided in Section 3.1(g) of the Indenture and shall be issued as one or more Global Notes as provided in Section 2.4 of the Indenture.

2.3 Delivery and Payment

Rental ULC shall execute and deliver the Series 2011-1 Notes to the Indenture Trustee for authentication, and the Indenture Trustee shall deliver the Series 2011-1 Notes when authenticated, each in accordance with Section 3.3 of the Indenture.

ARTICLE 3 SERIES 2011-1 RENTAL ULC ACCOUNTS AND INVESTMENTS

3.1 Accounts

(a) ***Series 2011-1 Rental Account***. On or before the Series 2011-1 Closing Date, Rental ULC shall cause to be established and maintained a Qualified Account (the "**Series 2011-1 Rental Account**") in the name of Rental ULC. The Series 2011-1 Rental Account shall initially be held at Bank of Montreal, having account number 0002-1996-708. The Series 2011-1 Rental Account shall be the Series Rental Account in respect of the Series 2011-1 Notes. The Qualified Institution shall be required specifically to acknowledge that it has no right to set-off in respect of the Series 2011-1 Rental Account. Rental ULC, subject to the rights of the Indenture Trustee hereunder and under the Indenture and the Security Interest granted by Rental ULC under the Indenture, shall possess all beneficial right, title and interest in all funds and investments on deposit from time to time in the Series 2011-1 Rental Account and in all proceeds thereof (including all income thereon).

(b) ***Series 2011-1 Vehicle Account***. On or before the Series 2011-1 Closing Date, Rental ULC shall cause to be established and maintained a Qualified Account (the "**Series 2011-1 Vehicle Account**") in the name of Rental ULC. The Series 2011-1 Vehicle Account shall initially be held at Bank of Montreal, having account number 0002-1996-716. The Series 2011-1 Vehicle Account shall be the Series Vehicle Account in respect of the Series 2011-1 Notes. The Qualified Institution shall be required specifically to acknowledge that it has no right to set-off in respect of the Series 2011-1 Vehicle Account. Rental ULC, subject to the rights of the Indenture Trustee hereunder and under the Indenture and the Security Interest granted by Rental ULC under the Indenture, shall possess all beneficial right, title and interest in all funds and investments on deposit from time to time in the Series 2011-1 Vehicle Account and in all proceeds thereof (including all income thereon).

(c) ***Cash Collateral Accounts***. On or before the Series 2011-1 Closing Date, Rental ULC shall cause to be established and maintained a Canadian Dollar Qualified Account (the "**Cash Collateral (CAD) Account**") in the name of Rental ULC and a United States dollar Qualified Account in the name of Rental ULC (the "**Cash Collateral (USD) Account**" and, together with the Cash Collateral (CAD) Account, the "**Cash Collateral Accounts**.") The Cash Collateral (CAD) Account shall initially be held at Bank of Montreal, having account number 0002-1996-695, and the Cash Collateral (USD) Account shall initially be held at Bank of Montreal, having account number 0002-4790-122. The Cash Collateral Accounts shall be Series Accounts in respect of the Series 2011-1 Notes. Each Qualified Institution shall be required specifically to acknowledge that it has no right to set-off in respect of the Cash Collateral (CAD) Account or the Cash Collateral (USD) Account, as applicable. Rental ULC, subject to the rights of the Indenture Trustee hereunder and under the Indenture and the Security Interest granted by Rental ULC under the Indenture, shall possess all beneficial right, title and interest in all funds and investments on deposit from time to time in the Cash Collateral Accounts and in all proceeds thereof (including all income thereon).

ARTICLE 4 ALLOCATIONS, DEPOSITS AND PAYMENTS

4.1 Ordinary Course Withdrawals

Rental ULC, or the Administrator on its behalf, shall be entitled from time to time to withdraw or apply funds on deposit in the Master Vehicle Account to the payment of the purchase price of the Vehicles being acquired by Rental ULC or to the making of any Distribution or payment to any other Person if (i) no Series 2011-1 Early Amortization Event shall have occurred and be continuing; and (ii) no such withdrawal or application will, with the giving of notice or lapse of time or both, cause a Series 2011-1 Early Amortization Event to occur.

4.2 Application of Amounts Deposited to Series 2011-1 Rental Account

(a) On each Remittance Date during the Series 2011-1 Revolving Period and the Series 2011-1 Controlled Amortization Period, Rental ULC, or the Administrator on its behalf, shall distribute cash from the Series 2011-1 Rental Account (including all cash transferred from the Series 2011-1 Vehicle Account to the Series 2011-1 Rental Account on such Remittance Date pursuant to Section 4.3(a)(i) or 4.3(b)(i)**)** as follows and in the following priority:

(i) first, the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of any unpaid Indenture Trustee Fees and Expenses shall be paid to the Indenture Trustee provided that such fees and expenses shall not exceed $20,000 in respect of any Remittance Date;

(ii) second, the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of any unpaid Liquidation Agent Fees and Expenses and Back-up Administrator Fees and Expenses shall be paid to the Liquidation Agent and Back-up Administrator, respectively, provided that the aggregate of such fees and expenses shall not exceed $10,000 in respect of any Remittance Date and if there are insufficient amounts available to pay all such amounts in full, the amount available shall be allocated on a *pro rata* basis based on the amounts owing;

(iii) third, to pay to the Series 2011-1 Noteholders the Series 2011-1 Interest Amount for the related Remittance Period; provided that if there are insufficient amounts available to pay such amount in full, the amount available shall be allocated on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders;

(iv) fourth, to release to Rental ULC an amount equal to the Series 2011-1 Rental ULC Expenses (excluding any Indenture Trustee Fees and Expenses paid under Section 4.2(a)(i) and any Liquidation Agent Fees and Expenses and Back-up Administrator Fees and Expenses paid under Section 4.2(a)(ii)) for the related Settlement Period which amount shall be applied by Rental ULC in the payment of Rental ULC Expenses or to reimburse Rental ULC with respect to such share of amounts paid on account of such Rental ULC Expenses, and any such amounts in respect of prior Remittance Dates which remain outstanding; and

(v) last, any remaining balance will be released out of the Series 2011-1 Rental Account as Unrestricted Funds.

(b) On each Remittance Date during the Series 2011-1 Early Amortization Period, Rental ULC or, subject to Section 2.2 of the Administration Agreement, the Administrator on its behalf, shall distribute cash from the Series 2011-1 Rental Account (including all cash transferred from the Series 2011-1 Vehicle Account to the Series 2011-1 Rental Account on such Remittance Date pursuant to Section 4.3(c)(i) as follows and in the following priority:

(i) first, the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of any unpaid Indenture Trustee Fees and Expenses shall be paid to the Indenture Trustee provided that such fees and expenses shall not exceed $20,000 in respect of any Remittance Date;

(ii) second, the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of any unpaid Liquidation Agent Fees and Expenses and Back-up Administrator Fees and Expenses shall be paid to the Liquidation Agent and Back-up Administrator, respectively, provided that the aggregate of such fees and expenses shall not exceed $10,000 in respect of any Remittance Date and if there are insufficient amounts available to pay all such amounts in full, the amount available shall be allocated on a *pro rata* basis based on the amounts owing;

(iii) third, to pay to the Series 2011-1 Noteholders the Series 2011-1 Interest Amount for the related Remittance Period; provided that if there are insufficient amounts available to pay such amount in full, the amount available shall be allocated on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders;

(iv) fourth, to release to Rental ULC an amount equal to the Series 2011-1 Rental ULC Expenses (excluding any Indenture Trustee Fees and Expenses paid under Section 4.2(b)(i) and any Liquidation Agent Fees and Expenses and Back-up Administrator Fees and Expenses paid under Section 4.2(b)(ii)) for the related Settlement Period which amount shall be applied by Rental ULC in the payment of Rental ULC Expenses or to reimburse Rental ULC with respect to such share of amounts paid on account of such Rental ULC Expenses, and any such amounts in respect of prior Remittance Dates which remain outstanding; and

(v) last, if an Event of Default has occurred or would occur following the distributions on such Remittance Date pursuant to this Section 4.2 or Section 4.3, to transfer the balance of the Series 2011-1 Rental Account to the Series 2011-1 Vehicle Account and otherwise to transfer the balance out of the Series 2011-1 Rental Account as Unrestricted Funds.

(c) On each Remittance Date during the Series 2011-1 Enforcement Period, the Indenture Trustee or other Paying Agent shall distribute cash from the Series 2011-1 Rental Account as follows and in the following priority:

(i) first, to pay the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of the fees and expenses related to any enforcement proceedings under (x) Article 10 of the Indenture including the Liquidation Agent Fees and Expenses, and (y) Article 5 of the Funding LP Security Agreement to the extent not paid by Funding LP;

(ii) second, without duplication of the amounts paid under Section 4.2(c)(i), to pay (x) the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of the Indenture Trustee Fees and Expenses for the related Settlement Period, and (y) the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of the amount of any fees and expenses of the Indenture Trustee due and payable pursuant to the Funding LP Security Agreement not paid by Funding LP;

(iii) third, to pay the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of the amount of any unpaid fees and expenses owing to any replacement Administrator (that is not an Affiliate of Rental ULC) appointed under the Administration Agreement;

(iv) fourth, to pay to the Series 2011-1 Noteholders the Series 2011-1 Interest Amount for the related Remittance Period; provided that if there are insufficient amounts available to pay such amount in full, the amount available shall be allocated on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders; and

(v) last, to transfer the balance of the Series 2011-1 Rental Account to the Series 2011-1 Vehicle Account.

4.3 Application of Amounts Deposited to Series 2011-1 Vehicle Account

(a) On each Remittance Date during the Series 2011-1 Revolving Period, Rental ULC, or the Administrator on its behalf, shall distribute cash from the Series 2011-1 Vehicle Account as follows and in the following priority:

(i) first, if there are insufficient funds in the Series 2011-1 Rental Account to satisfy the payments to be made to the Series 2011-1 Noteholders, the Liquidation Agent, the Back-up Administrator, and the Indenture Trustee pursuant to Sections 4.2(a)(i) through 4.2(a)(iii), then any cash in the Series 2011-1 Vehicle Account up to the amount of the deficiency will be transferred to the Series 2011-1 Rental Account and used to make such payments;

(ii) second, to transfer such amount to the Cash Collateral (CAD) Account, as will cause the Series 2011-1 Allocation Percentage of the Series 2011-1 Aggregate Vehicle Collateral Amount to equal the Series 2011-1 Required Vehicle Collateral Amount; and

(iii) last, if (A) no Series 2011-1 Early Amortization Event shall have occurred and not been waived and (B) such transfer will not, with the giving of notice or lapse of time or both, cause a Series 2011-1 Early Amortization Event to occur, to transfer the balance out of the Series 2011-1 Vehicle Account back to the Master Vehicle Account.

(b) On each Remittance Date during the Series 2011-1 Controlled Amortization Period, Rental ULC, or the Administrator on its behalf, shall distribute cash from the Series 2011-1 Vehicle Account as follows and in the following priority:

(i) first, if there are insufficient funds in the Series 2011-1 Rental Account to satisfy the payments to be made to the Series 2011-1 Noteholders, the Liquidation Agent, the Back-up Administrator, and the Indenture Trustee pursuant to Sections 4.2(a)(i) through 4.2(a)(iii), then any cash in the Series 2011-1 Vehicle Account up to the amount of the deficiency will be transferred to the Series 2011-1 Rental Account and used to make such payments;

(ii) second, to pay an amount equal to the Controlled Deposit Amount to the Series 2011-1 Noteholders; provided that if there are insufficient amounts available to pay such amount in full, the amount available shall be allocated on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders;

(iii) third, to transfer such amount to the Cash Collateral (CAD) Account, as will cause the Series 2011-1 Allocation Percentage of the Series 2011-1 Aggregate Vehicle Collateral Amount to equal the Series 2011-1 Required Vehicle Collateral Amount; and

(iv) last, if (A) no Series 2011-1 Early Amortization Event shall have occurred and not been waived and (B) such transfer will not, with the giving of notice or lapse of time or both, cause a Series 2011-1 Early Amortization Event to occur, to transfer the balance out of the Series 2011-1 Vehicle Account back to the Master Vehicle Account.

(c) On each Remittance Date during the Series 2011-1 Early Amortization Period, Rental ULC or, subject to Section 2.2 of the Administration Agreement, the Administrator on its behalf, shall distribute cash from the Series 2011-1 Vehicle Account (including all cash transferred from the Series 2011-1 Rental Account to the Series 2011-1 Vehicle Account on such Remittance Date pursuant to Section 4.2(b)(v)) as follows and in the following priority:

(i) first, if there are insufficient funds in the Series 2011-1 Rental Account to satisfy the payments to be made to the Series 2011-1 Noteholders, the Liquidation Agent, the Back-up Administrator, and the Indenture Trustee pursuant to Sections 4.2(b)(i) through 4.2(b)(iii), then any cash in the Series 2011-1 Vehicle Account up to the amount of the deficiency will be transferred to the Series 2011-1 Rental Account and used to make such payments;

(ii) second, to pay to the Series 2011-1 Noteholders, on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders, an amount equal to the lesser of:

(A) the remaining balance in the Series 2011-1 Vehicle Account; and

(B) the Series 2011-1 Principal Balance; and

(iii) last, to transfer the balance out of the Series 2011-1 Vehicle Account back to the Master Vehicle Account.

(d) On each Remittance Date during the Series 2011-1 Enforcement Period, the Indenture Trustee or other Paying Agent shall distribute cash from the Series

2011-1 Vehicle Account (including all cash transferred from the Series 2011-1 Rental Account to the Series 2011-1 Vehicle Account on such Remittance Date pursuant to Section 4.2(c)(v)) as follows and in the following priority:

(i) first, to pay the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of the fees and expenses related to any enforcement proceedings under (x) Article 10 of the Indenture including the Liquidation Agent Fees and Expenses, and (y) Article 5 of the Funding LP Security Agreement to the extent not paid by Funding LP, in each case to the extent any such fees and expenses have not been paid under Sections 4.2(c)(i) and (ii);

(ii) second, without duplication of the amounts paid under Section 4.3(d)(i), to pay the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of the Indenture Trustee Fees and Expenses for the related Settlement Period to the extent such fees and expenses have not been paid under Sections 4.2(c)(i) and (ii);

(iii) third, to pay the Series 2011-1 Allocation Percentage determined on the prior Remittance Date (or the Series 2011-1 Closing Date in the case of the initial Remittance Date) of the amount of any unpaid fees and expenses owing to any replacement Administrator (that is not an Affiliate of Rental ULC) appointed under the Administration Agreement to the extent such fees and expenses have not been paid under Section 4.2(c)(iii);

(iv) fourth, to pay to the Series 2011-1 Noteholders any amounts required to be paid to them pursuant to Section 4.2(c)(iv) which have not been paid pursuant to Section 4.2(c)(iv) to be allocated and paid as provided in such Section; provided that if there are insufficient amounts available to pay such amount in full, the amount available shall be allocated on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders;

(v) fifth, to pay to the Series 2011-1 Noteholders, on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders, an amount equal to the lesser of:

(A) the remaining balance in the Series 2011-1 Vehicle Account; and

(B) the Series 2011-1 Principal Balance;

(vi) sixth, to pay to the Indenture Trustee any amounts owing by Rental ULC or Funding LP which remain outstanding under any Series 2011-1

Transaction Document after the allocation and payments referred to in Sections 4.3(d)(i) through 4.3(d)(v) above, provided that if there are insufficient amounts available to pay all such amounts in full, the amount available shall be allocated on a *pro rata* basis based on the amounts owing; and

(vii) last, to transfer the balance out of the Series 2011-1 Vehicle Account back to the Master Vehicle Account.

(e) Any additional amounts transferred from the Master Vehicle Account to the Series 2011-1 Vehicle Account in respect of a Series Shortfall in respect of the Series 2011-1 Notes shall be applied in accordance with the provisions of Sections 4.3(a), (b), (c), or (d) as applicable.

4.4 Payments to Noteholders

(a) Unless otherwise specified, payments of principal or other amounts (including interest) to Series 2011-1 Noteholders will be made on a *pro rata* basis based on the respective principal amounts of the Series 2011-1 Notes held by the Series 2011-1 Noteholders.

(b) Any instalment of interest or principal, if any, payable on any Series 2011-1 Note, less any amounts required by law to be withheld or deducted pursuant to Section 4.4(d), shall be paid by the Paying Agent to the Person in whose name such Series 2011-1 Note is registered on the Record Date, by wire transfer of immediately available funds to such Person's account.

(c) The right of the Series 2011-1 Noteholders to receive payments from Rental ULC will terminate following payment in full of all principal and interest owing to the Series 2011-1 Noteholders.

(d) If required by law, Rental ULC will withhold or deduct any and all amounts required to be withheld or deducted, and will remit such amount to the appropriate taxation authorities.

(e) Each Remittance Date shall be an "Interest Payment Date" in respect of the Series 2011-1 Notes. Interest on the Series 2011-1 Notes shall be payable to the Series 2011-1 Noteholders on each Remittance Date in the amount allocated and paid for such purposes pursuant to Sections 4.2 and 4.3 hereof.

(f) Each Remittance Date upon which an amount is allocated and paid pursuant to Section 4.3 hereof in respect of the payment of principal on the Series 2011-1 Notes shall be a "Principal Payment Date" in respect of the Series 2011-1 Notes. The full Series 2011-1 Principal Balance shall be due and payable in full on the Series 2011-1 Final Maturity Date which shall be the "Series Final Maturity Date" in respect of the Series 2011-1 Notes.

4.5 Computation and Deposit of Interest

(a) Interest on the Series 2011-1 Notes shall accrue at a rate equal to 4.143% per annum (the "**Series 2011-1 Interest Rate**") and shall be computed on each Remittance Date on the basis of a 360-day year of twelve 30-day months for each Remittance Period. The first Remittance Period will commence on the Series 2011-1 Closing Date and end on the day prior to the next occurring Remittance Date.

(b) Unless otherwise specified in this Indenture Supplement, interest for any period will be calculated from and including the first day of such period (which in the case of the initial issuance of a Series 2011-1 Note, shall be the date of issuance of such Note) to but excluding the last day of such period.

(c) On the Series 2011-1 Closing Date, Rental ULC will deposit, or cause to be deposited, to the Series 2011-1 Rental Account an amount equal to the interest that will accrue on the Series 2011-1 Principal Balance at the Series 2011-1 Interest Rate in respect of the initial Remittance Period.

4.6 Unrestricted Funds

Amounts released to Rental ULC hereunder as Unrestricted Funds may be used by Rental ULC for any purpose not inconsistent with its Organizational Documents, including for the making of Distributions to Funding LP and deposits to the Master Vehicle Account.

4.7 Contributions

Rental ULC may deposit Contributions received by it to any Series Account or to the VAT Account.

ARTICLE 5 COVENANTS

5.1 Program Negotiation Vehicles

(a) It is recognized that Rental ULC may purchase between June 1 in any year and March 31 of the following year Vehicles of the upcoming Model Year manufactured by an Eligible Manufacturer whose current Model Year Vehicles are subject to a Repurchase Agreement, provided such Eligible Manufacturer is not a Non-Performing Manufacturer, and from whom Rental ULC has received (i) a letter of undertaking stating that the Eligible Manufacturer will repurchase Vehicles of the upcoming Model Year sold by such Eligible Manufacturer to Rental ULC which qualify for repurchase pursuant to a Repurchase Agreement with such Eligible Manufacturers the terms of which are in the process of being finalized and (ii) a draft of the repurchase agreement for the upcoming Model Year which the Eligible Manufacturer has indicated it is willing to enter into. Such Vehicles are referred to herein as "**Program Negotiation Vehicles**." Rental

ULC shall deliver a signed copy of any such letter of undertaking to the Indenture Trustee and the Rating Agency as soon as reasonably practicable and, in any event, prior to Rental ULC purchasing Program Negotiation Vehicles from the relevant Eligible Manufacturer.

(b) Subject to the following sentence, Program Negotiation Vehicles shall be deemed to be Program Vehicles. If a Repurchase Agreement between Rental ULC and an Eligible Manufacturer in respect of Vehicle models for a particular Model Year is not entered into by February 28 of such Model Year or, if such Repurchase Agreement has been entered into by February 28 of such Model Year but the Rating Agency has notified Rental ULC in writing within 30 days of receipt of a signed copy of such Repurchase Agreement that it is not satisfied with the terms and conditions of such Repurchase Agreement, then thereafter for all purposes hereof all Rental ULC Vehicles covered by such Repurchase Agreement shall be deemed to be Non-Program Vehicles.

(c) If a Repurchase Agreement between Rental ULC and an Eligible Manufacturer in respect of Vehicle models for a particular Model Year is entered into prior to February 28 of such Model Year and the Rating Agency has not notified Rental ULC in writing within 30 days of receipt of a signed copy of such Repurchase Agreement that it is not satisfied with the terms and conditions of such Repurchase Agreement, then thereafter for all purposes hereof Rental ULC Vehicles covered by such Repurchase Agreement shall be deemed to be Program Vehicles.

(d) Neither Funding LP nor Rental ULC shall agree to any amendment to the Master Vehicle Lease Agreement, the Administration Agreement, the Liquidation Agent Agreement, the Back-up Administration Agreement, the Funding LP Security Agreement or the Funding LP Partnership Agreement without, in the case of material amendments:

(i) (a) satisfaction of the Rating Agency Condition for each Outstanding Series and Class of Notes; and (b) receipt by the Indenture Trustee (with a copy to the Rating Agency) of a Rental ULC Certificate indicating that the amendment is not reasonably expected to result in Rental ULC being unable to make payments of principal and interest on the Notes as they become due; or

(ii) (a) prior written notice to the Rating Agency; and (b) the consent of the Majority Holders of the Outstanding Senior Notes.

For greater certainty, Funding LP or Rental ULC may make immaterial amendments to the foregoing documents without satisfying any of the above requirements, provided that Funding LP or Rental ULC shall provide the Rating Agency and the Indenture Trustee with (a) prior written notice of any such immaterial amendments and (b) a copy of all such immaterial amendments.

5.2 Letter of Credit

(a) If,

(i) prior to the date which is 30 days prior to the scheduled expiration date of a Letter of Credit, such Letter of Credit shall not have been extended; or

(ii) either Rental ULC or the Indenture Trustee receives notice from an L/C Provider of an unscheduled termination of a Letter of Credit and there shall not have been appointed a replacement L/C Provider who has issued or will issue, prior to the termination of such Letter of Credit, a Letter of Credit having a term that extends beyond such date of termination; or

(iii) at any time, the rating of the long-term unsecured debt obligations of an L/C Provider is below AA (low) by DBRS or the rating of the short-term unsecured debt obligations of such L/C Provider is below R-1 (middle) by DBRS, or if an L/C Provider is not then rated by DBRS, the rating of the long-term unsecured debt obligations of such L/C Provider is reduced below A1 by Moody's or the rating of the short-term unsecured debt obligations of such L/C Provider is reduced below A-1 by S&P;

Rental ULC shall, within 15 Business Days following any such occurrence (but, in the case of receipt of notice of an unscheduled termination under clause (ii) above, in no event later than 5 Business Days prior to the pending termination date of the affected Letter(s) of Credit),

(iv) cause such Letter of Credit (or, in the case of clause (iii) above, all of the Letters of Credit issued by such L/C Provider) to be replaced with one or more irrevocable letters of credit issued by one or more L/C Providers with an aggregate stated amount not less than the aggregate undrawn stated amount of the affected Letter(s) of Credit, or make any other arrangement which satisfies the Rating Agency Condition; or

(v) cause draws to be made under the affected Letter(s) of Credit and deposit the proceeds of such draws to the Cash Collateral (CAD) Account;

provided, however, in the event that at any time the long-term unsecured debt obligations of an L/C Provider are no longer rated or are rated below A by DBRS, or, if an L/C Provider is not then rated by DBRS, the long-term unsecured debt obligations of such L/C Provider are no longer rated A1 by Moody's or the short-term unsecured debt obligations of such L/C Provider are no longer rated A-1 by S&P, Rental ULC shall promptly notify the Indenture Trustee upon becoming aware of same and Rental ULC shall cause a draw to be made under the affected Letter(s) of Credit and deposit the proceeds of such draws to the Cash Collateral (CAD) Account. Rental ULC shall provide each Rating Agency and the

Indenture Trustee with written notice of the occurrence of any event set out in Sections 5.2(a)(i), (ii) or (iii).

Other than during a Series 2011-1 Enforcement Period, Rental ULC shall have the right to, from time to time, withdraw funds from the Cash Collateral Accounts, reduce the aggregate stated amount of a Letter of Credit or cancel and return a Letter of Credit to the applicable L/C Provider provided that, in each case, after giving effect thereto the Series 2011-1 Required Vehicle Collateral Amount will not exceed the Series 2011-1 Allocation Percentage of the Series 2011-1 Aggregate Vehicle Collateral Amount.

(b) Rental ULC may from time to time deposit Unrestricted Funds and proceeds of Contributions received by Rental ULC to the Cash Collateral Accounts. Funds on deposit in the Cash Collateral Accounts shall be invested by Rental ULC in Eligible Investments from time to time, but always in a manner that will result in such investments maturing so that such funds will be available for withdrawal on or prior to the next following Remittance Date. Rental ULC shall hold possession of the negotiable instruments or securities, if any, evidencing such investments. On each Settlement Date, all interest and earnings (net of losses and investment expenses) accrued since the preceding Settlement Date on funds on deposit in the Cash Collateral Accounts shall be deposited to the Series 2011-1 Rental Account.

(c) On or after the Remittance Date on which all principal and interest owing to the Series 2011-1 Noteholders has been paid in full, Rental ULC may withdraw from the Cash Collateral Accounts all amounts on deposit therein and deposit such amounts into the Master Vehicle Account.

(d) Unless the context requires otherwise, any reference in this Indenture Supplement to a draw under a Letter of Credit shall be deemed to refer to a withdrawal from the Cash Collateral Accounts when so applicable.

5.3 Reporting

(a) Settlement Report

Not later than 12:00 noon (Toronto time) on each Settlement Date, the Administrator will provide to the Indenture Trustee a Settlement Report containing:

(i) the Rental Revenues, Rental ULC Expenses, Depreciation, Proceeds of Dispositions, Loss on Dispositions (if any) and Gain on Dispositions (if any) in respect of the related Settlement Period;

(ii) the Series 2011-1 Interest Amount for the Remittance Period ending in the current Settlement Period;

(iii) the percentage of Rental ULC Vehicles by Manufacturer and the ratings of each such Manufacturer as of such Settlement Date;

(iv) calculations which indicate whether the LC and Cash Collateral Amount exceeds (or does not exceed) the Required LC and Cash Collateral Amount as of such Settlement Date;

(v) calculations which indicate whether the Series 2011-1 Required Vehicle Collateral Amount exceeds (or does not exceed) the Series 2011-1 Allocation Percentage of the Series 2011-1 Aggregate Vehicle Collateral Amount as of such Settlement Date; and

(vi) all such other information necessary to make the distributions on the related Remittance Date pursuant to Sections 4.2 and 4.3.

(b) Fleet Reports

On each Settlement Date, the Administrator will send a Fleet Report to the Indenture Trustee.

(c) Agreed Upon Procedures

Rental ULC will appoint independent public accountants (which may be the regular independent public accountants of Rental ULC or any Affiliate of Rental ULC) to prepare and deliver to the Indenture Trustee written reports in respect of specified Settlement Periods (as determined below) setting forth the results of an examination of the Settlement Reports and Fleet Reports for such Settlement Periods (collectively, the "**Reports**") to determine whether:

(i) the data reported and calculations contained in the Reports are the data required to be reported and the calculations required to be made in accordance with the Series 2011-1 Transaction Documents;

(ii) the data reported in the Reports reflects the data contained in Rental ULC's (or the Administrator's) systems and other applicable source documentation of Rental ULC (or the Administrator); and

(iii) in respect of each September Settlement Period (see below) report only, the ownership permits of the Rental ULC Vehicles are in accordance with the Series 2011-1 Transaction Documents.

The written reports shall be delivered on the Remittance Date in November of each year, commencing in November, 2011, and shall be prepared at the expense of Rental ULC in respect of two Settlement Periods in the 12 month period ending on the prior September 30, one of which shall always be the September Settlement Period and the other of which shall be a Settlement Period selected by Rental ULC.

(d) Availability of Reports to Series 2011-1 Noteholders

Each of the reports described above will be available to each Series 2011-1 Noteholder upon request made to the Indenture Trustee.

(e) Repurchase Agreements

Rental ULC shall provide to the Rating Agency and the Indenture Trustee copies of all Repurchase Agreements entered into by Rental ULC promptly after they have been entered into by Rental ULC and, in any event, within 30 days after they have been entered into by Rental ULC.

(f) Event Notices

Rental ULC shall notify the Indenture Trustee and the Rating Agency forthwith upon learning of the occurrence of any Series 2011-1 Early Amortization Event.

5.4 Fleet Composition

(a) Rental ULC shall ensure that at all times the average Original Book Value of the Rental ULC Vehicles is not more than $40,000.

(b) In buying Vehicles for Rental ULC, other than pursuant to the Funding/Rental Purchase Agreement, Rental ULC shall (i) buy only Vehicles produced by Manufacturers and only of the Model Year corresponding to the current Purchasing Year or the two Model Years prior to the current Purchasing Year; (ii) buy Vehicles only from (A) Approved Dealers or Manufacturers, or (B) Avis or Budget System Members or Avis or Budget pursuant to a Licensee Vehicle Assignment Agreement in respect of which the Rating Agency Condition, and any other conditions precedent specified in the Indenture Supplement of any other outstanding Series or Classes of Notes which have not been waived by the requisite Noteholders for such other Series or Class of Notes, have been satisfied and, in the case of Used Vehicles only, (C) any nationally recognized automobile auction company ("**Auction Company**") in the United States or Canada that is approved to sell Vehicles for Manufacturers, and (D) Ally Credit Canada Limited or any finance company affiliated with a Manufacturer ("**Approved Finance Company**"); (iii) in the case of Vehicles (other than Used Vehicles), buy from Manufacturers and Approved Dealers only and only against a Manufacturer's invoice; (iv) buy from Avis or Budget System Members or Avis or Budget pursuant to a Licensee Vehicle Assignment Agreement only Vehicles that were new Vehicles when purchased by the relevant licensee or that were Used Vehicles purchased by such licensee from an Auction Company or an Approved Finance Company and that have had no other intermediate owners (except for Avis or Budget or Affiliates of the relevant Avis or Budget System Member) and in respect of which the Manufacturer's invoice of the relevant licensee is delivered; (v) buy Vehicles for a purchase price that is (A) in the case of Program Vehicles that are not Used Vehicles, equal to the Original Book Value, and in the case of Program Vehicles that are Used Vehicles, equal to the depreciated value ascribed to each Vehicle as at the date of such purchase pursuant to the applicable Repurchase Agreement, with a reasonable allowance for age, mileage and damage to such Vehicle, and (B) in the case of Non-Program Vehicles, the fair market value of each Vehicle (which in the case of Vehicles purchased from Avis or Budget System Members or Avis or Budget or pursuant to a Licensee Vehicle Assignment Agreement shall approximate the original cash purchase price paid by the relevant Avis or Budget System Member or Avis or Budget, as applicable, for such Vehicle less depreciation at a rate in accordance with Canadian GAAP but in no event less than 2% per month applied on a straight line basis, with a reasonable allowance for age, mileage and damage to such Vehicle); and (vi) ensure that, subject to Section 2.5 of the Funding/Rental Purchase Agreement, the title to all Vehicles bought for Rental ULC is registered in the name of Rental ULC.

5.5 Distributions

Rental ULC shall not make any Distributions to Funding LP other than Distributions funded solely out of Unrestricted Funds.

5.6 Canadian GAAP

In connection with the preparation of its financial statements, Rental ULC shall notify the Indenture Trustee (x) as to which clause of the definition of Canadian GAAP is applicable, and (y) from time to time, of any change as to which clause of the definition of Canadian GAAP is applicable.

ARTICLE 6 AMORTIZATION OF NOTES

6.1 Early Amortization Events

Each of the following events will be an Early Amortization Event with respect to the Series 2011-1 Notes:

(a) if the Series 2011-1 Required Vehicle Collateral Amount exceeds the Series 2011-1 Allocation Percentage of the Series 2011-1 Aggregate Vehicle Collateral Amount after giving effect to the settlements under the Series 2011-1 Transaction Documents on March 21, 2011 or on any Remittance Date;

(b) the breach of the covenant contained in subsection 5.4(a), which breach continues for five Business Days after a Settlement Date;

(c) the inaccuracy when made of a representation or warranty of Rental ULC, Avis, Budget, or Funding LP, as applicable, herein or in any other Transaction Document which inaccuracy is reasonably likely to have a Material Adverse Effect in respect of Rental ULC or Funding LP, provided that if such inaccuracy is capable of being remedied, then it shall not constitute a Series 2011-1 Early Amortization Event unless it remains unremedied for five Business Days after receipt of written notice from the Indenture Trustee;

(d) Avis or Budget failing to pay when due any obligation (the "underlying obligation") for a sum certain in excess of $20,000,000 and such failure continuing for three Business Days after (i) written notice to Avis or Budget, as applicable, from the party to whom the underlying obligation is owed if there is no grace period applicable to the underlying obligation; or (ii) the expiry of any grace period applicable to the underlying obligation;

(e) the occurrence of an Event of Default;

(f) at any time: (i) the LC and Cash Collateral Amount is less than the Required LC and Cash Collateral Amount; or (ii) Rental ULC shall fail to comply with Section 5.2(a) within the time periods provided for in Section 5.2(a) (or, if no time period is provided in Section 5.2(a) for such event or occurrence, within 15 Business Days after Rental ULC has received written notice from the Indenture Trustee of such event or occurrence);

(g) on any Remittance Date during the Series 2011-1 Controlled Amortization Period, Rental ULC fails to pay the Controlled Amortization Amount;

(h) either Rental ULC or Funding LP is no longer directly or indirectly wholly-owned by the Parent; or

(i) if the average of the ratio of:

(i) the Funding LP Business Revenues for a Settlement Period to

(ii) the sum of (x) Rental Revenues for such Settlement Period and (y) Loss on Dispositions calculated in respect of Non-Program Vehicles for such Settlement Period;

for (x) three (3) consecutive Settlement Periods is less than 1.35:1 or (y) for 12 consecutive Settlement Periods is less than 1.6:1.

6.2 Series 2011-1 Early Amortization Period

(a) If a Series 2011-1 Early Amortization Event shall occur (other than an event described under Section 6.1(e) above), the Majority Holders of the Series 2011-1 Notes may, by notice to Rental ULC,

(i) declare that the Series 2011-1 Early Amortization Period shall commence; and

(ii) direct the Indenture Trustee to draw down on a Letter of Credit in whole or in part or withdraw all or a portion of the funds from the Cash Collateral Accounts and apply such funds to pay (x) any unpaid Series 2011-1 Interest Amounts owing pursuant to Sections 4.2(b)(iii) or 4.2(c)(iv), if any, and (y) transfer the balance of such funds, if any, to the Series 2011-1 Vehicle Account for the repayment of the Series 2011-1 Notes.

(b) If a Series 2011-1 Early Amortization Event occurs under Section 6.1(e), the Series 2011-1 Early Amortization Period shall automatically commence and (i) settlements on the next occurring Remittance Date shall be completed on the basis that such Remittance Date occurs during the Series 2011-1 Early Amortization Period, and (ii) the Indenture Trustee will draw down on the Series 2011-1 Letter of Credit and withdraw all of the funds from the Cash Collateral Accounts and apply such funds to pay (x) any unpaid Series 2011-1 Interest Amounts owing pursuant to the Series 2011-1 Indenture Supplement, if any, and (y) transfer the balance of such funds, if any, to the Series 2011-1 Vehicle Account for the repayment of the Series 2011-1 Notes.

6.3 Additional Event of Default

The occurrence of an "Event of Default" as such term is defined in the Parent Guarantee that has not been waived will be an additional Event of Default under the Indenture.

ARTICLE 7 GENERAL

7.1 Obligations of Rental ULC

Nothing contained in this Indenture Supplement shall in any way modify or relieve Rental ULC from its obligations to carry out its covenants contained in the Indenture.

7.2 Acceptance

The Indenture Trustee hereby accepts the trust in this Indenture Supplement declared and provided for and agrees to perform the same on the terms and conditions herein set forth.

7.3 Formal Date

For purpose of convenience, this Indenture Supplement may be referred to as bearing a formal date of March 17, 2011, irrespective of the actual date of its execution.

7.4 Delivery of Executed Copies

Each party acknowledges delivery of an executed copy of this Indenture Supplement.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture Supplement to be duly executed as of the day and year first above written.

WTH CAR RENTAL ULC

By: /s/ David Calabria
Name: David Calabria
Title: Vice President & Assistant Treasurer

By: ____________________
Name:
Title:

BNY TRUST COMPANY OF CANADA, as Indenture Trustee and not in its individual capacity

By: /s/ Patricia Benjamin
Name: Patricia Benjamin
Title: Authorized Officer

By: ____________________
Name:
Title:

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Earnings before fixed charges:		
Income (loss) before income taxes	$ 11	$ (66)
Plus: Fixed charges	134	112
Earnings available to cover fixed charges	$ 145	$ 46
Fixed charges[(a)]:		
Interest, including amortization of deferred financing costs	$ 117	$ 95
Interest portion of rental payment	17	17
Total fixed charges	$ 134	$ 112
Ratio of earnings to fixed charges [(b)]	1.1x	—

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Related to debt under vehicle programs	$ 66	$ 54
All other	51	41
	$ 117	$ 95

(b) Earnings were not sufficient to cover fixed charges for the three months ended March 31, 2010 by $66 million.

* * *

Exhibit 31.1

CERTIFICATIONS

I, Ronald L. Nelson, certify that:

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

Date: May 6, 2011

/S/ RONALD L. NELSON

CHIEF EXECUTIVE OFFICER

Exhibit 31.2

I, David B. Wyshner, certify that:

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

Date: May 6, 2011

/S/ DAVID B. WYSHNER

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Exhibit 32

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

In connection with the Quarterly Report of Avis Budget Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald L. Nelson, as Chief Executive Officer of the Company, and David B. Wyshner, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ RONALD L. NELSON

RONALD L. NELSON
CHIEF EXECUTIVE OFFICER
May 6, 2011

/S/ DAVID B. WYSHNER

DAVID B. WYSHNER
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
May 6, 2011