

AVIS BUDGET GROUP, INC.  
Form 10-K  
March 01, 2007  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

---

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NO. 1-10308

---

**AVIS BUDGET GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of incorporation or organization)

**6 SYLVAN WAY**

**PARSIPPANY, NJ**

(Address of principal executive offices)

**06-0918165**

(I.R.S. Employer Identification Number)

**07054**

(Zip Code)

**973-496-4700**

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Edgar Filing: AVIS BUDGET GROUP, INC. - Form 10-K

<b>TITLE OF EACH CLASS</b>	<b>NAME OF EACH EXCHANGE ON WHICH REGISTERED</b>
Common Stock, Par Value \$.01	New York Stock Exchange
Preferred Stock Repurchase Rights	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 and 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant on June 30, 2006 was \$16,150,271,336, or \$2,149,205,537, as adjusted for the one-for-ten reverse stock split and Cendant Separation described herein. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be affiliates of the registrant.

The number of shares outstanding of the Registrant's common stock was 101,272,628 as of January 31, 2007.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be mailed to stockholders in connection with our annual stockholders meeting to be held on May 21, 2007 (the Annual Proxy Statement) are incorporated by reference into Part III hereof.

**Table of Contents****TABLE OF CONTENTS**

<b>Item</b>	<b>Description</b>	<b>Page</b>
	<b><u>PART I</u></b>	
1	<u>Business</u>	1
1A	<u>Risk Factors</u>	16
1B	<u>Unresolved Staff Comments</u>	24
2	<u>Properties</u>	24
3	<u>Legal Proceedings</u>	25
4	<u>Submission of Matters to a Vote of Security Holders</u>	26
	<b><u>PART II</u></b>	
5	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	27
6	<u>Selected Financial Data</u>	29
7	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
7A	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	48
8	<u>Financial Statements and Supplementary Data</u>	49
9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	49
9A	<u>Controls and Procedures</u>	49
9B	<u>Other Information</u>	51
	<b><u>PART III</u></b>	
10	<u>Directors, Executive Officers and Corporate Governance</u>	51
11	<u>Executive Compensation</u>	51
12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	51
13	<u>Certain Relationships and Related Transactions, and Director Independence</u>	51
14	<u>Principal Accountant Fees and Services</u>	51
	<b><u>PART IV</u></b>	
15	<u>Exhibits and Financial Statement Schedules</u>	51
	<u>Signatures</u>	52

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

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

the high level of competition in the vehicle rental industry and the impact such competition may have on pricing and rental volume;

an increase in the cost of new vehicles;

a decrease in our ability to acquire or dispose of cars generally through repurchase or guaranteed depreciation programs and/or dispose of vehicles through sales of vehicles in the used car market;

a decline in the results of operations or financial condition of the manufacturers of our cars;

a downturn in airline passenger traffic in the United States or in the other international locations in which we operate;

an occurrence or threat of terrorism, pandemic disease, natural disasters or military conflict in the markets in which we operate;

our dependence on third-party distribution channels;

a disruption or decline in rental activity, particularly during our peak season or in key market segments;

a disruption in our ability to obtain financing for our operations, including the funding of our vehicle fleet via the asset-backed securities and lending market;

a significant increase in interest rates or in borrowing costs;

our failure to increase or decrease appropriately the size of our fleet due to the seasonal nature of our business;

our ability to accurately estimate our future results;

## Edgar Filing: AVIS BUDGET GROUP, INC. - Form 10-K

our ability to implement our strategy for growth;

a major disruption in our communication or centralized information networks;

our failure or inability to comply with regulations or any changes in regulations;

our failure or inability to make the changes necessary to operate effectively now that we operate independently from the former real estate, hospitality and travel distribution businesses following the separation of those businesses from us during third quarter 2006, when we were known as Cendant Corporation;