

AVIS BUDGET GROUP, INC.

Form DEF 14A

April 17, 2012

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Avis Budget Group, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

**Table of Contents**

April 17, 2012

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Avis Budget Group, Inc. (the Company), which will be held at the DoubleTree Hotel Downtown Wilmington Legal District, 700 N. King Street, Wilmington, Delaware 19801 on Monday, June 11, 2012 at 11:00 a.m., Eastern Time. We look forward to greeting as many of our stockholders as possible.

This booklet includes the Notice of Annual Meeting and the Proxy Statement. The Proxy Statement describes the business to be conducted at the Annual Meeting and provides other information concerning the Company of which you should be aware when you vote your shares.

This year, we have again elected to take advantage of the Notice and Access rules of the Securities and Exchange Commission with respect to furnishing our proxy materials and our 2011 Annual Report to stockholders over the Internet. We are continuing the use of this method with a portion of our stockholders and believe this process provides a convenient and quick way to access your proxy materials and the 2011 Annual Report, and vote. Expanded electronic dissemination expedites receipt of your proxy materials and the 2011 Annual Report while allowing us to reduce the environmental impact of our annual meeting and to reduce the costs of printing and mailing full sets of proxy materials. Many stockholders will receive a notice of Internet availability of proxy materials and the 2011 Annual Report (the Notice) containing convenient instructions on how to access annual meeting materials via the Internet. If you received the Notice, you will not receive a printed copy of the proxy materials or the 2011 Annual Report, unless you specifically request one. The Notice also provides instructions on how to receive paper copies if preferred.

Admission to the Annual Meeting will be by ticket only. If you are a registered stockholder planning to attend the meeting, please check the appropriate box on the proxy card mailed to you or requested by you via the Internet and retain the bottom portion of the card as your admission ticket. If your shares are held through an intermediary, such as a bank or broker, please follow the instructions under the Additional Information section of the Proxy Statement to obtain a ticket.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. As a stockholder of record, you can vote your shares by telephone, electronically via the Internet or, if you received paper copies of the proxy material by mail, by marking your votes on the enclosed proxy card. If you vote on the enclosed proxy card, you must sign, date and mail the proxy card in the enclosed envelope. If you decide to attend the Annual Meeting and vote in person, you may then withdraw your proxy.

On behalf of the Board of Directors and the employees of Avis Budget Group, Inc., I would like to express my appreciation for your continued interest in the affairs of the Company.

Sincerely,

Ronald L. Nelson

Chairman of the Board and

Chief Executive Officer

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS</u>	
<u>PROXY SUMMARY</u>	i
<u>PROXY STATEMENT</u>	1
<u>ABOUT THE ANNUAL MEETING</u>	1
<u>BOARD OF DIRECTORS</u>	7
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u>	16
<u>EXECUTIVE OFFICERS</u>	19
<u>EXECUTIVE COMPENSATION</u>	21
<u>REPORT OF AUDIT COMMITTEE</u>	48
<u>PROPOSALS TO BE VOTED ON AT MEETING</u>	49
<u>Proposal No. 1: Election of Directors</u>	49
<u>Proposal No. 2: Ratification of Appointment of Auditors</u>	50
<u>Proposal No. 3: Advisory Approval of the Compensation of Our Named Executive Officers</u>	52
<u>Proposal No. 4: Approval of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as Amended and Restated</u>	54
<u>Proposal No. 5: Re-approval of the Performance Goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan</u>	62
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	64
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	66
<u>STOCKHOLDER PROPOSALS FOR 2013 ANNUAL MEETING</u>	66
<u>ADDITIONAL INFORMATION</u>	67
<u>ANNEX A Proposed Avis Budget Group, Inc. Amended and Restated 2007 Equity and Incentive Plan</u>	A-1

**Table of Contents**

**NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON**

**Monday, June 11, 2012**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Avis Budget Group, Inc. (the Company) will be held on Monday, June 11, 2012 at 11:00 a.m. Eastern Time, at the DoubleTree Hotel Downtown Wilmington Legal District, 700 N. King Street, Wilmington, Delaware 19801 (the Meeting), to consider and vote upon the following matters:

1. To elect as directors the ten nominees named in the accompanying proxy statement for a one-year term expiring in 2013 and until their successors are duly elected and qualified or until his or her earlier resignation or removal.
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for fiscal year 2012.
3. Advisory approval of the compensation of our named executive officers.
4. To approve the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as amended and restated.
5. To re-approve the performance goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan.
6. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on April 16, 2012 as the record date for the Meeting. Only stockholders of record at that time are entitled to notice of, and to vote at, the Meeting and any adjournment or postponement thereof. A list of stockholders entitled to vote at the Meeting will be available for examination by any stockholder, for any purpose germane to the Meeting, at the Meeting and for ten days prior to the Meeting during ordinary business hours at 6 Sylvan Way, Parsippany, New Jersey 07054, the Company's principal place of business.

**Important Notice Regarding the Availability of Proxy Materials**

**for the Stockholder Meeting to Be Held on June 11, 2012**

**The Company's Proxy Statement on Schedule 14A,**

**form of proxy card and 2011 Annual Report on Form 10-K**

**are available at:**

**<http://bnymellon.mobular.net/bnymellon/car>**

By Order of the Board of Directors

JEAN M. SERA

Corporate Secretary

Dated: April 17, 2012

**Table of Contents****2012 PROXY SUMMARY**

*This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.*

**Annual Meeting of Stockholders**

Date and Time	June 11, 2012, 11:00 a.m., Eastern Time
Place	DoubleTree Hotel Downtown Wilmington Legal District 700 N. King Street Wilmington, Delaware 19801
Record Date	April 16, 2012
Voting	Stockholders as of the Record Date are entitled to vote. Each share of our common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.
Admission	Admission will be by ticket only. Please follow the advance registration instructions set forth under Do I need a ticket to attend the Meeting? on page 5.

**Voting Matters and Vote Recommendations**

	Proposal No.	Page Reference (for additional detail)
Election of Directors	1	49
Ratification of Deloitte & Touche as our Independent Auditor for Fiscal Year 2012	2	50-51
Advisory Approval of the Compensation of our Named Executive Officers	3	52-53
Approval of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as Amended and Restated	4	54-61
Re-approval of the Performance Goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan	5	62-63

**Vote Recommendations:** *The Board recommends a FOR vote for all ten director nominees in Proposal No. 1, and a FOR vote for Proposal Nos. 2, 3, 4, and 5.*

**Table of Contents****Board Nominees**

See *Proposal No.1: Election of Directors* for more information.

The following table provides summary information about each director nominee. Each director is elected annually by a majority of votes cast.

Name	Age	Director Since	Occupation	Independent	Other Public Company Boards	Committee Membership		
						Audit	Compensation	Governance Executive
Ronald L. Nelson	59	2003	Chairman and CEO Avis Budget Group, Inc.		2			C
Alun Cathcart	69	2011	Former Chairman and CEO	ü	1			
Mary C. Choksi	61	2007	Avis Europe plc Founding Partner and Managing Director	ü	1	M		M
Leonard S. Coleman*	63	1997	Strategic Investment Group Former Senior Advisor	ü	4		M	C
Martin L. Edelman	70	1997	Major League Baseball Of Counsel	ü	2			M
John D. Hardy, Jr.	68	2008	Paul, Hastings, Janofsky & Walker, LLP Former Partner	ü	0		C	
Lynn Krominga	61	2006	Venable LLP O Melveny & Myers LLP Management Consultant and Attorney	ü	2	M	M	
Eduardo G. Mestre	63	2008	Chairman of Global Advisory	ü	1			
F. Robert Salerno	60	2006	Evercore Partners Former Vice Chairman		0			M
Stender E. Sweeney	73	2006	Avis Budget Group, Inc. Financial Advisor and Equity Investor	ü	1	C, F		M

\* Presiding Director of the Board

C Chair

M Member

F Financial Expert

Each director nominee is a current director. In 2011, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of Directors on which they served.



**Table of Contents****Ratification of Auditors**

See *Proposal No.2: Ratification of Appointment of Auditors* for more information.

As a matter of good corporate governance, we ask that our stockholders ratify the selection of Deloitte & Touche LLP as our independent auditor for fiscal year 2012. Set forth below is summary information with respect to fees for services provided in 2011 and 2010 by Deloitte & Touche, the member firms of Deloitte Touche Tohmatsu and their respective affiliates.

Type of Fees	2011	2010
Audit Fees	\$ 6.7 million	\$ 4.7 million
Audit-Related Fees	\$ 3.1 million	\$ 1.0 million
Tax Fees		
Compliance	\$ 4.2 million	\$ 4.5 million
Advice & Planning	\$ 1.0 million	\$ 125,000
All Other Fees	0	0

In each of 2011 and 2010, a portion of such fees related to pre-2007 matters, as a result of which the Company was entitled to, and received, reimbursement for such fees from certain of its former subsidiaries.

**Executive Compensation**

See *Executive Compensation* and *Proposal No. 3: Advisory Approval of Executive Compensation* for more information.

**Executive Compensation Advisory Vote**

We are asking that stockholders vote to approve, on an advisory basis, the compensation paid to our named executive officers ( NEOs ), as described in this proxy statement. The Board of Directors recommends a FOR vote because it believes that the information regarding named executive officer compensation, as disclosed in this proxy statement, was designed appropriately and structured to ensure the retention of talented executives and a strong alignment with the long-term interests of our stockholders.

**Pay for Performance**

Pay for performance continues to be a fundamental tenet of our compensation philosophy, which includes the core principles of rewarding the attainment of performance goals and aligning our executives' objectives with our stockholders' interests. For 2011, compensation\* for our NEOs was significantly performance-based, as illustrated below:

\* Pay mix reflects values as disclosed in the Summary Compensation Table, excluding Other Compensation, which constituted less than 5% of total compensation.

\*\* Reflects one-fifth of the CEO Long-Term Incentives as discussed in *Analysis of 2011 Pay Decisions*.

\*\*\* Excludes compensation for our Vice Chairman, who retired on December 31, 2011.

## **Table of Contents**

### ***2011 Business Performance***

The Company achieved significant strategic and business objectives in 2011, despite vehicle rental volumes remaining below levels seen prior to the 2008-09 recession:

Our revenue increased by 14% year-over-year to \$5.9 billion;

Our Adjusted EBITDA increased more than 50% year-over-year to \$605 million;

We made significant progress on our core strategic initiatives for 2011, which were designed to accelerate revenue and profit growth, sharpen the value proposition we offer to customers, build brand loyalty and position our Company to be more innovative to capture new revenue opportunities and further reduce costs, including:

investing in our brands with new campaigns designed to reinforce Avis' iconic *We try hard®* slogan and Budget's strong value proposition, which contributed to a nearly 10% growth in leisure rental volume;

increasing our rental volumes from small-business customers by over 10%;

increasing revenue derived from international travelers to North America by nearly 15%;

optimizing our fleet strategy to take full advantage of a particularly strong used car market;

increasing our revenues from high-margin ancillary products and services, such as rentals of GPS devices and sales of loss damage waivers, by 20%;

improving the customer experience we offer, as evidenced by another year-over-year increase in our average customer survey scores;

continuing to develop and pilot virtual rental technology that will allow customers to rent vehicles from unstaffed locations;

generating more than \$70 million of cost reductions and revenue enhancements compared to prior-year results through our award-winning Performance Excellence process-improvement initiative; and

We completed the acquisition of Avis Europe plc in a transaction that we believe is both strategically and financially attractive and, in connection with that acquisition, re-aligned our management team, as described in Executive Compensation Compensation Discussion and Analysis.

### ***Other Key Compensation Features***

## Edgar Filing: AVIS BUDGET GROUP, INC. - Form DEF 14A

Our Compensation Committee has continuously taken steps to enhance our executive compensation program and strengthen the link between pay and performance, including the actions set forth below. Many of these actions are recognized as best practice in corporate governance and executive compensation.

An executive compensation recoupment (or clawback ) policy with respect to incentive compensation to ensure accountability.

An executive stock ownership policy with significant share ownership requirements (five times base salary for our CEO and three times base salary for our other named executives officers) to reinforce alignment between our executive officers and our stockholders.

A policy prohibiting executives from entering into speculative (or hedging) transactions in Avis Budget securities.

No excise tax gross-ups under Section 280G of the Internal Revenue Code, as amended ( Section 280G ) or single-trigger change-in-control provisions.

No tax gross-ups on executive perquisites except with respect to relocation benefits.

## **Table of Contents**

No severance payable to our CEO at the end of his term ending on January 27, 2015, pursuant to the terms of his employment agreement with the Company.

An equity incentive plan with features consistent with the interest of our stockholders, sound equity compensation principles and best corporate governance practices, as described below.

### **Avis Budget Group, Inc. Amended and Restated 2007 Equity and Incentive Plan**

*See Proposal No. 4: Proposal to Approve the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as Amended and Restated for more information.*

We are seeking shareholder approval of the amendment and restatement of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan (the Plan), originally approved by stockholders in 2007. Approval of the amendment and restatement of the Plan would increase the number of shares of Common Stock authorized for issuance under the Plan by 3,500,000 shares.

The Company does not expect that the remaining approximately 1.4 million shares available for future issuance under the Plan will be sufficient for long-term incentives expected to be awarded in 2013 and future years, due primarily to the increase to our employee base as a result of the acquisition of Avis Europe and the increased size and complexity of our Company as a result of such acquisition. As a result, the Compensation Committee approved an amendment and restatement of the Plan to provide for additional shares of our Common Stock to be made available for the grant of equity-based awards under the Plan as both the Compensation Committee and the Board of Directors believe that it is important that a significant portion of our executive compensation consist of performance-based pay in order to encourage the enhancement of shareholder value and to bolster the motivational effect of overall pay packages.

The Plan includes key provisions designed to protect shareholder interests, promote effective corporate governance and reflect use of corporate governance best practices, including but not limited to, the following:

*No Discounted Options.* Stock options may not be granted with exercise prices lower than the fair market value of the underlying shares on the grant date.

*No Repricing of Under-water Options.* The terms of the Plan do not allow for the repricing of under-water stock options, including the cancellation and reissuance of new options in exchange for stock options whose strike price is above the then-current fair value of the Company's stock.

*No Share Recycling for Net Exercises or Tax Withholding.* Shares surrendered or withheld to pay either the exercise price of an award or to withhold taxes in respect of an award do not become available for issuance as future awards under our plan.

*No Evergreen Provision.* There is no evergreen or automatic replenishment provision pursuant to which the shares authorized for issuance under the Plan are automatically replenished.

*No Automatic Grants.* The Plan does not provide for automatic grants to any participant.

The text of the proposed amendment and restatement of the Plan is set forth in [Annex A](#) to this proxy statement, and the description of the Plan set forth herein is qualified in its entirety by reference to the text thereof. If approved by shareholders, the Plan, as amended and restated, will become effective as of June 11, 2012. Approval of Proposal No. 4 will also constitute the requisite shareholder approval needed by the Company to take deductions under Section 162(m) of the Internal Revenue Code of 1986, as amended, for performance-based payments that are awarded to certain executive officers under the Plan. If we do not obtain requisite shareholder approval of the amended and restated Plan, the current Plan (without giving effect to the proposed share increase) will remain in effect.



**Table of Contents**

**Re-approval of the performance goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan**

*See Proposal No. 5: Proposal to Re-approve the Performance Goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan for more information.*

We are seeking shareholder re-approval of the material terms of the performance goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan (the Plan) for purposes of preserving the ability to grant awards to covered executives under the Plan that are intended to qualify as performance-based compensation that is deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)). Under Section 162(m), we must seek your approval at five-year intervals to preserve the federal income tax deduction. The material terms of the original Plan were approved by shareholders in 2007, and certain amendments were approved by shareholders in 2009. A copy of the 2007 Equity and Incentive Plan with subsequent amendments, including those that did not require shareholder approval, is attached as Annex A to this proxy statement. Annex A also reflects the share increase requested in Proposal No. 4.

**Table of Contents**

**AVIS BUDGET GROUP, INC.**

**6 Sylvan Way**

**Parsippany, New Jersey 07054**

**PROXY STATEMENT**

**Annual Meeting of Stockholders to**

**be held on June 11, 2012**

**ABOUT THE ANNUAL MEETING**

***Who is soliciting my vote?***

The Board of Directors of Avis Budget Group, Inc. (the *Company* or *Avis Budget*) is soliciting your vote at the 2012 Annual Meeting of Stockholders, and any adjournment or postponement thereof (the *Meeting*), to be held on the date, at the time and place, and for the purposes set forth in the foregoing notice. On or about April 23, 2012, the Company will first mail to certain stockholders of record the Notice of Internet Availability of Proxy Materials containing instructions on how to access this Proxy Statement online, or in the alternative, request a paper copy of the proxy materials and a proxy card, and also will first mail to certain other stockholders this Proxy Statement and the enclosed proxy card.

***What items will I be voting on?***

Election of Directors (see page 49).

Ratification of Deloitte & Touche LLP as the Company's independent registered accounting firm for fiscal year 2012 (see pages 50-51).

Advisory approval of the compensation of our named executive officers (see pages 52-53).

Approval of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as amended and restated (see pages 54-61).

Re-approval of the performance goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan (see pages 62-63).

***How many votes do I have?***

You will have one vote for every share of the Company's common stock, par value \$0.01 per share (the *Common Stock*), you owned as of the close of business on April 16, 2012 (the *Record Date*).

***How many votes can be cast by all stockholders?***

105,993,843 consisting of one vote for each of the Company's shares of Common Stock that were outstanding on the Record Date. There is no cumulative voting, and the holders of the Common Stock vote together as a single class.

***How many votes must be present to hold the Meeting?***

One-third of the outstanding shares of Common Stock entitled to vote at the Meeting, or 35,331,281 votes, must be present, in person or by proxy, to constitute a quorum at the Meeting. Stockholders of record who are present at the Meeting, in person or by proxy, and who abstain from voting, including brokers holding customers' shares of Common Stock of record who do not vote on particular proposals because the brokers do not have discretion to vote and have not received instructions from their customers as to how to vote, will be included in the number of stockholders present at the Meeting for purposes of determining whether a quorum is present for the transaction of business at the Meeting.



---

**Table of Contents**

***How does a stockholder nominate someone to be a director?***

Director nominations may be made by a stockholder so long as the qualifying shareholder follows the procedures outlined in the by-laws of the Company as summarized below. Pursuant to the Company's by-laws, as amended and restated, for a nomination to be made by a stockholder, such stockholder must have given the proper notice not less than ninety (90) days before the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, in the event that the annual meeting of stockholders is called for on a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10<sup>th</sup>) day following the day on which such notice of the date of the annual meeting of stockholders was mailed or such public disclosure of the date of the annual meeting of stockholders was made, whichever occurs first. For the 2013 annual meeting, the Company must receive such notice on or before March 13, 2013. Such notice and nomination should be submitted in writing to the Corporate Secretary of the Company within the specific time limits and should include the information required for stockholder nominations set forth in the Company's by-laws.

The complete description of the procedure for shareholder nominations is contained in the Company's by-laws. A copy of the full text of the by-law provision containing this procedure may be accessed in the Investor Relations Corporate Governance section of the Company's website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com). Nothing contained in this section or any other section of the Company's website is incorporated by reference into this Proxy Statement.

***How many votes are required to elect directors and adopt the other proposals?***

**Election of Directors (Proposal No. 1).** In an uncontested election, Directors are each elected by a majority of the votes cast with respect to that nominee. This means that the number of votes cast for each Director nominee must exceed the number of votes cast against that nominee. Any abstentions or broker non-votes are not counted as votes cast for or against that Director's election and have no effect on the election of Directors. In contested elections, where the number of Director nominees exceeds the number of Directors to be elected, Directors will be elected by the vote of a plurality of the shares of Common Stock present at the Meeting, in person or by proxy, and entitled to vote on the election of Directors. Brokers who hold shares of Common Stock in street name will not have discretion, on behalf of their clients that hold shares of Common Stock as of the Record Date, to vote on the proposal relating to the election of directors unless such brokers receive specific voting instructions from the beneficial owners of such shares.

**Ratification of Appointment of Auditors (Proposal No. 2).** Approval of the proposal relating to the ratification of the appointment of the Company's independent registered public accounting firm for fiscal year 2012 requires the affirmative vote of a majority of the shares of Common Stock present, in person or by proxy, and entitled to vote on the proposal. Brokers who hold shares of Common Stock in street name will have discretion, on behalf of their clients that hold shares of Common Stock as of the Record Date, to vote on the proposal relating to the ratification of the appointment of the Company's independent registered public accounting firm when such brokers do not receive instructions from the beneficial owners of such shares. Under applicable Delaware law, in determining whether such proposal has received the requisite number of affirmative votes, abstentions will be counted and will have the same effect as a vote against such proposal.

**Advisory Approval of the Compensation of our Named Executive Officers (Proposal No. 3).** Approval, in a non-binding advisory vote, of the compensation of our named executive officers requires a vote of the majority of the shares of Common Stock present, in person or by proxy, and entitled to vote on the proposal. In determining whether such proposal has received the requisite number of affirmative votes, abstentions will be counted and will have the same effect as a vote against such proposal. Brokers who hold shares of Common Stock in street name will not have discretion, on behalf of their clients that hold shares of Common Stock as of the Record Date, to vote on the proposal.

---

**Table of Contents**

relating to the approval of the compensation of our named executive officers unless such brokers receive specific voting instructions from the beneficial owners of such shares.

**Approval of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as Amended and Restated (Proposal No. 4).**

Approval of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as Amended and Restated requires the affirmative vote of a majority of the shares of Common Stock present, in person or by proxy, and entitled to vote on the proposal. Abstentions will be treated as being present and entitled to vote on the proposal and therefore, will have the effect of votes against the proposal. Brokers who hold shares of Common Stock in street name will not have discretion, on behalf of their clients that hold shares of Common Stock as of the Record Date, to vote on the proposal relating to the approval of the proposed amendment and restatement of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan unless such brokers received specific voting instructions from the beneficial owners of such shares.

**Re-approval of the Performance Goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan (Proposal No. 5).**

Re-approval of the performance goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan for compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended, requires the affirmative vote of a majority of the shares of Common Stock present, in person or by proxy, and entitled to vote on the proposal. Abstentions will be treated as being present and entitled to vote on the proposal and therefore, will have the effect of votes against the proposal. Brokers who hold shares of Common Stock in street name will not have discretion, on behalf of their clients that hold shares of Common Stock as of the Record Date, to vote on the proposal relating to the re-approval of the performance goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan unless such brokers received specific voting instructions from the beneficial owners of such shares.

A broker non-vote occurs when a broker does not have discretion to vote on a particular proposal and the broker has not received instructions from the beneficial owner of the shares of common stock as to how to vote on such proposal. If you hold your shares of common stock in street name and do not provide voting instructions to your broker within the required time frame before the Annual Meeting, your shares of Common Stock will not be voted by the broker for Proposal Nos. 1, 3, 4, or 5, but the broker will have the discretion to vote your shares of common stock on Proposal No. 2.

***What is the Board's voting recommendations?***

The Board recommends that you vote your shares:

FOR the election of each of the nominees for the Board (Proposal No. 1);

FOR the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal year 2012 (Proposal No. 2);

FOR the proposal regarding advisory approval of the compensation of our named executive officers (Proposal No. 3);

FOR the proposal regarding approval of the Avis Budget Group, Inc. 2007 Equity and Incentive Plan Incentive Plan, as amended and restated (Proposal No. 4); and

FOR the proposal regarding re-approval of the performance goals under the Avis Budget Group, Inc. 2007 Equity and Incentive Plan (Proposal No. 5).

***How do I vote?***

You should submit your proxy or voting instructions as soon as possible.



**Table of Contents**

*If you received a paper copy of this Proxy Statement.* You can vote by valid proxy received by telephone, electronically via the Internet or by mail. If voting by mail, you must:

indicate your instructions on the proxy card;

date and sign the proxy card;

mail the proxy card promptly in the enclosed envelope; and

allow sufficient time for the proxy card to be received before the date of the Meeting.

Alternatively, in lieu of returning signed proxy cards, holders of record of shares of Common Stock can vote such shares by telephone or electronically via the Internet. If you are a registered stockholder (that is, if you hold your stock directly in your name through our transfer agent), you may vote by telephone or electronically via the Internet by following the instructions included with your proxy card. If your shares of Common Stock are held in street name such as in a stock brokerage account, by a bank or other nominee, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically via the Internet. The deadline for voting by telephone or electronically via the Internet is 11:59 p.m., Eastern Time, on June 10, 2012.

*If you received a Notice of Internet availability of this Proxy Statement.* Please submit your proxy via the Internet using the instructions included in the Notice of Internet availability of this Proxy Statement. The deadline for voting is 11:59 p.m., Eastern Time, on June 10, 2012.

***Can I change my vote?***

Yes. A proxy may be revoked at any time prior to the voting at the Meeting by submitting a later dated proxy (including a proxy by telephone or electronically via the Internet), by giving timely written notice of such revocation to the Corporate Secretary of the Company or by attending the Meeting and voting in person. However, if you hold any shares of Common Stock in street name, you may not vote these shares in person at the Meeting unless you bring with you a legal proxy from the holder of record of such shares.

***What if I do not vote for some of the matters listed on my proxy card?***

Shares of Common Stock represented by proxies received by the Company (whether through the return of the enclosed proxy card, by telephone or electronically via the Internet), where the stockholder has specified his or her choice with respect to the proposals described in this Proxy Statement (including the election of Directors), will be voted in accordance with the specification(s) so made.

If your proxy is properly executed but does not contain voting instructions, or if you vote by telephone or electronically via the Internet without indicating how you want to vote, your shares will be voted:

FOR the election of all ten nominees for the Board of Directors (Proposal No. 1);

FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal year 2012 (Proposal No. 2);

FOR the proposal regarding advisory approval of the compensation of our named executive officers (Proposal No. 3);

Edgar Filing: AVIS BUDGET GROUP, INC. - Form DEF 14A

FOR the proposal relating to the Avis Budget Group, Inc. 2007 Equity and Incentive Plan, as amended and restated (Proposal No. 4);  
and

FOR the proposal relating to the re-approval of the performance goals under the Avis Budget Group Inc. 2007 Equity and Incentive  
Plan (Proposal No. 5).

## **Table of Contents**

### ***How do participants in savings plans vote?***

For participants in the Avis Budget Group, Inc. Employee Savings Plan, the AB Car Rental Services Retirement Savings Plan and the AB Car Rental Services Retirement Savings Plan for Collectively Bargained Employees (collectively, the Savings Plans) with shares of Common Stock credited to their accounts, voting instructions for the trustees of the Savings Plans are also being solicited through this Proxy Statement. In accordance with the provisions of the Savings Plans, the respective trustees will vote shares of Common Stock in accordance with instructions received from the participants to whose accounts such shares are credited. To the extent such instructions are not received prior to noon, Eastern Time, on June 4, 2012, the trustees of the Savings Plans will vote the shares of Common Stock with respect to which it has not received instructions proportionately in accordance with the shares of Common Stock for which it has received instructions. Instructions given with respect to shares of Common Stock in accounts of the Savings Plans may be changed or revoked only in writing, and no such instructions may be revoked after noon, Eastern Time, on June 4, 2012. Participants in the Savings Plans are not entitled to vote in person at the Meeting. If a participant in any of the Savings Plans has shares of Common Stock credited to his or her account and also owns other shares of Common Stock, he or she should receive separate proxy cards for shares of Common Stock credited to his or her account in the Savings Plans and any other shares of Common Stock that he or she owns. All such proxy cards should be completed, signed and returned to the transfer agent to register voting instructions for all shares of Common Stock owned by him or her or held for his or her benefit in the Savings Plans.

### ***Could other matters be decided at the Meeting?***

The Board of Directors does not intend to bring any matter before the Meeting other than those set forth above, and the Board is not aware of any matters that anyone else proposes to present for action at the Meeting. However, if any other matters properly come before the Meeting, the persons named in the enclosed proxy, or their duly constituted substitutes acting at the Meeting, will be authorized to vote or otherwise act thereon in accordance with their judgment on such matters.

### ***Do I need a ticket to attend the Meeting?***

Yes. Attendance at the Meeting will be limited to stockholders as of the Record Date, their authorized representatives and guests of the Company. Admission will be by ticket only. For registered stockholders, the bottom portion of the proxy card enclosed with this Proxy Statement (or requested via the Internet) is the Meeting ticket. Beneficial owners with shares of Common Stock held through an intermediary, such as a bank or broker, should request tickets in writing from the Corporate Secretary at Avis Budget Group, Inc., 6 Sylvan Way, Parsippany, New Jersey 07054, and include proof of ownership, such as a bank or brokerage firm account statement or letter from the broker, trustee, bank or nominee holding their stock, confirming beneficial ownership. Stockholders who do not obtain tickets in advance may obtain them on the Meeting date at the registration desk upon verifying his or her stock ownership as of the Record Date.

In accordance with the Company's security procedures, all persons attending the Meeting must present picture identification along with their admission ticket or proof of beneficial ownership in order to gain admission. Admission to the Meeting will be expedited if tickets are obtained in advance. Tickets may be issued to others at the discretion of the Company. Cameras and recording devices will not be permitted at the Meeting.

### ***Why did certain stockholders receive in the mail a one-page Notice regarding Internet availability of this Proxy Statement rather than a printed copy?***

As permitted by the Securities and Exchange Commission (SEC) rules allowing companies to provide stockholders with access to proxy materials over the Internet, we are making this Proxy Statement available to our stockholders electronically via the Internet. Accordingly, to reduce the environmental impact of our annual meeting and reduce costs, we are sending to a portion of our stockholders a Notice containing instructions on

## **Table of Contents**

how to access this Proxy Statement online. If you received such Notice by mail, you will not receive a printed copy of this Proxy Statement in the mail unless you request to receive a printed copy of this Proxy Statement. Instructions on how to access this Proxy Statement over the Internet or to request a printed copy are set forth in such Notice. In addition, stockholders may request to receive proxy materials in print form or electronically by email on an ongoing basis.

### ***How can I find the voting results of the Annual Meeting?***

Voting results will be tallied by the inspector of election and published in the Company's Current Report on Form 8-K, which the Company is required to file with the SEC within four business days following the Annual Meeting.

### ***How can I access the Company's proxy materials and annual report electronically?***

A copy of this Proxy Statement and the Annual Report on Form 10-K filed by the Company with the SEC for its latest fiscal year is available without charge to stockholders at <http://bnymellon.mobular.net/bnymellon/car>, at the Company's website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com), or upon written request to Avis Budget Group, Inc., 6 Sylvan Way, Parsippany, New Jersey 07054, Attention: Investor Relations. **You can elect to receive future annual reports and proxy statements electronically by following the instructions provided if you vote via the Internet or by telephone.** Choosing to access your future proxy materials electronically will help the Company conserve natural resources and reduce the cost of distributing the Company's proxy materials. If you choose to access future proxy materials electronically, you will receive an email with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to access proxy materials by email will remain in effect until you terminate it.

**NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED AND THE DELIVERY OF THIS PROXY STATEMENT SHALL, UNDER NO CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE OF THIS PROXY STATEMENT.**

**Table of Contents****BOARD OF DIRECTORS****General**

The Board of Directors presently consists of ten members. The directors elected at the Meeting will serve for a term of one year expiring at the 2013 annual meeting of stockholders and until their successors are duly elected and qualified or until his or her earlier resignation or removal. The name of each present director, his or her position with the Company, and principal occupations and directorships held with other public companies during the past five years are set forth below. In addition to the information presented below regarding each director's experience, skills and attributes that contribute to the effectiveness of the Board of Directors as a whole, each director possesses valuable business management and leadership experience, demonstrates an ability to exercise sound judgment and business acumen, and brings unique perspective to the Board.

**Biographical Information for Nominees**

**Mr. Ronald L. Nelson**, age 59, has been Chairman and Chief Executive Officer of the Company since August 2006 and director since April 2003. He has also served as President and Chief Operating Officer of the Company since June 2010. Prior to August 2006, Mr. Nelson held several executive finance and operating roles, starting in April 2003, with Cendant Corporation (as the Company was formerly known, Cendant), including as Chief Financial Officer and President. From November 1994 to March 2003, Mr. Nelson was Co-Chief Operating Officer of DreamWorks SKG. Prior thereto, he was Executive Vice President, Chief Financial Officer and a director at Paramount Communications, Inc., formerly Gulf + Western Industries, Inc. Mr. Nelson serves on the boards of Convergys Corporation and Hanesbrands Inc., which both file reports pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act). Mr. Nelson's role as Chief Executive Officer of the Company, history with the Company and Cendant, including as Cendant's Chief Financial Officer, significant operating experience and extensive board experience led to the conclusion that Mr. Nelson should serve as a director of the registrant.

**Mr. Alun Cathcart**, age 69, has been a director since October 2011. Mr. Cathcart was non-executive Chairman of the Board of Avis Europe from May 2004 through October 2011 and also served as Chairman of the Nominations Committee and a member of the Remuneration Committee. Mr. Cathcart served as a member of the Board of Avis Europe from 1997 until it was acquired by Avis Budget Group. From 1983 to 1999, Mr. Cathcart was Chairman and Chief Executive of Avis Europe and he also served as Interim Chief Executive from November 2003 until March 2004. Mr. Cathcart spent 14 years in executive positions in the transportation industry before joining Avis Europe in 1980. Mr. Cathcart also serves as Chairman of Palletways Group Limited and Andrew Page Holdings Limited, and a non-executive director of Justice Holdings Limited. Mr. Cathcart's history with Avis Europe, extensive and deep understanding of the car rental industry, and significant international business and executive management experience led to the conclusion that Mr. Cathcart should serve as a director of the registrant.

**Ms. Mary C. Choksi**, age 61, has been a director since March 2007. Ms. Choksi is a founding partner and Managing Director of Strategic Investment Group, an investment management group founded in 1987, which designs and implements global investment strategies for large institutional and individual investors. Within Strategic, Ms. Choksi is a member of the investment strategy group charged with overseeing the asset mix of globally diversified client portfolios, supervises reporting to all clients and has responsibilities in corporate planning. Ms. Choksi was also a founding partner and, until May 2011, a Managing Director at Emerging Markets Investors Corporations (EMI). EMI and its successor, Ashmore EMM, manage portfolios of marketable equities in the emerging markets of Asia, Europe, Latin America, Africa, and the Middle East on behalf of institutional and private investors. Prior to the establishment of Strategic and EMI, Ms. Choksi worked in the Pension Investment Division of the World Bank, which was responsible for investing the institution's pension plan. Before joining the Bank's finance complex, she worked for nine years in the development arm of the Bank, working on South and Southeast Asia. From 1996 to 2006, Ms. Choksi served on the board of H.J. Heinz Company, which files reports pursuant to the Exchange Act. Ms. Choksi also serves on the board of the



**Table of Contents**

Omnicom Group Inc., which files reports pursuant to the Exchange Act. Ms. Choksi's collective board experience, including as a director of the Board and the Heinz and Omnicom boards and service on the Audit Committees of all three companies, international and financial experience, and diverse personal background led to the conclusion that Ms. Choksi should serve as a director of the registrant.

**Mr. Leonard S. Coleman**, age 63, has been a director since December 1997, Presiding Director at executive sessions of the Board since February 2003 and Chairman of the Governance Committee since August 2006. Mr. Coleman was a director of HFS Incorporated ( HFS ) from April 1997 until December 1997. From 1999 to December 2005, Mr. Coleman was a Senior Advisor to Major League Baseball. Mr. Coleman is the former President of The National League of Professional Baseball Clubs from 1994 to 1999, having served since 1992 as Executive Director, Market Development of Major League Baseball. Previously, Mr. Coleman was a municipal finance banker for Kidder, Peabody & Company. Prior to joining Kidder, Mr. Coleman served as commissioner of the New Jersey Department of Community Affairs and the Department of Energy and chairman of the Hackensack Meadowlands Development Commission and the New Jersey Housing and Mortgage Finance Agency. He also served as the vice chairman of the State Commission on Ethical Standards and a member of the Economic Development Authority, Urban Enterprise Zone Authority, Urban Development Authority, State Planning Commission and New Jersey Public Television Commission. Mr. Coleman is a director of the following corporations which file reports pursuant to the Exchange Act: Omnicom Group Inc., H.J. Heinz Company, Churchill Downs Incorporated and Electronic Arts Inc. Since 2000, Mr. Coleman has also served on the board of Aramark Corporation, which filed reports pursuant to the Exchange Act through 2007. Mr. Coleman's diverse personal background, history with the Company, extensive board experience, international experience and public service led to the conclusion that Mr. Coleman should serve as a director of the registrant.

**Mr. Martin L. Edelman**, age 70, has been a director since December 1997 and was a director of HFS from November 1993 to December 1997. Mr. Edelman has been Of Counsel to Paul, Hastings, Janofsky & Walker, LLP, a New York City law firm, since June 2000. Mr. Edelman was a partner with Battle Fowler LLP, which merged with Paul, Hastings, Janofsky & Walker, LLP, from 1972 to 1993 and was Of Counsel to Battle Fowler LLP from 1994 to June 2000. Mr. Edelman also serves as a director of the following corporations that file reports pursuant to the Exchange Act: Capital Trust, Inc. and Ashford Hospitality Trust, Inc. Mr. Edelman also served on the board of Realogy Corporation from 2006 to 2007 and Hanover Direct, Inc. from 2003 to 2004. Mr. Edelman's history with the Company, including as Chairman in 1999, broad legal experience and extensive experience advising companies led to the conclusion that Mr. Edelman should serve as a director of the registrant.

**Mr. John D. Hardy**, age 68, has been a director and Chairman of the Compensation Committee since April 2008. From 1981 until his retirement in 2008, Mr. Hardy was a partner at the law firm of O Melveny & Myers LLP where he practiced corporate and securities law and served on the firm's compensation committee. From June 2008 through June 2009, Mr. Hardy was a partner at the law firm of Venable LLP, where he focused on recruitment and practice development for the firm's West Coast business practice. Mr. Hardy's extensive background and familiarity with the securities laws and the legal aspects of financing transactions, past service on the Board and compensation committee experience led to the conclusion that Mr. Hardy should serve as a director of the registrant.

**Ms. Lynn Krominga**, age 61, has been a director since October 2006. Ms. Krominga is a management consultant and attorney. Since 1999, Ms. Krominga has been a consultant to private equity and venture capital firms and to start-up and early-stage technology companies and served as chief executive officer of Fashion Wire Daily, Inc. in 2002. From 1981 to 1999, Ms. Krominga held various senior executive and legal positions at Revlon, including President, Worldwide Licensing Division, Executive Vice President, Business Development, and General Counsel. Prior to that, Ms. Krominga was an attorney at American Express Company and at Cleary, Gottlieb, Steen & Hamilton. Ms. Krominga currently serves on the board of Neogenix Oncology, Inc., a

---

## **Table of Contents**

company that files reports pursuant to the Exchange Act, and is a member of its audit and corporate governance committees. Ms. Krominga also serves as Lead Director of Sunrise Senior Living, Inc., a company that files reports pursuant to the Exchange Act. From March through November 2008, Ms. Krominga served as Chairman of the Board of Sunrise Senior Living, and was appointed Lead Director thereafter (when the former CEO assumed the position of chair), and both such roles include voting membership on all board committees. Ms. Krominga's extensive management and director experience in public and private companies, broad legal experience, including extensive knowledge of corporate governance and regulatory issues, and international business experience led to the conclusion that Ms. Krominga should serve as a director of the registrant.

**Mr. Eduardo G. Mestre**, age 63, has been a director since July 2008. Mr. Mestre is Chairman of Global Advisory at Evercore Partners and was Vice Chairman with responsibility for the firm's U.S. advisory practice from 2004 through 2011. Prior to joining Evercore, Mr. Mestre served as Chairman of Investment Banking at Citigroup, among numerous leadership positions he filled during a 27-year career there. Mr. Mestre also serves as a director of Comcast Corporation, a company that files reports pursuant to the Exchange Act. Mr. Mestre's diverse personal background, familiarity with the Company, extensive corporate advisory experience and service on the Board led to the conclusion that Mr. Mestre should serve as a director of the registrant.

**Mr. F. Robert Salerno**, age 60, has been a director of the Company since August 2006. Mr. Salerno was previously Vice Chairman of the Company from June 2010 through December 2011, and President and Chief Operating Officer of the Company from August 2006 to June 2010. For nearly 30 years, Mr. Salerno held numerous leadership positions with the Company, including as chief executive of Cendant's vehicle rental business and as President and Chief Operating Officer of Avis from 1996 to November 2002. Mr. Salerno's extensive career with the Company and familiarity with all aspects of its business led to the conclusion that Mr. Salerno should serve as a director of the registrant.

**Mr. Stender E. Sweeney**, age 73, has been a director and Chairman of the Audit Committee since August 2006. Mr. Sweeney has been a financial advisor and equity investor in several privately held enterprises since 1998. In 1997, Mr. Sweeney served in a senior financial and operating capacity for a joint venture between DreamWorks SKG and Pacific Data Images. From 1995 to 1996, Mr. Sweeney was the Chief Executive Officer and a director of Vehicle Information Network, a database management and marketing company. From 1994 to 1995, Mr. Sweeney was the Chief Financial Officer and Principal of The Onyx Group, a shopping center development and management company. From 1968 to 1994, Mr. Sweeney served in various positions at The Times Mirror Company, the last eight years of which as Vice President, Finance. Mr. Sweeney serves on the board of the Payden & Rygel Investment Group, which files reports pursuant to the Exchange Act. Mr. Sweeney's extensive finance and operating experience, as well as Mr. Sweeney's experience on the audit committees of the registrant and the Payden & Rygel Investment Group, led to the conclusion that Mr. Sweeney should serve as a director of the registrant.

## **Functions and Meetings of the Board of Directors**

The Company's corporate governance guidelines, director independence criteria, committee charters, codes of conduct and other documents setting forth the Company's corporate governance practices can be accessed in the Investor Relations Corporate Governance section of the Company's website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).

### *Director Independence*

To determine director independence, our Board of Directors reviews commercial and charitable relationships of each director to evaluate such director's independence in accordance with the listing standards of the NASDAQ Stock Market LLC (NASDAQ) and pursuant to our own director independence criteria, which can be accessed on our website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com). In conducting its review, the Board of Directors considers a number of factors, including the director's and his or her family members' relationships with the

## **Table of Contents**

Company and its subsidiaries, affiliates, executive officers and auditors; his or her relationships with foundations, universities and other non-profit organizations to which the Company has made a certain level of contributions during the past three years; and whether such director or his or her family members have, during the past three years, been part of an interlocking directorate in which an executive officer of the Company served on the compensation (or equivalent) committee of another company that employs such director or his or her family member as an executive officer.

After evaluating the factors described above, the Board of Directors has affirmatively determined that eight of our current directors are independent in accordance with NASDAQ corporate governance listing standards and our own director independence criteria. Our independent directors are currently Alun Cathcart, Mary C. Choksi, Leonard S. Coleman, Martin L. Edelman, John D. Hardy, Jr., Lynn Krominga, Eduardo G. Mestre, and Stender E. Sweeney.

We also maintain a Corporate Governance Committee, a Compensation Committee and an Audit Committee, and all of the directors serving on such committees are independent, based upon NASDAQ corporate governance listing standards and our own director independence criteria.

### *Board Leadership Structure*

The Board of Directors, which is comprised of individuals who are familiar with board processes, is focused on preserving the long-term interests of our shareholders and is committed to maintaining effective and responsible corporate governance. The Board of Directors has determined that the current leadership structure, consisting of a combined Chairman of the Board and Chief Executive Officer position, an independent presiding director and independent membership for the Audit, Compensation and Corporate Governance Committees of the Board of Directors, best serves the Company and its shareholders. The Board of Directors believes this form of leadership promotes unified direction for the Company and demonstrates for all stakeholders that the Company is under strong leadership by allowing a single person to have primary responsibility for managing operations and a clear focus on executing business plans and strategic initiatives. A combined CEO/Chairman of the Board position also eliminates the potential for confusion or a duplication of efforts and the role of an independent presiding director, as further discussed below, adequately addresses any concerns over maintaining such a combined leadership role. Mr. Nelson, who possesses extensive financial and operating management experience as well as substantial board experience, has served in the dual role of Chairman of the Board and Chief Executive Officer since 2006. Under Mr. Nelson's leadership, the Company has maintained its position as a leader in the vehicle rental industry and successfully managed through an unprecedented period of economic uncertainty and turmoil in 2008 and 2009.

The position of Presiding Director was established in February 2003 by the Board of Directors to appoint an independent director whose primary responsibilities include presiding over periodic executive sessions of the independent members of the Board of Directors, advising the Chairman of the Board and committee chairs with respect to meeting agenda and information needs, providing advice with respect to the selection of committee chairs and performing other duties that the Board of Directors may from time to time delegate to assist it in the fulfillment of its responsibilities. Such delegation of well-defined responsibilities to an independent Presiding Director helps ensure that an appropriate counter-balancing leadership structure is in place. The independent members of the Board of Directors have designated Leonard S. Coleman to serve in this position until the Company's 2012 annual meeting of stockholders. Mr. Coleman has served in this role since its creation and brings a history of leadership experience as a lead independent director.

### *Risk Management and Risk Assessment*

Our Audit Committee has the primary responsibility for the oversight of risk management and risk assessment, including the Company's major financial risk exposures and the steps management has undertaken to control such risks. The Board of Directors remains actively involved in such oversight of risk management and

## **Table of Contents**

assessment and receives periodic presentations from our executive officers and certain of their direct reports, as the Board of Directors may deem appropriate. While the Board of Directors maintains such oversight responsibility, management is responsible for the day-to-day risk management processes. The Board of Directors believes this division of responsibility is the most effective approach for addressing the risks facing the Company.

In 2012, in consultation with the Corporate Governance Committee and the Board of Directors, management reviewed the Company's compensation policies and practices for employees generally as they relate to risk management. As part of this process, management reviewed the Company's incentive compensation programs applicable to all employees with the chairmen of the Audit and Compensation Committees and the Company's compensation consultant to determine whether such programs create incentives that might motivate inappropriate or excessive risk-taking. In the course of such review, the following mitigating features of the Company's incentive compensation programs were considered: (1) the Company's recoupment policies; (2) that virtually all of the Company's annual incentive programs allow for downward discretion, which permits the Company to reduce incentive compensation payouts; and (3) that executive officers are subject to share ownership and retention guidelines. As a result of this process, there were no recommended changes to the Company's incentive compensation programs.

### *Communicating with the Board of Directors*

Stockholders and other interested parties may send communications to the Board of Directors by writing to the Board of Directors, c/o the Corporate Secretary, at Avis Budget Group, Inc., 6 Sylvan Way, Parsippany, New Jersey 07054. In addition, all parties interested in communicating directly with the Presiding Director or with any other independent director may do so by writing to Avis Budget Group, Inc. at the same address, Attention: Presiding Director, c/o the Corporate Secretary or via e-mail at [presidingdirector@avisbudget.com](mailto:presidingdirector@avisbudget.com). The Presiding Director is responsible for reviewing and distributing all interested parties' communications received to the intended recipients and/or to the full Board of Directors, as appropriate.

### *Codes of Conduct*

The Board of Directors has adopted a code of conduct that applies to all officers and employees, including the Company's principal executive officer, principal financial officer and principal accounting officer. The Board of Directors has also adopted a code of business conduct and ethics for directors. Both codes of conduct are available in the Investor Relations Corporate Governance section of the Company's website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com). The purpose of these codes of conduct is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the Company; and to promote compliance with all applicable rules and regulations that apply to the Company and its officers and directors.

### **Board of Directors Meetings**

The Board of Directors held seven meetings and acted by unanimous written consent on six occasions during 2011. In 2011, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of Directors on which they served. We expect all directors to attend each regularly scheduled Board of Directors meeting. Attendance at the Company's annual meeting of stockholders is strongly encouraged, and our goal is for a representative of each of the Audit Committee, Compensation Committee and Governance Committee to be present at each annual meeting. The 2011 annual meeting of stockholders in May 2011 was attended by eight directors.

**Table of Contents****Committees of the Board of Directors**

Name	Audit	Compensation	Corporate Governance	Executive
Alun Cathcart				
Mary C. Choksi	ü		ü	
Leonard S. Coleman		ü	Chair	
Martin L. Edelman				ü
John D. Hardy, Jr.		Chair		
Lynn Krominga	ü	ü		
Eduardo G. Mestre				
Ronald L. Nelson				Chair
F. Robert Salerno				ü
Stender E. Sweeney	Chair		ü	
<b>Committee Meetings Held in 2011</b>	8	7	5	6*

\* The Executive Committee acted by unanimous consent on six occasions in 2011.

**Audit Committee**

The Audit Committee assists in the Board's oversight of (i) the integrity of the Company's financial statements, (ii) the Company's independent auditors' qualifications and independence, (iii) the performance of the Company's independent auditors and the Company's internal audit function, (iv) the Company's compliance with legal and regulatory requirements, and (v) the Company's systems of disclosure controls and procedures. See Report of Audit Committee below. The Audit Committee has the power and authority to engage the independent auditor, review and approve the services and terms of all audits, review and discuss with management the Company's annual audited and quarterly financial statements, and review the adequacy and effectiveness of the Company's accounting and internal control policies and procedures.

The Board of Directors has determined that all members of the Audit Committee are independent directors under the Company's Director Independence Criteria and within the meaning of applicable NASDAQ rules, and that each member of the Audit Committee has the ability to read and understand fundamental financial statements. The Board of Directors has determined that Mr. Sweeney qualifies as an audit committee financial expert as defined by the rules of the SEC, thereby satisfying NASDAQ's financial sophistication requirement, and is independent as defined by NASDAQ with respect to audit committee members. The text of the Audit Committee charter can be found in the Investor Relations Corporate Governance section of the Company's website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).

**Compensation Committee**

The role of the Compensation Committee is to assure that our executive officers are compensated effectively in a manner consistent with our stated compensation strategy, internal equity considerations, and competitive practice.

The primary responsibilities are as follows:

Review and approve our stated compensation strategy;

Annually review and determine the individual elements of total compensation for the Chief Executive Officer;

Review and approve individual elements of total compensation for our executive officers;

Assure that our annual and long-term bonus and incentive compensation plans are administered in a manner consistent with our compensation strategy;

## **Table of Contents**

Make recommendations to the Board of Directors with respect to incentive compensation plans and equity-based plans and approve, subject, where appropriate, to submission to stockholders, all new equity-related incentive plans for executive officers;

Review and approve all stock option and other equity awards; and

Evaluate its performance under its charter on an annual basis.

We refer you to [Executive Compensation](#) below for additional information regarding the Compensation Committee's processes and procedures.

The Board of Directors has determined that each member of the Compensation Committee is an independent director in accordance with NASDAQ listing standards and the Company's Director Independence Criteria, an outside director for purposes of Section 162(m) of the Internal Revenue Code (the "Code"), and a non-employee director for purposes of Section 16 of the Exchange Act. The text of the Compensation Committee charter can be found in the [Investor Relations Corporate Governance](#) section of the Company's website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).

### ***Corporate Governance Committee***

The responsibilities of the Corporate Governance Committee include identifying and recommending to the Board of Directors appropriate director nominee candidates and providing oversight with respect to corporate governance matters. The Corporate Governance Committee also reviews director compensation and makes recommendations as to the terms and conditions of such compensation to the Board. In determining director compensation for 2011, the Corporate Governance Committee reviewed the Company's compensation practices for the prior year and consulted with Pay Governance LLC, the compensation consultant engaged by the Compensation Committee, to evaluate relevant market trends, data and practices. Based upon such review, the recommendations of the compensation consultant and other factors, the Corporate Governance Committee recommended a one-time special payment of \$10,000, payable 50% in cash and 50% in deferred stock units, in recognition of the additional time commitment required by the Board during 2010 and 2011 as a result of transactional activity, but did not otherwise recommend any changes to director compensation in 2011.

The Board of Directors has determined that each of the current members qualifies as an independent director under applicable NASDAQ rules and the Company's Director Independence Criteria. The text of the Corporate Governance Committee charter can be found in the [Investor Relations Corporate Governance](#) section of the Company's website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com).

### ***Director Nomination Procedures***

The Corporate Governance Committee considers the appropriate balance of experience, skills and characteristics required of members of the Board of Directors. It seeks to ensure that all members of the Company's Audit Committee meet the Company's Director Independence Criteria and the financial literacy requirements under applicable NASDAQ rules; that at least one of the members of the Audit Committee qualifies as an [audit committee financial expert](#) under the rules of the SEC and thereby satisfies NASDAQ's [financial sophistication](#) requirement, and that all members of the Compensation Committee and the Corporate Governance Committee meet the Company's Director Independence Criteria. Nominees for director positions are selected on the basis of their depth and breadth of experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of the Company's business environment, and willingness to devote adequate time to the duties associated with being a member of the Board of Directors.

The Corporate Governance Committee will consider written proposals from stockholders for candidates to be nominees for director positions. In considering candidates submitted by stockholders, the Corporate Governance Committee will take into consideration the needs of the Board of Directors and the qualifications of

## **Table of Contents**

the candidate. Any such proposal should be submitted to the Corporate Governance Committee, c/o the Corporate Secretary of the Company, at Avis Budget Group, Inc., 6 Sylvan Way, Parsippany, New Jersey 07054, and should include the following: (a) the name of the stockholder and evidence of such stockholder's beneficial ownership of the shares of Common Stock, including the number of shares of Common Stock beneficially owned and the length of time of such beneficial ownership; and (b) the name of the candidate, such candidate's resume or a listing of his or her qualifications to be a director of the Company and such candidate's consent to be named as a director, if selected by the Corporate Governance Committee, nominated by the Board of Directors and elected. The written proposal should be submitted in the time frame and consistent with the requirements described in the by-laws of the Company and under the caption "Stockholder Proposals for 2013 Annual Meeting" below.

The process for identifying and evaluating candidates to be nominees to the Board of Directors is initiated by identifying a candidate who meets the criteria for selection as a nominee and has the specific qualities or skills being sought based on input from members of the Board of Directors and, if the Corporate Governance Committee deems appropriate, a third-party search firm. Such candidates are evaluated by the Corporate Governance Committee by reviewing such candidates' biographical information and qualification and checking the candidates' references. Qualified candidates are interviewed by at least one member of the Corporate Governance Committee. Using the input from such interview and other information obtained by the Corporate Governance Committee, the Corporate Governance Committee evaluates whether such candidate is qualified to serve as a director and whether the Corporate Governance Committee should recommend to the Board of Directors that the Board nominate such candidate or elect such candidate to fill a vacancy on the Board of Directors. Candidates recommended by the Corporate Governance Committee are presented to the Board of Directors for selection as nominees to be presented for the approval of the stockholders or for election to fill a vacancy.

The Corporate Governance Committee expects that a similar evaluation process will be used to evaluate candidates to be nominees for director positions recommended by stockholders. However, to date, the Company has not received any stockholder proposal to nominate a director.

While the Board has not adopted a formal policy with respect to diversity, the Corporate Governance Committee believes it is important that nominees for the Board represent diverse viewpoints and backgrounds. The Corporate Governance Committee is committed to advancing Board diversity, defined to include differences of viewpoint, professional experience, education, skill, race, gender and national origin, and, as specified in its charter, considers diversity in the mix of qualifications, experience, attributes or skills considered in its process of identifying and evaluating candidates to be nominees to the Board of Directors.

### ***Executive Committee***

The Executive Committee has and may exercise all of the powers of the Board of Directors when the Board of Directors is not in session, including the power to authorize the issuance of stock, except that the Executive Committee has no power to (a) alter, amend or repeal the by-laws or any resolution or resolutions of the Board of Directors, (b) declare any dividend or make any other distribution to the stockholders of the Company, (c) appoint any member of the Executive Committee, or (d) take any other action which legally may be taken only by the full Board of Directors.



**Table of Contents**

***Succession Planning***

The Board of Directors is responsible for the development, implementation and periodic review of a succession plan for our Chief Executive Officer and each senior executive position, all of whom have been designated as members of our Senior Leadership Team ( SLT ). Our Board of Directors believes that effective succession planning and talent management and development play a critical role in safeguarding business capabilities, developing strong leadership quality and executive bench strength and optimizing overall business development, operating performance, profitability and shareholder value. As such, based upon a review of recommendations made by senior management, the Board of Directors has developed a list of critical attributes and has implemented a formal assessment process employing an external advisor to assess and develop successor candidates not only for the position of Chief Executive Officer but for each position held by a SLT member. In order to ensure that qualified candidates are available for all SLT positions, the Board of Directors oversees the development of internal candidates, maintains talent development plans to strengthen the skills and qualifications of such candidates and would be responsible, if necessary, for the identification of suitable external successor candidates. The Board of Directors has also developed an emergency succession plan in the event of an unexpected disability or inability of our Chairman and Chief Executive Officer to perform his duties.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth information regarding beneficial ownership of shares of Common Stock, par value \$0.01 per share, of the Company ( Common Stock ) as of March 7, 2012 by (i) each person who is known by us to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each of the Company's directors and each of its named executive officers named in the Summary Compensation Table below, and (iii) all of the Company's directors and current executive officers as a group.

Name of Beneficial Owner	Total Amount of Shares Beneficially Owned(1)	Percent of Common Stock Owned(2)	Of the Total Number of Shares Beneficially Owned, Shares which May be Acquired within 60 Days(3)
<b>Principal Stockholders:**</b>			
SRS Investment Management, LLC(4)	10,000,000	9.5%	
Dimensional Fund Advisors LP(5)	7,585,979	7.2%	
BlackRock, Inc.(6)	6,979,255	6.6%	
PAR Investment Partners, L.P.(7)	6,729,685	6.4%	
The Vanguard Group, Inc.(8)	6,675,299	6.3%	
Columbia Wanger Asset Management, L.L.C(9)	6,098,620	5.8%	
<b>Directors and Named Executive Officers:</b>			
Ronald L. Nelson	1,076,626(10)	1.0%	593,249
Alun Cathcart	2,651(11)	*	2,651
Mary C. Choksi	45,800(12)	*	11,700
Leonard S. Coleman	39,834(13)	*	13,334
Martin L. Edelman	46,493(14)	*	11,193
John D. Hardy, Jr.	12,700(15)	*	11,700
Lynn Krominga	25,382(16)	*	11,882
Eduardo G. Mestre	15,611(17)	*	10,611
F. Robert Salerno	599,353(18)	*	376,461
Stender E. Sweeney	26,454(19)	*	24,854
Larry D. De Shon	245,155(20)	*	160,000
Thomas M. Gartland	235,625(21)	*	202,778
David B. Wyshner	396,891(22)	*	283,475
<b>All Directors and Executive Officers as a group (18 persons)</b>	<b>3,439,521(23)</b>	<b>3.3%</b>	<b>2,138,117(24)</b>

\* Amount represents less than 1% of outstanding Common Stock.

\*\* Information is based upon the assumption that there was no change in the beneficial ownership of such shares of Common Stock from the publicly filed information through March 7, 2012.

- (1) Shares beneficially owned include (i) direct and indirect ownership of shares, (ii) vested stock option awards, and (iii) stock option awards that may become vested, and restricted stock units ( RSUs ) that may be settled, within 60 days of March 7, 2012.
- (2) Based on 105,808,694 shares of Common Stock outstanding on March 7, 2012.
- (3) Includes (i) vested stock option awards and (ii) stock option awards that may become vested, and RSUs that may be settled, within 60 days of March 7, 2012.
- (4) Reflects beneficial ownership of 10,000,000 shares of Common Stock by SRS Partners US, LP, SRS Partners, Ltd., SRS Investment Management, LLC, SRS Partners US GP, LLC and Karthik R. Sarma ( SRS ), as derived solely from information reported in a Schedule 13G under the Exchange Act, filed with the SEC on February 14, 2012. Such Schedule 13G indicates that the shares of Common Stock are directly beneficially owned by SRS Partners US, LP, SRS Partners US GP, LLC (as general partner with respect to

**Table of Contents**

- shares of Common Stock held by SRS Partners US, LP), which has sole voting and dispositive power with respect to 6,013,226 shares of Common Stock, SRS Partners, Ltd., which has sole voting and dispositive power over 3,986,774 shares of Common Stock, Karthik R. Sarma (as Managing Member of the aforementioned companies), and SRS Investment Management, LLC with respect to the shares of Common Stock directly beneficially owned by SRS Partners US, LP and SRS Partners, Ltd. The principal business address of SRS is 1 Bryant Park, 39<sup>th</sup> Floor, New York, NY 10036.
- (5) Reflects beneficial ownership of 7,585,979 shares of Common Stock by Dimensional Fund Advisors LP, as derived solely from information reported in a Schedule 13G under the Exchange Act, filed with the SEC on February 14, 2012. Such Schedule 13G indicates that Dimensional Fund Advisors LP acts as an investment adviser to four registered investment companies, and as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively, the Dimensional Funds ), and in certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Dimensional Funds. Such Schedule 13G indicates that in its role as investment advisor, sub-adviser and/or manager, neither Dimensional Fund Advisors LP or its subsidiaries possess voting and/or investment power over the shares of Common Stock owned by the Dimensional Funds, and may be deemed to be the beneficial owner of the shares of Common Stock held by the Dimensional Funds. Such Schedule 13G indicates that all shares of Common Stock reported on such Schedule 13G are owned by the Dimensional Funds. The principal business address of Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, TX 78746.
  - (6) Reflects beneficial ownership of 6,979,255 shares of Common Stock by BlackRock, Inc., as derived solely from information reported in a Schedule 13G under the Exchange Act, filed with the SEC on February 13, 2012. Such Schedule 13G indicates that BlackRock, Inc. has sole voting power and sole dispositive power for these shares of Common Stock. The principal business address for BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022.
  - (7) Reflects beneficial ownership of 6,729,685 shares of Common Stock by PAR Investment Partners, L.P., PAR Group, L.P. and PAR Capital Management, Inc. ( PAR ), as derived solely from information reported in a Schedule 13G under the Exchange Act, filed with the SEC on February 14, 2012. Such Schedule 13G indicates that PAR has sole voting power and sole dispositive power of the shares of Common Stock. The principal business address for PAR is One International Place, Suite 2401, Boston, MA 02110.
  - (8) Reflects beneficial ownership of 6,675,299 shares of Common Stock by The Vanguard Group, Inc., as derived solely from information reported in a Schedule 13G under the Exchange Act, filed with the SEC on February 8, 2012. Such Schedule 13G indicates that The Vanguard Group, Inc. has sole voting power over 144,406 shares, sole dispositive power over 6,530,893 shares, and shared dispositive power over 144,406 shares of Common Stock. Such Schedule 13G indicates that Vanguard Fiduciary Trust Company, a wholly-owned subsidiary for The Vanguard Group, Inc., is the beneficial owner of 144,406 shares of Common Stock and directs the voting of such shares. The principal business address of The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355.
  - (9) Reflects beneficial ownership of 6,098,620 shares of Common Stock by Columbia Wanger Asset Management, LLC ( CWAM ), as derived solely from information reported in a Schedule 13G under the Exchange Act, filed with the SEC on February 10, 2012. Such Schedule 13G indicates that CWAM has sole voting power over 5,725,120 shares and sole dispositive power over 6,098,620 shares of Common Stock. The principal business address for CWAM is 226 West Monroe Street, Suite 3000, Chicago, IL 60606.
  - (10) Includes 593,249 shares of Common Stock underlying fully vested but unexercised options.
  - (11) Reflects 2,651 deferred stock units which, pursuant to the terms of the Non-Employee Directors Deferred Compensation Plan, will be distributed as soon as reasonably practicable following such director s retirement or termination of service from the Board for any reason ( Director Shares ).
  - (12) Includes 11,700 Director Shares. Excludes 35,584 deferred stock units, which, pursuant to the terms of the Non-Employee Directors Deferred Compensation Plan will be distributed seven months following such director s retirement or termination of service from the Board for any reason ( Director Deferred Shares ).
  - (13) Includes 13,334 Director Shares. Excludes 45,301 Director Deferred Shares.
  - (14) Includes 11,193 Director Shares. Excludes 48,634 Director Deferred Shares.
  - (15) Includes 11,700 Director Shares. Excludes 34,889 Director Deferred Shares.

**Table of Contents**

- (16) Includes 11,882 Director Shares. Excludes 37,939 Director Deferred Shares.
- (17) Includes 10,611 Director Shares. Excludes 32,979 Director Deferred Shares.
- (18) Includes 375,000 shares of Common Stock underlying fully vested but unexercised options and 1,461 Director Shares.
- (19) Includes 24,854 Director Shares. Excludes 57,679 Director Deferred Shares.
- (20) Includes 160,000 shares of Common Stock underlying fully vested but unexercised options.
- (21) Includes 185,000 shares of Common Stock underlying fully vested but unexercised options and 17,778 shares of Common Stock underlying RSUs scheduled to vest within 60 days.
- (22) Includes 283,475 shares of Common Stock underlying fully vested but unexercised options.
- (23) Excludes 293,055 Director Deferred Shares.
- (24) Represents 99,386 Director Shares, 22,557 shares of Common Stock underlying RSUs and 2,016,174 shares of Common Stock underlying fully vested but unexercised options.

**Table of Contents****EXECUTIVE OFFICERS**

The present executive officers of the Company are set forth in the table below. All executive officers are appointed at the annual meeting or interim meetings of the Board of Directors. Each executive officer is appointed by the Board of Directors to hold office at the discretion of the Board of Directors and may be removed at any time by the Board of Directors with or without cause.

<b>Name</b>	<b>Offices or Positions To be Held</b>
Ronald L. Nelson	Chief Executive Officer, President and Chief Operating Officer
David B. Wyshner	Senior Executive Vice President and Chief Financial Officer
W. Scott Deaver	Executive Vice President, Strategy and Pricing
Larry D. De Shon	President, Europe, Middle East and Africa ( EMEA )
Thomas M. Gartland	President, North America
Mark J. Servodidio	Executive Vice President, Chief Administrative Officer
Patric T. Siniscalchi	President, Latin America/Asia Pacific
Michael K. Tucker	Executive Vice President, General Counsel and Chief Compliance Officer
Izilda P. Martins	Vice President and Acting Chief Accounting Officer

Biographical information concerning the executive officers of the Company who also presently serve as directors is set forth above under Board of Directors Biographical Information for Nominees. Biographical information concerning all other present executive officers is set forth below.

<b>Name</b>	<b>Biographical Information</b>
David B. Wyshner	<b>Mr. Wyshner</b> , age 44, has been Senior Executive Vice President and Chief Financial Officer since October 2011. Mr. Wyshner held the title of Executive Vice President and Chief Financial Officer from August 2006 through October 2011, and also served as Treasurer from August 2006 to November 2007. Previously, Mr. Wyshner held several key roles within Cendant, starting in 1999, including Executi