ZIPCAR INC
Form 424B4
April 14, 2011
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Filed Pursuant to Rule 424(b)(4)
Registration Statement No. 333-167220
Registration Statement No. 333-173475

9,684,109 Shares

Common Stock

This is the initial public offering of shares of common stock of Zipcar, Inc.

Zipcar is offering 6,666,667 of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional 3,017,442 shares. Zipcar will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for the common stock. Our common stock has been approved for listing on the Nasdaq Global Select Market under the symbol ZIP .

See Risk Factors on page 11 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$ 18.00	$ 174,313,962.00
Underwriting discount	$ 1.26	$ 12,201,977.34
Proceeds, before expenses, to Zipcar	$ 16.74	$ 111,600,005.58
Proceeds, before expenses, to the selling stockholders	$ 16.74	$ 50,511,979.08

To the extent that the underwriters sell more than 9,684,109 shares of common stock, the underwriters have the option to purchase up to an additional 1,452,617 shares from certain management selling stockholders, including our chief executive officer, president and chief operating officer and chief financial officer, and from certain other selling stockholders pursuant to the order of priority set forth in the registration rights agreement by and among Zipcar and the parties thereto, at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on April 19, 2011.

Goldman, Sachs & Co. **J.P. Morgan**

Cowen and Company **Needham & Company, LLC** **Oppenheimer & Co.**

Prospectus dated April 13, 2011.

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We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Through and including May 8, 2011 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

For investors outside the United States: we have not, the selling stockholders have not and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the following summary together with the more detailed information appearing in this prospectus, especially the Risk Factors section beginning on page 11 and our consolidated financial statements and related notes, before deciding whether to purchase shares of our common stock.

As used in this prospectus, unless the context otherwise requires, references to we, us, our and Zipcar refer to the consolidated operations of Zipcar, Inc., and its subsidiaries.

Zipcar, Inc.

Overview

Zipcar operates the world s leading car sharing network. Founded in 2000, Zipcar provides the freedom of wheels when you want them to members in major metropolitan areas and on university campuses. We provide over 560,000 members, also known as Zipsters , with self-service vehicles that are located in reserved parking spaces throughout the neighborhoods where they live and work. Our vehicles are available for use by the hour or by the day through our reservation system, which is available by phone, internet or wireless mobile devices. Once the vehicle is reserved, a Zipster simply unlocks the vehicle with his or her keyless entry card (called a Zipcard) and drives away. Our all-inclusive rates include gas and insurance so Zipsters can easily estimate the total cost of their trips. Zipsters choose the make, model, type and even the color of the Zipcar they want depending on their specific needs and desires for each trip and the available Zipcars in their neighborhood. Upon returning the Zipcar, the member locks the vehicle and walks away. We believe Zipcar provides its members a convenient, cost-effective and enjoyable alternative to car ownership.

We operate our membership-based business in 14 major metropolitan areas and on more than 230 college campuses in the United States, Canada and the United Kingdom. We target large, densely populated markets with high parking costs and strong public transportation systems. Based on these criteria, we initially focused our operations in three metropolitan areas: Boston, New York and Washington, D.C. These metropolitan areas have since developed into large-scale car sharing markets that continue to grow. We then applied our knowledge and experience to develop and grow additional markets, such as San Francisco, Chicago, Baltimore, Toronto, Vancouver and London as well as to university campuses. We further increased our geographic footprint to include Seattle, Portland, Atlanta, Philadelphia and Pittsburgh through a merger with Flexcar, Inc. in 2007. Our revenue has grown from $30.7 million in 2006 to $186.1 million in 2010. We incurred a net loss of $14.1 million in 2010. We generated an Adjusted EBITDA of $4.2 million in 2010. We believe that Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results after removing the impact of changes in our capital structure, income tax status and method of vehicle financing, and other items of a non-operational nature that affect comparability. For a definition of Adjusted EBITDA and reconciliations of Adjusted EBITDA to net income, see the section entitled Key financial and operating metrics, Non-GAAP financial measures and supplemental disclosure.

In April 2010, we acquired Streetcar Limited, a car sharing service in the United Kingdom. We believe our presence there will help support our expansion into other European markets by providing an existing infrastructure that can serve as a European center of operations and management experienced in operating in Europe. Streetcar s revenue was $23.1 million in 2009. In June 2010, we responded to a May 2010 inquiry letter from the U.K. Office of Fair Trading, or OFT, seeking information relating to our

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acquisition of Streetcar and entered into an agreement to hold the two companies separate while this transaction was under review. The OFT subsequently referred the matter to the Competition Commission, or CC. In December 2010, the CC concluded its inquiry and issued a final determination that it did not expect our acquisition of Streetcar to lead to a substantial lessening of competition in the United Kingdom. We commenced the integration of our London operations with those of Streetcar following the CC s final determination.

We believe we have several significant advantages over our competitors. First, we offer our members the largest fleet of car sharing vehicles in nearly all the major markets in which we operate. No other car sharing service offers the size and diversity of our Zipcar fleet or operates across as many cities as we do. Second, because our business is solely focused on car sharing, we are committed to ensuring the highest quality member experience. Third, we have a proprietary and scalable technology platform specifically designed for car sharing. Fourth, Zipcar is one of the most recognized brands in car sharing. Lastly, we have accumulated ten years of car sharing data, which we can leverage to drive loyalty and growth by continually enhancing our member experience. No other car sharing service in the United States has been operating as long as we have.

Operating a self-service car sharing business within and across major metropolitan areas requires a technology platform capable of managing the complex interactions of real-time, location-based activities. Our custom-designed technology platform supports a fully integrated set of activities across our rapidly growing operations, including member sign-up, online and wireless reservations, keyless vehicle access, fleet management and member management. Our technology also enables us to collect and analyze vast amounts of member usage and fleet operations information to enhance the Zipster experience. On the member side, our system also provides two-way texting, an integrated in-vehicle toll collection system and the first car sharing iPhone application.

We have identified more than 100 global major metropolitan areas and hundreds of universities as attractive markets for car sharing. Today, we operate only in 14 of these major metropolitan areas, which we believe have tremendous further potential for growth. We currently estimate that ten million driving age residents, business commuters and university community residents live or work within a short walk of a Zipcar in the markets we serve. We do not expect that all of these driving age residents will become members of Zipcar or any other car sharing service. In addition, some may not qualify for membership in a car sharing service for many reasons, including lacking a valid driver s license. Nevertheless, we expect that as we increase our fleet and our geographic footprint, the number of driving age residents living or working within a short walk of a Zipcar will increase.

We intend to continue to grow our business by increasing awareness and adoption in existing markets, expanding into new international and domestic markets, broadening our relationships with existing members and building relationships with businesses, universities and governmental organizations.

Our Solutions

We believe the benefits we offer through our solutions are simple and compelling:

- A cost saving alternative to car ownership.
- Convenient neighborhood access to a varied fleet of makes and models.
- Freedom and flexibility beyond other alternatives such as taxis, public transportation and traditional car rental.
- A socially responsible and sustainable lifestyle.

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We offer four primary solutions:

Individual Membership. We offer a solution for individuals seeking an alternative to the high cost of urban car ownership. In a member survey we conducted, the majority of respondents report selling a car or electing not to buy a car when they join Zipcar. As a result, we estimate that the percentage of Zipster household income spent on transportation is substantially less than the national average, making urban life more affordable.

Zipcar for Universities. We provide college students, faculty, staff and local residents living on or near campuses with access to Zipcars while helping university administrators maximize the use of limited on-campus parking and reduce campus congestion.

Zipcar for Business and Zipcar for Government. We help businesses and local governments save money, meet environmental sustainability goals and reduce parking requirements by providing their employees with access to Zipcars. We have also partnered with residential property managers and developers who provide their commercial and residential tenants with access to Zipcar memberships and Zipcars.

FastFleet. We offer a fleet management solution, called FastFleet, on a software-as-a-service, or SaaS, basis to organizations that manage their own fleets of vehicles. FastFleet enables these organizations to maximize efficiency and reduce the administrative costs of managing their own fleets by monitoring and improving per-vehicle utilization levels.

Market Opportunity

We believe the global addressable market for car sharing is substantial and in the early stages of development. Given our estimate that ten million driving age residents, business commuters and university community residents live or work within a short walk of a Zipcar, we believe the adoption in our current cities represents only a small fraction of the existing market opportunity. Additionally, we believe there are many attractive international and domestic markets with very limited or no car sharing services today.

Zipcar is building a new lifestyle brand based on our mission, Enabling Simple and Responsible Urban Living. Our brand building and business are supported by a number of important global trends that we believe will continue to aid in the development of a large global car sharing market:

- ***Urbanization.*** As population density increases in urban areas, traffic and pollution increase. To address the negative effects of increasing urbanization, local governments are searching for solutions, like car sharing, to make cities more livable for urban residents.

- ***Affordability.*** The cost of living in urban areas is high and increasing. The costs associated with urban car ownership make affordable living even more challenging. Car sharing provides a convenient and cost effective alternative.

- ***Trends Toward Self-Service and Pay-Per-Use Consumption.*** The increased usage of online and mobile services for shopping, banking, travel and entertainment has heightened consumer interest in accessing goods and services anytime, anywhere and paying only for what they use. We believe that car sharing is a natural extension of this trend in consumer behavior.

- ***Focus on Sustainability.*** We believe an important and growing population of consumers, businesses, universities and governments is motivated to adopt and promote sustainable transportation solutions.

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We believe these global trends will continue for decades and that demand for car sharing services will grow accordingly.

Estimates of the car sharing market opportunity vary based on a variety of factors. According to Frost & Sullivan, revenue from car sharing programs in North America will increase to $3.3 billion in 2016, up from $253 million in 2009. Frost & Sullivan expects revenue from car sharing programs in Europe to increase to 2.6 billion in 2016, up from 220 million in 2009. We conducted a study of the global car sharing market in which we utilized third-party data collection and technical support and analysis. Based upon our study, we believe that the Frost & Sullivan market forecasts are more likely achievable by 2020. We also believe, based on our study, that revenue from car sharing programs in Asia Pacific will be approximately $4 billion on a comparable timeframe.

Our Competitive Differentiators

We are the leading provider of car sharing services. Our business is solely focused on car sharing, and we are committed to ensuring the highest quality member experience. We believe our current leadership position is based on a number of distinct competitive advantages.

Our First Mover Position, Within and Across Key Cities. We have over 8,000 Zipcars interspersed throughout the largest car sharing network of cities and vehicle locations in the world. We provide a broad range of vehicle alternatives to suit our members specific needs and desires for each trip. No other car sharing service offers the size and diversity of our Zipcar fleet or operates across as many cities as we do.

Low Cost, Word of Mouth Marketing. We believe we provide a superior member experience that has allowed us to build a broad, diverse and active membership base. Many Zipsters have become brand ambassadors, and their continued advocacy of our brand is a cornerstone of our success. They actively refer friends, family and colleagues to our service, creating a network effect that we believe is a powerful competitive advantage.

A Brand Synonymous with Car Sharing. We believe the Zipcar brand embodies our mission of enabling simple and responsible urban living. There is an important element of trust and reliability associated with an established brand name.

Our Integrated Technology Platform. Our proprietary technology platform was specifically designed for car sharing and can easily scale across global markets. We do not believe any other car sharing competitor has the experience that we have in operating a large-scale integrated technology platform for car sharing and proven performance in scalable operations across markets, continents and currencies.

Our Knowledge Base. None of our competitors has the benefit of having launched and operated car sharing at scale in as many cities for as long as we have. We have accumulated ten years of detailed car sharing data representing millions of member interactions, vehicle reservations and related activities. As a result, we possess car sharing information and knowledge that we believe none of our competitors has. We leverage usage and fleet data to continually develop the brand, enhance our member experience, optimize fleet usage rates and minimize fleet operation expenses.

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Our Growth Strategy

We intend to pursue aggressive growth in our business with the following strategies:

Increase Awareness and Adoption in Existing Markets. We plan to attract new members through a combination of awareness campaigns, including advertising, public relations, search engine marketing, member referrals, and grassroots community events. We believe that brand advocacy by our loyal Zipsters, along with our physical presence in branded vehicles and parking location signage will have a compounding effect on the overall awareness of our brand.

Expand into New Markets. We intend to expand into new international and domestic markets organically and through acquisitions and partnerships. In November 2007, we acquired Flexcar, which extended our geographic footprint in North America. In December 2009, we completed an investment in Catalunya Carsharing S.A., known as Avancar, the largest car sharing operator in Spain. In April 2010, we acquired Streetcar, which we expect will help to establish us as the market leader in London with a base for future expansion opportunities in Europe. Our integration of Streetcar has been significantly delayed as a result of the review of the acquisition by the CC.

Leverage Our Network to Broaden Our Relationships with Members. We believe continuously improving our members experiences translates into longer and more active member relationships. We will continue to seek ways to leverage our network in order to broaden our product and service offerings and provide our members with personalized and localized mobility services to meet the unique challenges associated with urban and university lifestyles.

Continue to Build Offerings for Businesses and Government Agencies. We have a dedicated marketing group targeting businesses and government agencies. We intend to continue to attract new members for our Zipcar for Business and Zipcar for Government offerings. In addition, we will expand our FastFleet program to serve additional government agencies and businesses.

Risks That We Face

You should consider carefully the risks described under the Risk Factors section beginning on page 11 and elsewhere in this prospectus. These risks could materially and adversely impact our business, financial condition, operating results and cash flow, which could cause the trading price of our common stock to decline and could result in a partial or total loss of your investment.

Corporate History and Information

We were incorporated in Delaware in January 2000 as Zipcar, Inc. Our principal executive office is located at 25 First Street, Cambridge, MA 02141 and our telephone number is (617) 995-4231. Our Internet website address is *www.zipcar.com*. The information on, or that can be accessed through, our website is not part of this prospectus, and you should not rely on any such information in making the decision whether to purchase our common stock.

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Conflict of Interest

Affiliates of Goldman, Sachs & Co., one of the lead managing underwriters, own subordinated asset-backed securities of Zipcar Vehicle Financing LLC, or ZVF. Because we expect ZVF to repurchase these asset-backed securities in connection with our initial public offering, affiliates of Goldman, Sachs & Co. may collectively receive more than 5% of the net proceeds of the offering, not including underwriting compensation. As a result, Goldman, Sachs & Co. will be deemed to have a conflict of interest under Rule 5121, as administered by the Financial Industry Regulatory Authority, or FINRA. Therefore, this offering will be made in compliance with the applicable provisions of Rule 5121. Rule 5121 requires that no sale be made to discretionary accounts by underwriters having a conflict of interest without the prior written approval of the account holder and that a qualified independent underwriter, as defined in the rule, has participated in the preparation of the registration statement and prospectus and exercised the usual standards of due diligence with respect thereto. J.P. Morgan Securities LLC is assuming the responsibilities of acting as the qualified independent underwriter in this offering. We have agreed to indemnify J.P. Morgan Securities LLC against liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

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The Offering

Common stock offered by Zipcar	6,666,667 shares
Common stock offered by the selling stockholders	3,017,442 shares
Total shares offered	9,684,109 shares
Common stock to be outstanding after this offering	38,386,565 shares
Option to purchase additional shares	To the extent that the underwriters sell more than 9,684,109 shares of common stock, the underwriters have the option to purchase up to an additional 1,452,617 shares from certain management selling stockholders, including our chief executive officer, president and chief operating officer and chief financial officer, and from certain other selling stockholders at the initial public offering price less the underwriting discount.
Use of proceeds	We intend to use our net proceeds from this offering (i) to pay down certain outstanding loan balances relating to our purchase of Streetcar and under our existing credit lines and our existing asset backed security vehicle financing facility, (ii) for business expansion and (iii) for working capital and other general corporate purposes. We may also use a portion of our proceeds for the acquisition of, or investment in, businesses, services or technologies that complement our business. We will not receive any proceeds from the shares sold by the selling stockholders. See Use of Proceeds for more information.
Nasdaq Global Select Market symbol	ZIP

The number of shares of our common stock to be outstanding after this offering is based on 31,719,898 shares of our common stock outstanding on an as converted basis as of March 15, 2011 and excludes:

- 5,237,375 shares of common stock issuable upon exercise of stock options outstanding as of March 15, 2011, at a weighted average exercise price of $6.74 per share;
- 1,593,167 shares of common stock reserved as of March 15, 2011 for future issuance under our equity incentive plans; and
- 1,694,836 shares of common stock issuable upon exercise of warrants outstanding as of March 15, 2011, at a weighted average exercise price of $5.37 per share.

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Unless otherwise indicated, this prospectus reflects and assumes the following:

- the conversion of all outstanding shares of our preferred stock into 25,097,882 shares of our common stock, which will occur automatically upon the closing of this offering;
- the filing of our restated certificate of incorporation and the adoption of our amended and restated by-laws upon the closing of this offering;
- a 1-for-2 reverse split of our common stock that was effected on March 29, 2011; and
- no exercise by the underwriters of their option to purchase additional shares.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables set forth, for the periods and at the dates indicated, our summary consolidated financial data. Historical results are not indicative of the results to be expected in the future and results of interim periods are not necessarily indicative of results for the entire year. You should read the following information together with the more detailed information contained in Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands, except share and per share data)		
Consolidated Statements of Operations Data:			
Revenue	$ 105,969	$ 131,182	$ 186,101
Cost and expenses			
Fleet operations	84,199	93,367	122,634
Member services and fulfillment	7,580	10,414	15,114
Research and development	1,549	2,314	3,170
Selling, general and administrative	25,324	29,973	49,172
Amortization of acquired intangible assets	1,226	990	3,414
Total operating expenses	119,878	137,058	193,504
Loss from operations	(13,909)	(5,876)	(7,403)
Interest income	429	60	47
Interest expense	(1,603)	(2,457)	(8,185)
Other income, net	568	3,690	1,731
Loss before income taxes	(14,515)	(4,583)	(13,810)
Provision for income taxes		84	311
Net loss	(14,515)	(4,667)	(14,121)
Less: Net loss attributable to redeemable noncontrolling interest		23	(4)
Net loss attributable to controlling interest	$ (14,515)	$ (4,644)	$ (14,125)
Net loss attributable to common stockholders per share basic and diluted	$ (7.15)	$ (2.23)	$ (2.74)
Weighted average number of shares of common stock outstanding used in computing per share amounts basic and diluted	2,028,986	2,083,943	5,148,559
Pro forma net loss per share basic and diluted (unaudited)			$ (0.49)
Pro forma weighted average number of shares of common stock outstanding (unaudited)(1)			29,031,776

(1) The pro forma weighted average number of shares of common stock outstanding gives effect to the automatic conversion of all of our outstanding convertible preferred stock into common stock upon the closing of this offering. The Series G redeemable convertible preferred stock, which converts to common stock at the closing of this offering, is included from its issuance dates of November 17, 2010 and December 1, 2010.

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The following table summarizes our balance sheet data as of December 31, 2010:

on an actual basis;

on a pro forma basis to reflect (1) the automatic conversion of all outstanding shares of our preferred stock into 25,097,882 shares of common stock upon the closing of this offering, and (2) the automatic conversion of all redeemable convertible preferred stock warrants into warrants to purchase common stock and the reclassification of the associated liability to stockholders equity; and

on a pro forma as adjusted basis to reflect the receipt by us of estimated net proceeds of $107.8 million from the sale of 6,666,667 shares of common stock offered by us at the initial offering price of $18.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds from this offering to repay $45.8 million of indebtedness.

	As of December 31, 2010		
	Actual	Pro Forma	Pro Forma as Adjusted
		(in thousands) (Unaudited)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 43,005	$ 43,005	$ 106,463
Total assets	248,928	248,928	312,386
Deferred revenue	17,912	17,912	17,912
Redeemable convertible preferred stock warrant	478		
Notes payable and capital lease obligation	94,063	94,063	48,221
Redeemable convertible preferred stock	116,683		
Total stockholders (deficit) equity	(5,301)	111,860	219,660

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should consider carefully the risks described below before making an investment decision. Our business, prospects, financial condition or operating results could be harmed by any of these risks. Furthermore, these factors represent risks and uncertainties that could cause actual results to differ materially from those implied by forward-looking statements. We refer you to our cautionary note regarding Forward-Looking Statements, which identifies the forward-looking statements in this prospectus. The trading price of our common stock could decline due to any of these risks, and, as a result, you may lose all or part of your investment. Before deciding whether to invest in our common stock, you should also refer to the other information contained in this prospectus, including our consolidated financial statements and the related notes.

Risks Related to Our Business

We have a history of losses, and we may be unable to achieve or sustain profitability.

We have experienced net losses in each year since our inception and as of December 31, 2010, we had an accumulated deficit of $65.4 million. We expect to incur a net loss in 2011. We do not know if our business operations will become profitable or if we will continue to incur net losses in 2012 and beyond. We expect to incur significant future expenses as we develop and expand our business, which will make it harder for us to achieve and maintain future profitability. We may incur significant losses in the future for a number of reasons, including the other risks described in this prospectus, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, we may not be able to achieve or maintain profitability.

Because many of our expenses are fixed, we may not be able to limit our losses if we fail to achieve our forecasted revenue.

To fulfill the anticipated demand for our car sharing services, we must make significant investments in vehicles and parking. The build-up of our fleet in advance of actual reservations exposes us to significant up-front fixed costs. If market demand for our services does not increase as quickly as we have anticipated, or if there is a rapid and unexpected decline in demand for our services, we may be unable to offset these fixed costs and to achieve economies of scale, and our operating results may be adversely affected as a result of high operating expenses, reduced margins, underutilization of capacity and asset impairment charges.

Car sharing is a relatively new market, and the rate of adoption and our associated growth in our current markets may not be representative of rates of adoption or future growth in other markets.

We derive, and expect to continue to derive, substantially all of our revenue from car sharing, a relatively new and rapidly evolving market. If the market for car sharing fails to grow or grows more slowly than we currently anticipate, our business would be negatively affected. To date, we have targeted expansion into markets we believe are the most likely to adopt car sharing. However, our efforts to expand within and beyond our existing markets may not achieve the same success, or rate of adoption, we have achieved to date.

Our recent growth rate will likely not be sustainable and a failure to maintain an adequate growth rate will adversely affect our business.

Our revenues have grown rapidly since our inception. We may not sustain these high rates of growth in future periods and you should not rely on the revenue growth of any prior quarterly or annual

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periods as an indication of our future performance. If we are unable to maintain adequate revenue growth, our ability to become profitable will be adversely affected, and we may not have adequate resources to execute our business strategy.

We face significant risks as we expand our operations internationally, which could harm our business, operating results and financial condition.

Our efforts to expand our operations into new international markets involve various risks, including the need to invest significant resources in such expansion, the possibility that returns on such investments will not be achieved in the near future or at all and competitive environments with which we are unfamiliar. Our expansion into new markets may not prove to be successful in those markets where public transportation systems are limited or where awareness and adoption of car sharing by the local population is limited.

Any future international operations or expansion efforts may also fail to succeed due to other risks, including:

- difficulties or delays in acquiring a critical mass of members, vehicles and/or convenient parking locations;
- different driving expectations and patterns than those in North America;
- different legal and labor practices and customs;
- the need to adapt our systems and member interfaces for different languages, currencies and financial accounting practices;
- different data protection and privacy laws;
- different methods for checking the driving records of new members; and
- difficulties in staffing and managing new operations.

As a result of these obstacles, we may find it impossible or prohibitively expensive to expand internationally or we may be unsuccessful in our attempt to do so, which could harm our business, operating results and financial condition.

Growth may place significant demands on our management and our infrastructure.

We have experienced substantial growth in our business. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. Many of our systems and operational practices were implemented when we were at a smaller scale of operations. In addition, as we grow, we have implemented new systems and software to help run our operations. As our operations grow in size, scope and complexity, we will need to continue to improve and upgrade our systems and infrastructure to offer an increasing number of members enhanced service, solutions and features. We may choose to commit significant financial, operational and technical resources in advance of an expected increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain our ability to maintain reliable service levels for existing and new members, which could adversely affect our reputation and our business. For example, if we experience demand for our vehicles in excess of our estimates, our fleet may be insufficient to support the higher demand, which could harm our member experience and overall reputation.

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Future acquisitions could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our markets and grow our business in response to changing technologies, member needs and competitive pressures. We may seek to grow our business by acquiring complementary businesses, solutions or technologies. For example, in 2007 we acquired Flexcar, and in 2010 we acquired Streetcar in London. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. In addition, we may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of any company we acquire. Acquisitions may also involve the entry into geographic or business markets in which we have little or no prior experience. Moreover, the anticipated benefits of any acquisition, investment or business relationship may not be realized or we may be exposed to unknown liabilities. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our stockholders;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay;
- incur large charges or expenses or assume substantial liabilities;
- encounter difficulties retaining key employees of the acquired companies or integrating diverse software codes or business cultures; and
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges.

Any of these risks could harm our business and operating results.

We face residual risks related to the value of vehicles in our fleet that we dispose of through auctions and dealer direct sales and increased costs of acquiring and holding vehicles in our fleet.

Our approximate average holding period for a Zipcar is two to three years. Thereafter, we dispose of these vehicles in lessor auctions, open auctions and by direct sales to dealers. We are not a party to a contractual repurchase program or guaranteed depreciation program with any car manufacturer. Therefore, we carry all of the risk that the market value of a vehicle at the time of its disposition will be less than its estimated residual value at such time. This is known as residual risk. For various reasons the used car market for one or more of the vehicle models in our fleet could experience considerable downward pricing pressure. If we are unable to dispose of our vehicles for amounts that are equal to or greater than their estimated residual value, our financial results may be negatively impacted.

A continued decline in the results of operations, financial condition or reputation of a manufacturer of vehicles included in our fleet could reduce those vehicles residual values, particularly to the extent that the manufacturer unexpectedly announced the eventual elimination of a model or nameplate or immediately ceased manufacturing them altogether. Such a reduction in residual values could cause us to sustain a loss on the ultimate sale of these vehicles, or require us to depreciate those vehicles on a more rapid basis while we own or lease them. A decline in the economic and business prospects of car manufacturers, including any economic distress impacting the suppliers of car components to manufacturers, could also cause manufacturers to raise the prices we pay for vehicles and vehicle leases or potentially reduce their supply to us.

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In addition, events negatively affecting the car manufacturers, including a bankruptcy, could affect how much we may borrow under our asset-backed vehicle financing facilities. Under the current terms of our asset-backed financing facilities, we may be required to materially increase the enhancement levels regarding the fleet vehicles provided by such bankrupt manufacturer. The actual enhancement level that we would be required to provide would depend on a number of factors, and could be almost all of the net book value of the portion of our fleet vehicles then provided by such bankrupt manufacturer.

A decline in general economic activity may also have a material adverse effect on the value we realize when we sell our vehicles at auction or directly to dealers. Any such declines would adversely affect our overall financial condition.

Increases in the costs, or disruptions in the supply, of vehicles or vehicle parts manufactured in Japan resulting from recent natural disasters in Japan could materially harm our business.

Our fleet includes several vehicle lines that are manufactured in Japan and we expect to acquire additional vehicles in the future that are manufactured in Japan. In addition, we repair and maintain many vehicles in our fleet using parts that are manufactured in Japan. The recent natural disasters in Japan may cause Japanese vehicle and parts manufacturers to halt, delay or reduce production of vehicles and vehicle parts, which could cause a reduction or interruption in the supply of such vehicles or parts and/or an increase in the cost of such vehicles or parts. Substantial increases in the costs, or a significant delay or sustained interruption in the supply, of vehicles or vehicle parts manufactured in Japan could adversely affect our ability to maintain our vehicle fleet, negatively affect our revenues and increase our operating expenses.

Manufacturer safety recalls could create risks to our business.

Our vehicles may be subject to safety recalls by their manufacturers. Under certain circumstances, the recalls may cause us to attempt to retrieve vehicles in circulation for member use or to decline to allow members to reserve such vehicles until we can arrange for the steps described in the recalls to be taken. This was the case in early 2010 when we prohibited any member from reserving the 2009 or 2010 Toyota Matrix or the 2010 Toyota Prius for a period of time while we waited for Toyota to issue a resolution to the accelerator malfunction. If a large number of vehicles are the subject of simultaneous recalls, or if needed replacement parts are not in adequate supply, we may not be able to use the recalled vehicles in our active fleet for a significant period of time. Depending on the severity of the recall, it could materially adversely affect our revenues, create bad will with some of our members, reduce the residual value of the vehicles involved and harm our general reputation and brand.

We face risks related to liabilities resulting from the use of our vehicles by our members.

Our business can expose us to claims for personal injury, death and property damage resulting from the use of Zipcars by our members. For example, a member may be using a Zipcar that has worn tires or some mechanical or other problem, including a manufacturing defect, that contributes to a motor vehicle accident that results in a death or significant property damage for which we may be liable. In addition, we depend on our members and third-party service providers to inspect the vehicles prior to driving in order to identify any potential damage or safety concern with the vehicle. To the extent that we are found at fault or otherwise responsible for an accident, our insurance coverage would only cover losses up to a maximum of $5 million in the United States.

We could be negatively impacted if losses for which we do not have third-party insurance coverage increase or our insurance coverages prove to be inadequate.

We do not have third-party insurance coverage for damage to our vehicles, but we do have third-party insurance coverage, subject to limits, for bodily injury and property damage resulting from

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member accidents involving our Zipcars. We account for vehicle damage or total loss at the time such damage or loss is incurred. Also, because we are responsible for damage to our vehicles, a deterioration in claims management, whether by our management or by a third-party claims administrator, could lead to delays in settling claims, thereby increasing claim costs. In addition, catastrophic uninsured claims filed against us or the inability of our insurance carriers to pay otherwise-insured claims would have an adverse effect on our financial condition.

Furthermore, many colleges, universities, cities and municipalities prefer to do business with parties with significant financial resources who can provide substantial insurance coverage. Should we be unable to renew our excess liability insurance and other commercial insurance policies at competitive rates, this loss could have an adverse effect on our financial condition and results of operations. In the future, we may be exposed to liability for which we self-insure at levels in excess of our historical levels and to liabilities for which we are insured that exceed the level of our insurance.

The impact of worldwide economic conditions, particularly in the United States and United Kingdom, including the resulting effect on consumer spending, may adversely affect our business, operating results and financial condition.

Our performance is subject to worldwide economic conditions, particularly those in the United States and the United Kingdom, and in particular their impact on levels of consumer spending. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. Because a significant portion of spending for our services may be considered to be discretionary, declines in consumer spending may have a more negative effect on our business than on those businesses that sell products or services considered to be necessities.

Moreover, the majority of our members are located in major metropolitan areas such as Boston, New York City, Washington, D.C., London and the San Francisco Bay Area, and to the extent any one of these geographic areas experiences any of the above described conditions to a greater extent than other geographic areas, the adverse effect on our financial condition and operating results could be exacerbated.

We expect a number of factors may cause our operating results to fluctuate on a quarterly basis, which may make it difficult to predict our future performance.

Our revenues and operating results could vary significantly from quarter to quarter because of a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly results include:

- the impact of worldwide economic conditions, particularly those in the United States and the United Kingdom, and their impact on levels of consumer spending;
- the high fixed costs inherent in our business, which limit our ability to adjust for period-to-period changes in demand;
- the variability of fuel prices while periods of high fuel prices may increase membership, they would also generally negatively affect profit margin;
- the effects of natural disruptions in our major metropolitan areas, including snow in the Northeast and long periods of rain or other inclement weather patterns in any of our markets;
- system interruptions that impair access to our website, key vendors or communication with our vehicles and any related impact on our reputation;

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- our ability to forecast revenues accurately and appropriately plan our expenses;

- our ability to forecast vehicle damage claims for which we do not have third-party insurance coverage; and

- the impact of fluctuations in currency exchange rates.

As a result of these and other factors, the results of any prior periods should not be relied upon as indications of our future operating performance. In addition, our operating results may not meet the expectations of investors or public market analysts who follow our company.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

Seasonality may cause fluctuations in our financial results.

We generally experience some effects of seasonality due to increases in travel during the summer months and holidays such as Memorial Day, Thanksgiving and Christmas. Accordingly, the number of Zipcar reservations and associated revenue have generally increased at a higher rate during those periods. Our revenue fluctuates due to inclement weather conditions, such as snow or rain storms. In the future this seasonality may cause fluctuations in our financial results. In addition, other seasonality trends may develop and the existing seasonality and member behavior that we experience may change.

The market for car sharing services is becoming increasingly competitive, and if we fail to compete effectively our business will suffer.

We expect that the competitive environment for our car sharing service will become more intense as additional companies enter our North American markets. Currently, our primary competitors in North America are traditional rental car companies that have recently begun operating car sharing services, which generally have greater name recognition among our target members and greater financial, technical and marketing resources. Secondary competitors include for-profit and not-for-profit companies who provide car sharing services in specific neighborhoods, communities or cities. These secondary competitors may increase the number of vehicles in their fleets or enhance the vehicle offerings in their existing fleets to be more competitive, and additional competitors may enter our markets in North America. Some of our competitors may respond more quickly to new or emerging technologies and changes in driver preferences or requirements that may render our services less desirable or obsolete. These competitors could introduce new solutions with competitive price and convenience characteristics or undertake more aggressive marketing campaigns than ours. We believe that price is one of the primary competitive factors in our market and pricing in our markets is very transparent. Our competitors, some of whom may have access to substantial capital, may seek to compete aggressively on the basis of pricing. To the extent that we decrease our pricing as a result of downward pricing by our competitors and are not able to reduce our operating costs, it could have a material adverse impact on our results of operations, as we may lose members and experience a decrease in Zipcar reservations.

Our growth depends on our ability to obtain and maintain a sufficient number of parking locations that are convenient to our members.

Because our members are located primarily in cities, we must compete for limited parking locations in the cities in which we operate. Many of these cities are densely populated and parking locations may not be available at locations that are convenient to our members or on terms that are commercially reasonable. We often work with local authorities to obtain parking locations and we and

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the local authorities may encounter resistance from local businesses and residents who own cars because, once obtained by us, these parking locations would no longer be generally available to the residents or the customers of the local businesses. If we are unable to obtain and maintain a sufficient number of parking locations that are convenient to our members, our ability to attract and retain members would suffer.

Our success depends on our members continued low cost, high-speed access to the Internet and the continued reliability of the Internet infrastructure.

Because our services are designed primarily to work over the Internet, our revenue growth depends on our members low cost, high-speed access to the Internet, as well as the continued maintenance and development of the Internet infrastructure, including the wireless Internet infrastructure. The future delivery of our services will depend on third-party Internet service providers to expand high-speed Internet access, to maintain a reliable network with the necessary speed, data capacity and security, and to develop complementary products and services for providing reliable and timely Internet access and services. The success of our business depends directly on the continued accessibility, maintenance and improvement of the Internet as a convenient means of customer interaction. All of these factors are out of our control.

System interruptions that impair access to our website or disrupt communications with our vehicles would damage our reputation and brand and our member experience, which could substantially harm our business and operating results.

The satisfactory performance, reliability and availability of our reservation system software, website and network infrastructure are critical to our reputation, our ability to attract and retain both existing and potential members and our ability to maintain adequate service levels. Any systems interruption that results in the unavailability of our website or a disruption in our vehicle communications platform could result in negative publicity, damage our reputation and brand and cause our business and operating results to suffer. We may experience temporary system interruptions (either to our website or to the vehicle-on-demand hardware systems in our Zipcars) for a variety of reasons, including network failures, power failures, cyber attacks, software errors or an overwhelming number of members or visitors trying to reach our website during periods of strong demand. Because we are dependent in part on third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all. Problems faced by our third-party web hosting provider, with the telecommunications network providers with whom it contracts or with the systems by which it allocates capacity among its customers, including us, could adversely impact the experience of our members.

Much of our software is proprietary, and we rely on the expertise of our engineering and software development teams for the continued performance of our software and computer systems. Service interruptions, errors in our software or the unavailability of our website could diminish the overall attractiveness of our service to existing and potential members.

Our servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions and delays in our service and operations as well as loss, misuse or theft of data. Any attempts by hackers to disrupt our website service or our internal systems, if successful, could harm our business, be expensive to remedy and damage our reputation or brand. Our insurance does not cover expenses related to direct attacks on our website or internal systems. Efforts to prevent hackers from entering our computer systems are expensive to implement and may limit the functionality of our services. Any significant disruption to our website or internal computer systems could result in a loss of members and adversely affect our business and results of operations.

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If our efforts to build strong brand identity and maintain a high level of member satisfaction and loyalty are not successful, we may not be able to attract or retain members, and our operating results may be adversely affected.

We must continue to build and maintain strong brand identity. Member awareness of, and the perceived value of, our brand will depend largely on the success of our marketing efforts and our ability to provide a consistent, high-quality member experience. Failure to provide our members with high-quality reservation and drive experiences for any reason could substantially harm our reputation and adversely affect our efforts to develop as a trusted brand. To promote our brand, we have incurred and expect to continue to incur substantial expense related to advertising and other marketing efforts, but we cannot be sure that this investment will be profitable.

From time to time, our members express dissatisfaction with our service levels, including our vehicle inventory, available reservation times and response time with respect to questions or incidents with our Zipcars. Members who return vehicles late, without sufficient gas or in an unclean condition adversely affect other members experiences, which can also cause dissatisfaction with our service. To the extent dissatisfaction with our service is widespread or not adequately addressed, our reputation could be harmed, and our efforts to develop Zipcar as a trusted brand would be adversely impacted. If our efforts to promote and maintain our brand are not successful, our operating results and our ability to attract and retain members may be adversely affected.

We rely on third-party support service providers to deliver our services to our members. If these service provider experiences operational difficulties or disruptions, our business could be adversely affected.

We depend on third-party service providers to deliver our services to our members. In particular, we rely on a limited number of data center facilities, which are located in the United States and Europe, a U.S. based third-party support service provider to handle most of our routine member support calls and local vendors to manage the cleaning and general maintenance of our vehicles. We also rely on a third party to provide gas credit cards in our vehicles for use by our members. We do not control the operation of these providers. If these third-party service providers terminate their relationship with us, or do not provide an adequate level of service to our members, it would be disruptive to our business as we seek to replace the service provider or remedy the inadequate level of service. This disruption could harm our reputation and brand and may cause us to lose members.

If the security of our members confidential information stored in our systems is breached or otherwise subjected to unauthorized access, our reputation or brand may be harmed, and we may be exposed to liability and a loss of members.

Our system stores, processes and transmits our members confidential information, including credit card information, driver license numbers and other sensitive data. We rely on encryption, authentication and other technologies licensed from third parties, as well as administrative and physical safeguards, to secure such confidential information. Any compromise of our information security could damage our reputation and brand and expose us to a risk of loss, costly litigation and liability that would substantially harm our business and operating results. We and our third-party data center facilities may not have adequately assessed the internal and external risks posed to the security of our company s systems and information and may not have implemented adequate preventative safeguards or take adequate reactionary measures in the event of a security incident. In addition, most states have enacted laws requiring companies to notify individuals and often state authorities of data security breaches involving their personal data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity, which may cause our members to lose confidence in the effectiveness of our data security measures. Any security breach, whether successful or not, would harm our reputation and brand, and it could cause the loss of members.

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In addition, in connection with our acquisition of Streetcar, we are integrating Streetcar s information technology systems with our existing systems. This integration may complicate our information security efforts and could result in security vulnerabilities that we would not have had but for such acquisition.

Failure to comply with data protection standards may cause us to lose the ability to offer our members a credit card payment option which would increase our costs of processing Zipcar reservations and make our services less attractive to our members, substantially all of whom reserve Zipcars with a credit card.

Major payment card issuers have adopted data protection standards and have incorporated these standards into their contracts with us. If we fail to maintain our compliance with the data protection and documentation standards adopted by the major payment card issuers and applicable to us, these issuers could raise the rates they charge us for payment card transactions, impose fines and penalties on us, or terminate their agreements with us, and we could even lose our ability to offer our members a credit card payment option. Substantially all of our members reserve Zipcars online with a credit card, and our business depends substantially upon our ability to offer the credit card payment option. Fines, penalties, and increases in the rates charged for payment card transactions could adversely affect our financial results. Any loss of our ability to offer our members a credit card payment option would make our services less attractive to them and hurt our business and cause a loss of revenue. Our administrative costs related to member payment processing would also increase significantly if we were not able to accept credit card payments for Zipcar reservations.

Our web-based model may render us more susceptible to fraudulent transactions than in-person car rental companies, which may negatively affect our revenues and profitability

Because we obtain members billing information on our website, we do not obtain signatures from members in connection with the use of credit cards by them. Under current credit card practices, to the extent we do not obtain cardholders signatures, we are liable for fraudulent credit card transactions, even when the associated financial institution approves payment of the orders. Fraudulent credit cards may be used on our website to obtain Zipcar membership and subsequent reservations. Typically, these credit cards would not have been registered as stolen and would not therefore be rejected by our automatic authorization safeguards. We do not currently carry insurance against the risk of fraudulent credit card transactions. A failure to adequately control fraudulent credit card transactions would harm our business and results of operations.

Failure to comply with various state, county and city laws, including the collection of sales or related taxes, could harm our results of operations.

Our business is subject to various local and state tax collection requirements. Amounts that we are required to collect change frequently. As a result we need to continually ensure proper taxes are collected and remitted to the appropriate tax agencies. If we do not collect the appropriate taxes from our members, we may need to pay more than what we have collected. In addition we may be audited by various states and agencies to ensure compliance with tax collection requirements. Such audits could result in additional sales or other tax collection obligations on us which we may not be able to recover from our members. Such obligations could have a material adverse impact on our future operating results.

To date, most state, county and city taxing authorities have not required us or our customers to pay a rental car tax each time a Zipcar is reserved. However, there can be no assurance such tax will not be imposed on us and our members in the future. Imposing such tax would have a material adverse affect on our business.

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Failure to adequately protect our intellectual property could substantially harm our business and operating results.

Because our business depends substantially on our intellectual property, including our proprietary vehicle platform system, the protection of our intellectual property rights is crucial to the success of our business. We rely on a combination of trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. These afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary, such as the technology used to operate our website, our content and our trademarks. Moreover, policing our proprietary rights is difficult and may not always be effective. In particular, we may need to enforce our rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the United States.

We have registered Zipcar and FastFleet and our other trademarks as trademarks in the United States and in certain other countries. Competitors have adopted and in the future may adopt service names similar to ours, thereby impeding our ability to build brand identity and possibly leading to confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term Zipcar or FastFleet or our other trademarks. From time to time, we have acquired or attempted to acquire Internet domain names held by others when such names were causing consumer confusion or had the potential to cause consumer confusion.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trade secrets, trademarks and domain names and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and could substantially harm our operating results.

Our exposure to risks associated with the use of intellectual property may increase as a result of acquisitions, as we have a lower level of visibility into the development process with respect to acquired technology or the care taken to safeguard against infringement risks. Third parties may make infringement and similar or related claims after we have acquired technology that had not been asserted prior to our acquisition.

If we are unable to protect our domain names, our reputation and brand could be adversely affected.

We currently hold various domain names relating to our brand, including Zipcar.com. Failure to protect our domain names could adversely affect our reputation and brand and make it more difficult for members and potential members to find our website and our car sharing service. The acquisition and maintenance of domain names generally are regulated by governmental agencies and their designees. The regulation of domain names in the United States may change in the near future. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

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Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We principally rely on trade secrets to protect our proprietary technologies. We have devoted substantial resources to the development of our proprietary technology, including our proprietary reservation software system, and related processes. In order to protect our proprietary technology and processes, we rely in significant part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we would not be able to assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Our failure to raise additional capital necessary to expand our operations and invest in our business could reduce our ability to compete successfully.

We may require additional capital in the future and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our common stock could decline. Moreover, any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock, including shares of common stock sold in this offering. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness and force us to maintain specified liquidity or other ratios. If we need additional capital and cannot raise or otherwise obtain it on acceptable terms, we may not be able to, among other things:

- develop or introduce service enhancements to our members;
- increase our fleet of vehicles;
- continue to expand our development, sales and marketing and general and administrative organizations;
- acquire complementary technologies or businesses;
- expand our operations, in the United States or internationally;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel or hire additional personnel, our ability to develop and successfully market our business could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, technical, finance and sales and marketing personnel. We plan to continue to expand our work force both domestically and internationally. We compete in the market for personnel against numerous companies, including larger, more established competitors who have significantly greater financial resources than we do and may be in a better financial position to offer higher compensation packages to attract and retain human capital. We cannot be certain that we will be successful in attracting and retaining the skilled personnel necessary to operate our business effectively in the future.

Moreover, we believe that our future success is highly dependent on the contributions of our executive team, particularly our Chief Executive Officer, Scott Griffith. All of our employees are at-will employees, which means they may terminate their employment relationship with us at any time. Our key employees possess a specialized knowledge of our business and industry and would be extremely difficult to replace. In addition, the loss of any key employee or the inability to attract or retain qualified personnel could harm the market s perception of us and our brand. Competition for qualified personnel is particularly intense in the Cambridge, Massachusetts area, where our headquarters are located. Further, our principal overseas operations are based in London, which, similar to our headquarters region, has a high cost of living and consequently high compensation standards. Qualified individuals are in high demand, and we may incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business will suffer.

We may become engaged in legal proceedings that could cause us to incur unforeseen expenses and could occupy a significant amount of our management s time and attention.

From time to time, we are subject to litigation or claims that could negatively affect our business operations and financial position. As we have grown, we have seen a rise in the number of litigation matters against us. Most of these matters relate to incidents involving our members while driving Zipcars. For example, in October 2009, we were named in a class action lawsuit. Although this lawsuit was dismissed in its entirety, without prejudice, in June 2010, in the future, we may be subject to other consumer class action lawsuits. Litigation disputes could cause us to incur unforeseen expenses, could occupy a significant amount of our management s time and attention and could negatively affect our business operations and financial position.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as computer viruses and terrorism.

Our systems and operations are vulnerable to damage or interruption from earthquakes, volcanoes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage may be insufficient to compensate us for losses that may occur. Acts of terrorism, which may be targeted at metropolitan areas which have higher population density than rural areas, could cause disruptions in our business or the economy as a whole. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential member data. We may not have sufficient protection or recovery plans in certain circumstances and our business interruption insurance may be insufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer and communications systems and the Internet to conduct our business and provide a high quality member experience, such disruptions could negatively impact our ability to run our business, which could have an adverse affect on our operating results.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to public company compliance requirements.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, and rules subsequently implemented

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by the Securities and Exchange Commission, or SEC, and the Nasdaq Global Select Market, require public companies to meet certain corporate governance standards. Our management and other personnel will need to devote a substantial amount of time to these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, these rules and regulations may make it more expensive for us to obtain directors and officers liability insurance coverage and more difficult for us to attract and retain qualified persons to serve as directors or executive officers. We currently are unable to estimate these costs with any degree of certainty.

In addition, the Sarbanes-Oxley Act requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, for the year ending December 31, 2012, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing, or the subsequent testing by our accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. In order to comply with Section 404, we may incur substantial accounting expense, expend significant management time on compliance-related issues, and hire additional finance and accounting staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock would likely decline and we could be subject to lawsuits, sanctions or investigations by regulatory authorities, which would require additional financial and management resources.

Risks Relating to Our Indebtedness

We have substantial debt and may incur additional debt, which could adversely affect our financial condition, our ability to obtain financing in the future and our ability to react to changes in our business.

As of December 31, 2010, we had an aggregate principal amount of debt outstanding of approximately $95.0 million, $38.5 million of which relates to corporate debt, $0.5 million of which represents vehicle leases of Zipcar with several third parties and $56.0 million of which is directly associated with Streetcar and ZVF, our wholly-owned subsidiary. ZVF has entered into a securitization program and a variable funding note facility, pursuant to which ZVF could borrow up to $70.0 million from third-party lenders. ZVF will use these borrowed funds to purchase vehicles to be leased to us. We refer to this vehicle financing line as our ABS facility and expect that over time it will largely replace our existing leasing arrangements.

Our substantial debt could have important consequences to us. For example, it could:

- make it more difficult for us to satisfy our obligations to the holders of our outstanding debt securities and for ZVF to satisfy its obligations to the lenders under the ABS facility, resulting in possible defaults on and acceleration of such indebtedness;
- require us to dedicate a substantial portion of our cash flows from operations to make payments on our debt, which would reduce the availability of our cash flows from operations to fund working capital, capital expenditures or other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings, including under the agreements governing our ABS facility, are at variable rates of interest;

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- place us at a competitive disadvantage to our competitors with proportionately less debt or comparable debt at more favorable interest rates;

- limit our ability to refinance our existing indebtedness or borrow additional funds in the future;

- limit our flexibility in planning for, or reacting to, changing conditions in our business; and

- limit our ability to react to competitive pressures, or make it difficult for us to carry out capital spending that is necessary or important to our growth strategy.

Any of the foregoing impacts of our substantial indebtedness could have a material adverse effect on our business, financial condition and results of operations.

The restrictive covenants contained in the agreements governing our ABS facility may limit our ability to incur additional indebtedness, limit our capital expenditures and restrict our future operations.

ZVF is subject to numerous restrictive covenants and compliance requirements under the agreements governing the ABS facility. For example, at each funding advance under the facility, we are required to contribute a proportionate amount of cash to ZVF for the exclusive use of vehicle purchases. The facility agreements include restrictive covenants and compliance requirements with respect to liens, further indebtedness, minimum liquidity amounts, funding ratios, collateral enhancements, vehicle manufacturer mix, timely reporting and payments, use of proceeds, and sale of assets. The covenants in the agreements governing our ABS facility may limit our ability to incur additional indebtedness, limit our capital expenditures and place other restrictions and limitations on how we operate our business.

Our future reliance on asset-backed financing to purchase vehicles subjects us to a number of risks, many of which are beyond our control.

We expect to rely significantly on asset-backed financing to purchase vehicles for our domestic fleet. Recent turmoil in the credit markets has reduced the availability of debt financing and asset-backed securities have become the focus of increased investor and regulatory scrutiny. Consequently, if our access to asset-backed financing were reduced or were to become significantly more expensive for any reason, including as a result of the deterioration in the markets for asset-backed securities, we cannot assure you that we would be able to refinance or replace our existing ABS facility or continue to finance new vehicle acquisitions on favorable terms, or at all.

Our ABS facility capacity could be decreased, our financing costs and interest rates could be increased, or our future access to the financial markets could be limited as a result of risks and contingencies, many of which are beyond our control, including, without limitation:

- the acceptance by credit markets of the structures and structural risks associated with our ABS facility, particularly in light of recent developments in the markets for mortgage-backed securities;

- rating agencies that provide credit ratings for asset-backed indebtedness or other third parties requiring changes in the terms and structure of our asset-backed financing (i) in connection with the incurrence of additional or the refinancing of existing asset-backed debt or (ii) upon the occurrence of external events, such as changes in general economic and market conditions or further deterioration in the credit ratings of our principal car manufacturers;

- the terms, availability and credit market acceptance of the amount of cash collateral required in addition to or instead of such guaranties;

- the insolvency or deterioration of the financial condition of one or more of our principal car manufacturers; or

- changes in law or practice that negatively impact our asset-backed financing structure.

Any disruption in our ability to refinance or replace our existing ABS facility or to continue to finance new vehicle acquisitions through asset-backed financing, or any negative development in the terms of the asset-backed financing available to us, including any increase in variable rates of interest, could cause our cost of financing to increase significantly and have a material adverse effect on our liquidity, financial condition and results of operations. The assets that collateralize our ABS facility will not be available to satisfy the claims of our general creditors.

A further tightening of the credit markets may have an adverse effect on our ability to obtain short-term debt financing or to re-finance existing operating leases.

The current state of the global economy threatens to cause further tightening of the credit markets, more stringent lending standards and terms and higher volatility in interest rates. Persistence of these conditions could have a material adverse effect on our ability to access short-term debt and the terms and cost of that debt. As a result, we may not be able to secure additional financing in a timely manner, or at all, to meet our future capital needs, which may have an adverse effect on our business, operating results and financial condition. We currently have operating and capital leases supported by various third parties. It is imperative to our business that we be able to continue to access capital through these lines of credit and our ABS facility in order to be able to finance the growth of our vehicle fleet.

We may not be able to generate sufficient cash to service all of our debt or refinance our obligations and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on our indebtedness or to refinance our obligations under our ABS facility and other debt agreements, will depend on our financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business risk factors we face as described in this section, many of which may be beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures or planned vehicle acquisitions, sell vehicles or other assets, seek to obtain additional equity capital or restructure our indebtedness. In the future, our cash flows and capital resources may not be sufficient for payments of interest on and principal of our debt, and such alternative measures may not be successful and may not permit us to meet scheduled debt service obligations. In addition, the recent worldwide credit crisis will likely make it more difficult for us to refinance our indebtedness on favorable terms, or at all. In the absence of such operating results and resources, we may be required to dispose of material assets to meet our debt service obligations, including our vehicles. We may not be able to consummate those sales, or, if we do, we will not control the timing of the sales or whether the proceeds that we realize will be adequate to meet debt service obligations when due.

Our ability to use net operating loss carryforwards in the United States may be limited.

As of December 31, 2010, we had net operating loss carryforwards of $70.8 million for U.S. federal tax purposes and $62.2 million for state tax purposes. The federal net operating loss

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carryforwards begin to expire in 2019 and certain state net operating loss carryforwards began to expire in 2007. To the extent available, we intend to use these net operating loss carryforwards to reduce the corporate income tax liability associated with our operations. Utilization of net operating loss carryforwards may be subject to a substantial annual limitation due to ownership changes that have occurred previously or that could occur in the future, as provided by Section 382 of the Internal Revenue Code of 1986, as well as similar state provisions. This offering may result in, and prior financings may have resulted in, ownership changes that could limit our ability to utilize net operating loss carryforwards. To the extent our use of net operating loss carryforwards is significantly limited, our income could be subject to corporate income tax earlier than it would if we were able to use net operating loss carryforwards, which could have a negative effect on our financial results.

Risks Related to Our Acquisition of Streetcar Limited

We expect that integrating Streetcar s operations may present challenges to us as would the integration of any future acquisitions.

Streetcar s stand-alone London operations were much larger than our London operations. Streetcar s larger member base, greater number of vehicles and greater brand recognition in London may present considerable challenges to us and, therefore, we may not be able to successfully integrate Streetcar s operations. Any difficulties or problems encountered in the integration of Streetcar or any future acquisition could have a material adverse effect on our business. Even if integrated, there can be no assurance that our operating performance after the integration of Streetcar or any future acquisition will be successful or will fulfill management s objectives.

The integration of any acquired company, and in particular that of Streetcar, will require, among other things, coordination of administrative, sales and marketing, accounting and finance functions and expansion of information and management systems. This may be particularly challenging given the size of the acquisition. Specifically, the integration of Streetcar has been, and we expect will continue to be, particularly challenging given that Streetcar is our first large-scale international acquisition and the need to coordinate across multiple time-zones. The difficulties of such integration have been increased by the necessity of coordinating geographically separate organizations and integrating personnel with disparate business backgrounds and corporate cultures. We may not be able to retain key Streetcar employees. The process of integrating Streetcar may require a disproportionate amount of time and attention of our management and financial and other resources of Zipcar and may involve other, unforeseen difficulties.

The Streetcar integration may cost more than we anticipate.

We have incurred significant transaction and closing costs associated with the acquisition of Streetcar and we have incurred and expect to continue to incur significant integration-related expenses associated with combining the businesses. It is possible that we will incur significant additional unforeseen costs in connection with the acquisition and/or integration that will negatively impact our earnings.

The pro forma financial statements are based upon a number of assumptions and estimates and may not be a good indication of future financial results for the combined company.

The pro forma condensed consolidated financial statements included in this prospectus are based on a number of assumptions, judgments and estimates. For example, the pro forma financial statements contemplate allocation to Streetcar s assets and liabilities based on the total consideration paid by us to Streetcar s shareholders. The consideration paid includes common stock and warrants.

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Significant assumptions are made in determining the value of our common stock and warrants. The allocation of the consideration to a variety of tangible and intangible assets and related amortization periods also involve assumptions, judgments and estimates. Any changes to assumptions used could have materially changed our pro forma results of operation. As a result, actual operating results of the combined company could be materially different from the pro forma results.

A material amount of our assets represents goodwill and intangible assets, and our earnings will be reduced if our goodwill or intangible assets become impaired.

As of December 31, 2010, our goodwill and intangible assets, net, represented approximately $108.3 million, or 43.5%, of our total assets. Goodwill is generated in our acquisitions, including the Streetcar acquisition, when the cost of an acquisition exceeds the fair value of the net tangible and identifiable intangible assets we acquire. Goodwill is subject to an impairment analysis at least annually based on the fair value of the reporting unit. Intangible assets, which relate primarily to the member relationships, parking spaces, trade name, non-compete agreements and technologies acquired by us as part of our acquisitions of other companies, are subject to an impairment analysis whenever events or changes in circumstances exist that indicate that the carrying value of the intangible asset might not be recoverable. See Note 2, Goodwill and Acquired Intangible Assets of Notes to the Consolidated Financial Statements for further discussion of goodwill and intangible assets.

We may not be successful in converting Streetcar members and systems.

We expect to convert Streetcar members to the Zipcar system and convert the Streetcar systems in-vehicle systems, administrative systems, and vehicle branding and policies to those of Zipcar. We may not be successful in converting Streetcar members to Zipcar. We may also decide to provide free driving credit or other incentives to encourage Streetcar members to convert to Zipcar. If a significant number of Streetcar members do not convert, our financial results will be adversely affected. In addition, the conversions of the Streetcar systems may not be successful, or if successful, may take considerably longer than anticipated or may cause us to incur significant unexpected costs.

During the integration of Streetcar with our business, we will need to rely on Streetcar s in-vehicle technology, which may not be reliable.

During the integration of Streetcar with our business, we will continue to use Streetcar s in-vehicle technology. We do not have experience operating, maintaining or trouble-shooting this technology. If Streetcar s in-vehicle technology becomes unreliable, we may not have the expertise or the resource to correct errors or malfunctions within the in-vehicle system. Such failure of the in-vehicle system would inconvenience members, which in turn may harm our ability to retain Streetcar members.

Risks Related to this Offering and Ownership of Our Common Stock

An active trading market for our common stock may not develop, and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for shares of our common stock. Although our common stock has been approved for listing on the Nasdaq Global Select Market, an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price of our common stock will be determined through negotiations between us and the underwriters. This initial public offering price may not be indicative of the market price of our common stock after the offering. In the absence of an active trading market for our common stock, investors may not be able to sell their common stock at or above the initial public offering price or at the time that they would like to sell.

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Our stock price may be volatile, and the market price of our common stock after this offering may drop below the price you pay.

The market price of our common stock could be subject to significant fluctuations after this offering, and it may decline below the initial public offering price. Market prices for securities of early stage companies have historically been particularly volatile. As a result of this volatility, you may not be able to sell your common stock at or above the initial public offering price. Some of the factors that may cause the market price of our common stock to fluctuate include:

- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- fluctuations in our revenue due to decreases in members or member usage of Zipcars;
- changes in estimates of our financial results or recommendations by securities analysts;
- failure of our car sharing service to achieve or maintain market acceptance;
- changes in market valuations of similar companies;
- success of competitive service offerings or technologies;
- changes in our capital structure, such as future issuances of securities or the incurrence of debt;
- announcements by us or our competitors of significant services, contracts, acquisitions or strategic alliances;
- regulatory developments in the United States, foreign countries or both;
- litigation involving us;
- additions or departures of key personnel;
- investors general perception of us; and
- changes in general economic, industry and market conditions.

In addition, if the market for technology and source sector stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

A significant portion of our total outstanding shares may be sold into the public market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time after the expiration of the lock-up agreements described in the Underwriting section of this prospectus. These sales, or the market perception that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. Based on shares outstanding as of March 15, 2011, upon completion of this offering, we will have outstanding 38,386,565 shares of common stock. This includes the 9,684,109 shares that we and the selling stockholders are selling in this offering. Of the remaining shares, 28,670,930 shares of common stock will be subject to a 180-day contractual lock-up with the underwriters, subject to extension in specified instances, and 23,338 shares of common stock will be subject to a 180-day contractual lock-up with us. These shares will be able to be sold, subject to any applicable volume limitations under federal securities laws, after the

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earlier of the expiration of, or release from, the 180-day lock-up period. In addition, a portion of these shares is subject to early release under certain circumstances described in the Underwriting section of this prospectus. Goldman, Sachs & Co. and J.P. Morgan Securities LLC, acting as co-representatives of the underwriters, may permit our officers, directors, employees and current stockholders who are subject to the contractual lock-up to sell shares prior to the expiration of the lock-up agreements.

In addition, as of March 15, 2011, there were 5,237,375 shares subject to outstanding options that will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements, the lock-up agreements and Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act. Moreover, holders of an aggregate of approximately 30.1 million shares of our common stock as of March 15, 2011, will have rights, subject to some conditions and any applicable lock-up agreement described in the Underwriting section of this prospectus, to require us to file registration statements covering their shares and to include their shares in registration statements that we may file for ourselves or other stockholders. Holders of an aggregate of approximately 30.1 million shares of our common stock as of March 15, 2011, will have rights, subject to some conditions and any applicable lock-up agreement described in the Underwriting section of this prospectus, to include their shares in registration statements that we may file for ourselves or other stockholders. We also intend to register all shares of common stock that we may issue under our equity incentive plans, including 1,593,167 shares reserved for future issuance under our equity incentive plans as of March 15, 2011. Once we register and issue these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our outstanding common stock immediately after this offering. Therefore, if you purchase our common stock in this offering at the initial offering price of $18.00 per share, you will incur immediate dilution of $15.10 in net tangible book value per share from the price you paid. In addition, following this offering, purchasers in the offering will have contributed 41.3% of the total consideration paid by our stockholders to purchase shares of common stock. Moreover, we issued options in the past to acquire common stock at prices significantly below the initial public offering price. As of March 15, 2011, 5,237,375 shares of common stock were issuable upon exercise of outstanding stock options with a weighted average exercise price of $6.74 per share. To the extent that these outstanding options are ultimately exercised, you will incur further dilution.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they adversely change their recommendations regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us adversely change their recommendation regarding our stock, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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Our management will have broad discretion over the use of the proceeds we receive from this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion to use our net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply our net proceeds of this offering in ways that increase the value of your investment. We expect to use the net proceeds to us from this offering for repayment of existing debt, business expansion, working capital and other general corporate purposes, which may in the future include investments in, or acquisitions of, complementary businesses, joint ventures, partnerships, services or technologies. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence our decisions on how to use our net proceeds from this offering.

After the completion of this offering, we do not expect to declare any dividends in the foreseeable future.

After the completion of this offering, we do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our certificate of incorporation, bylaws and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings;
- providing our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings;
- establishing a classified board of directors so that not all members of our board are elected at one time;
- limiting the determination of the number of directors on our board of directors and the filling of vacancies or newly created seats on the board to our board of directors then in office; and

- providing that directors may be removed by stockholders only for cause.

These provisions, alone or together, could delay hostile takeovers and changes in control of our company or changes in our management.

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As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock. Any provision of our amended and restated certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

We record substantial expenses related to our issuance of stock options that may have a material adverse impact on our operating results for the foreseeable future.

Our stock-based compensation expenses totaled $0.8 million, $1.7 million and $2.8 million during 2008, 2009 and 2010. We expect our stock-based compensation expenses will continue to be significant in future periods, which will have an adverse impact on our operating results. The model used by us requires the input of highly subjective assumptions, including the price volatility of the option s underlying stock. If facts and circumstances change and we employ different assumptions for estimating stock-based compensation expense in future periods, or if we decide to use a different valuation model, the future period expenses may differ significantly from what we have recorded in the current period and could materially affect the fair value estimate of stock-based payments, our operating income, net income and net income per share.

Our directors, executive officers and principal stockholders could have substantial control over us after this offering and could delay or prevent a change in corporate control.

After this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, will beneficially own, in the aggregate, approximately 42.0% of our outstanding common stock, assuming no exercise of the underwriters option to purchase additional shares of our common stock in this offering. As a result, these stockholders, if they were to act together, could have significant influence over the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, if they were to act together, could have significant influence over the management and affairs of our company. Accordingly, this concentration of ownership might harm the market price of our common stock by:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of us.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as may, will, should, expects, plans, anticipates, could, int projects, contemplates, believes, estimates, predicts, potential or continue or the negative of these terms or other similar expressions. T forward-looking statements in this prospectus are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this prospectus and are subject to a number of risks, uncertainties and assumptions described in the Risk Factors section and elsewhere in this prospectus. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events or otherwise.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the common stock that we are offering will be approximately $107.8 million, based on the initial public offering price of $18.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional shares, all such shares will be purchased from the selling stockholders. We will not receive any of the net proceeds from the sale of the shares by the selling stockholders.

We intend to use the net proceeds to us from this offering for repayment of certain debt, business expansion, working capital and other general corporate purposes, including the development of new services, sales and marketing activities and capital expenditures.

In particular, we intend to use approximately $10.0 million of the proceeds to repay amounts owed to affiliates of Goldman, Sachs & Co., one of the lead managing underwriters of this offering, relating to indebtedness incurred by ZVF. ZVF used the proceeds of the variable note issued to affiliates of Goldman, Sachs & Co. to purchase vehicles ZVF leased to us. This variable note carries a coupon rate of 9% and an initiation fee of $600,000, and matures in May 2011 unless extended.

We intend to use approximately $5.0 million to repay amounts owing to certain former shareholders of Streetcar. These notes were part of the consideration we paid to acquire Streetcar. These notes carry an effective interest rate of 12.2%, which includes cash interest at a fixed rate and the value of warrants granted in connection with this agreement. Cash interest includes a final interest payment payable at maturity. Repayments are payable over 27 months commencing on July 1, 2011 as follows: $1.0 million in 2011, $2.2 million in 2012 and $1.8 million in 2013.

We are contractually obligated to repay amounts owing to affiliates of Goldman, Sachs & Co. and the former Streetcar shareholders as noted above from the net proceeds to us from this offering. We also intend to use $30.8 million of the net proceeds to us from this offering to repay all of our debt owing to Lighthouse Capital Partners VI, L.P. and Pinnacle Ventures L.L.C., which are described below.

As of December 31, 2010, debt outstanding to Lighthouse Capital Partners VI, L.P. under our May 2008 facility was $5.0 million. Advances under the agreement were allowed through May 31, 2009 and are payable in 36 monthly installments starting in June 2009. The effective interest rate is 11.2%, which includes cash interest at a fixed rate and the value of the warrants granted in connection with this agreement. Cash interest includes a final interest payment payable at maturity. Repayments under our current terms are as follows: $3.5 million in 2011 and $1.5 million in 2012.

As of December 31, 2010, debt outstanding to Pinnacle Ventures L.L.C. under our June 2009 facility was $8.5 million. We used $4.0 million from this facility to fund our working capital and $6.0 million from this facility to pay for a portion of costs related to the Streetcar acquisition. Advances under the agreement were allowed through March 31, 2010 and are payable in 36 monthly installments starting in July 2010. The effective interest rate is 16.8%, which includes cash interest at a fixed rate and the value of the warrants granted in connection with this agreement. Cash interest includes a final interest payment payable at maturity. We repaid $1.5 million in 2010 and repayments under our current terms are as follows: $3.2 million in 2011, $3.5 million in 2012 and $1.8 million in 2013.

In March 2010, we entered into a third loan and security agreement with Lighthouse Capital Partners VI, L.P. and Pinnacle Ventures L.L.C. We used a portion of these proceeds to fund our working capital and to purchase property and equipment, principally vehicles. As of December 31, 2010, debt outstanding under this facility was $20 million. Amounts borrowed under this facility are payable in 27 monthly installments starting in July 2011. The effective interest rate is 15.8%, which includes cash interest at a fixed rate and the value of the warrants granted in connection with this agreement. Cash interest includes a final interest payment payable at maturity. Repayments under our current terms are as follows: $4.2 million in 2011, $8.8 million in 2012 and $7.0 million in 2013.

We may also use a portion of the net proceeds from this offering for the acquisition of, or investment in, companies, technologies, services or assets that complement our business. We have no present understandings, commitments or agreements to enter into any acquisitions or investments. Pending these uses, we intend to invest the net proceeds from this offering in short-term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have not declared or paid any cash dividends on our capital stock since our inception. We intend to retain future earnings, if any, to finance the operation and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future.

INDUSTRY AND OTHER DATA

We obtained the industry, market and competitive position data in this prospectus from our own internal estimates and research and surveys we conduct of our members, as well as from industry and general publications and research, surveys and studies conducted by third parties. We believe and act as if the third-party data contained herein, and the underlying economic assumptions relied upon therein, are generally reliable, but we have not independently verified them.

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CAPITALIZATION

The following table sets forth our current and long-term debt and capitalization as of December 31, 2010, as follows:

- on an actual basis;

- on a pro forma basis to reflect (1) the automatic conversion of all outstanding shares of our preferred stock into 25,097,882 shares of common stock upon the closing of this offering, (2) the automatic conversion of all redeemable convertible preferred stock warrants into warrants to purchase common stock and the reclassification of the associated liability to stockholders equity, and (3) the filing of our restated certificate of incorporation as of the closing date of this offering; and

- on a pro forma as adjusted basis to reflect (1) the effect of our issuance and sale of 6,666,667 shares of common stock in this offering based on the initial public offering price of $18.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, (2) the mandatory repayment of the note payable to affiliates of Goldman, Sachs & Co., in the amount of $8.3 million, (3) the mandatory repayment of the notes payable to Streetcar shareholders in the amount of $5.0 million and (4) the expected repayment of the notes payable to Lighthouse Capital Partners VI, L.P. and Pinnacle Ventures L.L.C. of $32.6 million.

You should read this information in conjunction with our consolidated financial statements and the related notes appearing at the end of this prospectus and the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other financial information contained in this prospectus.

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	As of December 31, 2010		
	Actual	Pro forma (Unaudited)	Pro Forma As Adjusted
	(in thousands, except share and per share data)		
Total long-term debt, including current portion	$ 66,459	$ 66,459	$ 20,617
Redeemable convertible preferred stock warrants	478		
Redeemable convertible preferred stock, par value $0.001 per share:			
Series A redeemable convertible preferred stock: 545,056 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	986		
Series B redeemable convertible preferred stock: 9,408,742 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	4,584		
Series C redeemable convertible preferred stock: 5,714,998 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	3,935		
Series D redeemable convertible preferred stock: 10,117,134 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	11,517		
Series E redeemable convertible preferred stock: 6,497,389 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	24,937		
Series F redeemable convertible preferred stock: 16,285,000 shares authorized, 14,307,602 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	49,789		
Series G redeemable convertible preferred stock: 3,942,182 shares authorized, 2,759,527 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	20,935		
Total redeemable convertible preferred stock	116,683		
Stockholders (deficit) equity :			
Common stock, $0.001 par value: 100,000,000 shares authorized, 6,415,436 shares issued and outstanding, actual; 510,000,000 shares authorized, 31,513,318 shares issued and outstanding, pro forma and 510,000,000 shares authorized, 38,179,985 shares issued and outstanding, pro forma as adjusted	6	32	38
Additional paid-in capital	59,647	176,782	284,576
Accumulated deficit	(65,380)	(65,380)	(65,380)
Accumulated other comprehensive loss	426	426	426
Total stockholders (deficit) equity	(5,301)	111,860	219,660
Total capitalization	$ 178,319	$ 178,319	$ 240,277

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The table above does not include:

- 1,694,836 shares of common stock issuable upon the exercise of warrants outstanding as of March 15, 2011 at a weighted average exercise price of $5.37 per share;

- 5,237,375 shares of common stock issuable upon the exercise of stock options outstanding as of March 15, 2011 at a weighted average exercise price of $6.74 per share; and

- 1,593,167 shares of common stock available for future issuance under our equity compensation plans as of March 15, 2011.

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DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the net tangible book value per share of our common stock after this offering. Our pro forma net tangible book value as of December 31, 2010 was $3.0 million, or $0.09 per share of our common stock. Pro forma net tangible book value per share represents our total tangible assets reduced by the amount of our total liabilities, divided by the total number of shares of our common stock outstanding after giving effect to the automatic conversion of all outstanding shares of our preferred stock upon the closing of this offering.

After giving effect to the sale of shares of common stock that we are offering at the initial public offering price of $18.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2010 would have been approximately $110.8 million, or approximately $2.90 per share. This amount represents an immediate increase in pro forma net tangible book value of $2.81 per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately $15.10 per share to new investors purchasing shares of common stock in this offering. We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the amount of cash that a new investor paid for a share of common stock. The following table illustrates this dilution:

Initial public offering price per share		$ 18.00
Pro forma net tangible book value per share as of December 31, 2010	$ 0.09	
Increase per share attributable to this offering	2.81	
Pro forma as adjusted net tangible book value per share after this offering		$ 2.90
Dilution per share to new investors		$ 15.10

The following table summarizes, as of March 15, 2011, the differences between the number of shares purchased from us, the total consideration paid to us in cash and the average price per share that existing stockholders and new investors paid. As the table shows, new investors purchasing shares in this offering will pay an average price per share substantially higher than our existing stockholders paid.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	31,719,898	82.6%	$ 170,642,000	58.7%	$ 5.34
New investors	6,666,667	17.4	120,000,000	41.3	18.00
Total	38,386,565	100.0%	$ 290,642,000	100.0%	

The foregoing tables and calculations are based on the number of shares of our common stock outstanding as of March 15, 2011 after giving effect to the automatic conversion of all outstanding shares of our preferred stock upon the closing of this offering and excludes:

- 1,694,836 shares of common stock issuable upon the exercise of warrants outstanding as of March 15, 2011 at a weighted average exercise price of $5.37 per share;

- 5,237,375 shares of common stock issuable upon the exercise of stock options outstanding as of March 15, 2011 at a weighted average exercise price of $6.74 per share; and

- 1,593,167 shares of common stock available for future issuance under our equity compensation plans as of March 15, 2011.

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To the extent any of these outstanding options or warrants is exercised, there will be further dilution to new investors. To the extent all of such outstanding options and warrants had been exercised as of March 15, 2011, the pro forma as adjusted net tangible book value per share after this offering would be $3.44, and total dilution per share to new investors would be $14.56.

The sale of 3,017,442 shares of our common stock by the selling stockholders in this offering will reduce the number of shares of our common stock held by existing stockholders to 28,702,456 shares, or 74.8% of the total shares outstanding, and will increase the number of shares of our common stock held by new investors to 9,684,109 shares, or 25.2% of total shares of our common stock outstanding.

If the underwriters exercise in full their option to purchase additional shares, the number of shares of our common stock held by existing stockholders will be reduced to 27,249,839 shares, or 71.0% of the total shares outstanding, and the number of shares of our common stock held by new investors will be increased to 11,136,726 shares, or 29.0% of total shares of our common stock outstanding.

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ZIPCAR AND STREETCAR

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introductory Note

On April 20, 2010, Zipcar, Inc. (the Company) acquired 100% of the outstanding stock of Streetcar Limited (Streetcar) in order to expand its London, U.K. and European presence. All of the issued and outstanding shares of Streetcar were sold to the Company for an aggregate consideration of $62.8 million. The purchase price consists of the following: 4.1 million shares of common stock of the Company (valued at $43.3 million), $7.6 million in cash, $5.0 million in promissory notes and warrants to purchase 0.9 million shares of the Company s common stock (valued at $6.9 million). Common stock issued include 0.9 million shares held in escrow, which escrow shares shall be released to the pre-acquisition Streetcar stockholders upon the earlier of 18 months following the closing of the acquisition and the joint authorization of the Company and the pre-acquisition Streetcar stockholders, subject to any claim by the Company against the pre-acquisition Streetcar stockholders for a breach of any warranty, covenant, representation or indemnity, or agreed upon liabilities, as set forth in the purchase and sale agreement. The purchase price was based on a valuation using currently-available information and reasonable and supportable assumptions.

The following unaudited pro forma combined condensed financial information gives effect to the acquisition by the Company of all of the outstanding securities of Streetcar. The unaudited pro forma combined condensed statements of operations combine the results of operations of the two companies for the year ended December 31, 2010, as if the acquisition had occurred on January 1, 2010. An unaudited pro forma combined condensed balance sheet for the Company and Streetcar as of December 31, 2010 is not presented as Streetcar s balance sheet, including related acquisition adjustments, has already been included in the consolidated balance sheet of the Company as of this date. The unaudited pro forma combined condensed financial information has been prepared from, and should be read in conjunction with, the respective historical consolidated financial statements and related notes of the Company and Streetcar included in this prospectus.

The historical profit and loss accounts of Streetcar have been prepared in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP). For the purpose of presenting the unaudited pro forma combined condensed financial information, the profit and loss accounts relating to Streetcar have been adjusted to conform to generally accepted accounting principles in the United States (US GAAP) as described in Note 5. In addition, certain adjustments have been made to the historical financial statements of Streetcar to reflect reclassifications to conform to the Company s presentation under US GAAP. The historical financial statements of Streetcar were presented in pounds sterling. For the purpose of presenting the unaudited pro forma combined condensed financial information, the adjusted income statements of Streetcar for the period ended December 31, 2010 have been translated into U.S. Dollars at the average daily rates for the periods ended December 31, 2010. The unaudited pro forma combined condensed financial information included in this prospectus is not necessarily intended to represent what the Company s results of operations would have been if the acquisition had occurred on that date or to project the Company s results of operations for any future period. Since the Company and Streetcar were not under common control or management for any period presented, the unaudited pro forma combined condensed financial results may not be comparable to, or indicative of, future performance.

The unaudited pro forma combined condensed statements of operations included herein have been prepared pursuant to the rules and regulations of the SEC. Certain information and certain footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to these rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading.

The unaudited pro forma combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the acquisition, the costs to combine the operations of the Company and Streetcar or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements. In addition, the information does not reflect deferred taxes, as they will not have an impact on the information presented due to the Company s full valuation allowance on deferred tax assets.

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ZIPCAR AND STREETCAR

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Zipcar, Inc. Consolidated Year Ended December 31, 2010	Streetcar Limited Period Ended April 20, 2010	Pro Forma Adjustments	Pro Forma Combined
	(in thousands, except share and per share data)			
Revenue	$ 186,101	$ 8,253		$ 194,354
Cost and expenses				
Fleet operations	122,634	5,570	(38)(A)	128,166
Member services and fulfillment	15,114	703		15,817
Research and development	3,170	152		3,322
Selling, general and administrative	49,172	3,865	(2,039)(B)	50,998
Amortization of acquired intangible assets	3,414		1,090(C)	4,504
Total operating expenses	193,504	10,290	(987)	202,807
Loss from operations	(7,403)	(2,037)	987	(8,453)
Interest income	47			47
Interest expense	(8,185)	(546)	(163)(D)	(8,894)
Other income, net	1,731			1,731
Loss before income taxes	(13,810)	(2,583)	824	(15,569)
Provision for income taxes	311			311
Net loss	(14,121)	(2,583)	824	(15,880)
Less: Net loss attributable to redeemable noncontrolling interest	(4)			(4)
Net loss attributable to controlling interest	$ (14,125)	$ (2,583)	$ 824	$ (15,884)
Net loss attributable to common stockholders per share basic and diluted	$ (2.74)			$ (2.49)
Weighted average number of common shares outstanding used in computing per share amounts basic and diluted	5,148,559		(E)	6,381,999

See the accompanying notes to the unaudited pro forma condensed combined

financial statements, which are an integral part of these statements.

The pro forma adjustments are explained in Note 3 and Note 4.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

The acquisition of Streetcar is accounted for under the acquisition method of accounting in accordance with ASC Topic 805-10, Business Combinations Overall (ASC 805-10). The Company has accounted for the transaction by using its historical information and accounting policies and adding the assets and liabilities of Streetcar as of the acquisition date at their respective fair values. Pursuant to ASC 805-10, under the acquisition method, the total purchase price (consideration transferred), as described in Note 3, *Purchase Price Allocation*, is measured at the acquisition closing date using the fair value of the Company s common stock on that date. The assets and liabilities of Streetcar have been measured based on various estimates and valuations using assumptions that the Company s management believes are reasonable utilizing information currently available. Use of different estimates and judgments could yield different results.

The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The excess of the purchase price (consideration transferred) over the estimated amounts of identifiable assets and liabilities of Streetcar as of the effective date of the acquisition was allocated to goodwill in accordance with ASC 805-10.

For purposes of measuring the estimated fair value of the assets acquired and liabilities assumed as reflected in the unaudited pro forma condensed combined financial statements, the Company used the guidance in ASC Topic 820-10, Fair Value Measurement and Disclosure Overall (ASC 820-10), which establishes a framework for measuring fair values. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, under ASC 820-10, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, the Company may be required to value assets of Streetcar at fair value measures that do not reflect the Company s intended use of those assets. Use of different estimates and judgments could yield different results.

Under ASC 805-10, acquisition-related transaction costs (e.g., investment banker, advisory, legal, valuation, and other professional fees) are not included as a component of consideration transferred but are required to be expensed as incurred. These costs are not presented in the unaudited pro forma condensed combined statement of income because they will not have a continuing impact on the combined results.

NOTE 2 ACCOUNTING POLICIES

Upon completion of the acquisition, the Company reviewed Streetcar s accounting policies and identified differences between the accounting policies of the two companies. The unaudited pro forma condensed combined financial statements reflect adjustments to conform Streetcar s results to the Company s policies with respect to differences in the method of evaluating residual values and corresponding depreciation rates on vehicles.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 3 PURCHASE PRICE ALLOCATION

The unaudited pro forma combined condensed consolidated financial information reflects a purchase price of approximately $62.8 million consisting of the following: 4.1 million shares of common stock of the Company (valued at $43.3 million), $7.6 million of cash, $5.0 million in promissory notes and warrants to purchase 0.9 million shares of the Company s common stock (valued at $6.9 million).

The purchase price of approximately $62.8 million was allocated over the fair values of the assets acquired and liabilities assumed as follows (in thousands):

Accounts receivable	$ 896
Prepaid expenses and other current assets	1,334
Property and equipment	26,775
Member relationships	7,023
Parking spaces in place	1,603
Non-Compete agreements	657
Tradename	870
Reservation system	281
Goodwill	57,219
Total assets acquired	96,658
Accounts payable	(1,375)
Accrued expenses	(4,527)
Bank overdraft	(74)
Current portion of capital leases	(15,173)
Long term portion of capital leases	(12,743)
Total liabilities assumed	(33,892)
Purchase price	$ 62,766

Goodwill results from expected synergies from the acquisition, including marketing associated with a single brand, a common technology platform and reduced administrative costs. Also included in goodwill is assembled workforce.

The valuation of the identifiable intangible assets acquired was based on currently available information and reasonable and supportable assumptions. The purchase price of the acquisition was allocated to the assets acquired and liabilities assumed based on estimates of their fair values as of April 20, 2010. The tangible long-lived assets were recorded at their estimated fair value, which approximates their carrying value except for Streetcar s in-car equipment, which is to be retired and replaced by the Company as part of a transition plan to move to a single technology platform. The fair value of Streetcar s in-car equipment was determined by using estimated resale values for the same type of equipment. The intangible long-lived assets were valued using a combination of income and cost methods. For the assembled workforce and parking spaces in place, the Company used the cost approach, which included certain lost opportunity costs; key assumptions included the cost to acquire and train the workforce and the time and expected costs to acquire parking spaces. To value the member relationships, the Company used the income approach, specifically, a variation of the discounted cash-flow method known as the multiperiod excess earnings method; key assumptions included the future revenue and costs attributable to existing members and their expected attrition

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

rates. To value the non-compete agreements, the Company used a comparative business valuation method; key assumptions included the probability of the individuals in question competing and the impact of such competition on the business. The relief from royalty method, which considers both the market approach and the income approach, was used to value both the Streetcar trade name and the reservation system; key assumptions included the future revenue attributable to this trade name and a market-based royalty rate. Further, all future cash flows in applicable valuations have been discounted at an estimated discount rate. The Company believes these methods and assumptions were appropriate because of the lack of comparative market sales data required for the market approach when measuring the value of these assets. The excess of the aggregate estimated purchase price over the estimated fair value of the tangible and intangible assets and liabilities in the amount of $57.2 million was classified as goodwill.

The aggregate estimated purchase price of $62.8 million reflected in these unaudited pro forma condensed combined financial statements is based on the valuation of the Company s common stock as of April 20, 2010, which was $10.68 per share. The valuation analysis of the Company s common stock has been conducted under a probability-weighted expected return method as prescribed by the AICPA Practice Aid. Under this methodology, the fair market value of the Company s common stock is estimated based upon an analysis of future values assuming various outcomes. The value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available to the Company as well as the rights of each share class. The possible outcomes considered are based upon an analysis of future scenarios as described below:

- completion of an initial public offering;
- sale to a strategic acquirer;
- continuation as a private company; and
- remote likelihood of dissolution.

The private company scenario and sale scenario analyses use averages of the guideline public company method and the discounted future cash flow method. The Company estimated the enterprise value under the guideline public company method by comparing the Company to publicly-traded companies in the industry group. The companies used for comparison under the guideline public company method were selected based on a number of factors, including the similarity of their industry, growth rate and stage of development, business model and financial risk. The Company also estimated the enterprise value under the discounted future cash flow method, which involves applying appropriate discount rates to estimated cash flows that are based on forecasts of revenue, costs and capital requirements. The Company estimated future revenue growth based on a number of key assumptions including membership growth, frequency of reservations per member, duration of trips and pricing for existing markets and entry into new markets. The Company s cost structure assumptions were based on historic trends, modified for inflation and expected operational efficiencies. The Company s cost structure assumptions are also based on historical trends and its expectations for operational efficiencies and inflation. These assumptions underlying the estimates were consistent with the plans and estimates that the Company uses to manage its business. The Company used a discount rate in its valuation that was deemed to be commensurate with the underlying uncertainties associated with achieving the estimated cash flows projected. Assuming a $1.00 change in the Company s common stock value, the estimated purchase price would have increased or decreased by approximately $4.8 million, which would have been reflected in these unaudited pro forma condensed combined financial statements as an increase or decrease to goodwill.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

The warrants issued in connection with this acquisition have exercise prices of $5.06 to $8.74 per share. These warrants are fully vested and are exercisable over 7 years. The fair value of the warrants was estimated using the Black-Scholes option pricing model. The following assumptions were used in estimating the fair value:

Stock price on April 20, 2010	$ 10.68
Exercise price	$ 5.06-$8.74
Expected term (in years)	7
Expected volatility	60%
Risk-free interest rate	3.20%
Expected dividend	0%

The Company estimates useful lives for each category of intangible assets based on the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The acquired intangible assets subject to amortization are amortized based upon the pattern in which the economic benefits of the intangible assets are being realized, which are on a straight-line basis for all acquired intangible assets except member relationships. Member relationships are amortized 33% in the first year, 27% in the second year, 20% in the third year, 13% in the fourth year and 7% in the fifth year primarily because the economic benefit derived from member relationships declines due to member attrition each year. The Company estimated the expected member attrition rate primarily based on historical attrition rates. The pro forma amortization expenses included in these pro forma financial statements are as follows (in thousands):

	Estimated Fair Value	Estimated Useful Life (Years)	Pro Forma Amortization for the Year Ended December 31, 2010
Member relationships	$ 7,023	5	$ 2,372
Parking spaces in place	1,603	3	542
Non-Compete agreements	657	2	332
Tradename	870	2.7	331
Reservation system	281	1.5	190
	$ 10,434		$ 3,767

NOTE 4 PRO FORMA ADJUSTMENTS

Item (A): Adjustments to fleet operations costs consist of the following (in thousands):

	Year Ended December 31, 2010
Accounting policies conformity related to depreciation policy of vehicles (1)	$ (38)
	$ (38)

1) Streetcar s depreciation policy for vehicles uses a reducing balance depreciation method at rates of 10% to 16% per year. The Company depreciates its vehicles to a residual value over their estimated useful lives using a straight-line method at rates of 12% to 20% per year. These adjustments reflect the total of the differences between both calculations.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

Item (B): Under ASC 805-10, acquisition-related transaction costs are not included as a component of consideration transferred but are required to be expensed as incurred. All acquisition related costs, such as legal, accounting, due diligence, regulatory fees, brokers fees and other professional fees, of $1.2 million and $0.8 million for the Company and Streetcar, respectively, for the year ended December 31, 2010 were eliminated since they will not have a continuing impact on the combined results of the Company and Streetcar.

Item (C): Adjustments to reflect amortization of acquired intangible assets as detailed in Note 3 *Purchase Price Allocation* less amortization in the amount of $2.7 million already included in the Company s consolidated income statements for the year ended December 31, 2010.

Item (D): Adjustments to interest expense consist of the following (in thousands):

	Year Ended December 31, 2010
Interest expense incurred on $5,000 of acquisition note payable at an effective rate of 12.2%	$ 614
Reverse actual interest expense on $5,000 of acquisition note included in the financial statements	(460)
Interest expense incurred on $6,000 borrowed at an effective interest rate of 15.5% and used to finance part of $7,661 cash payment to Streetcar s shareholders	872
Reverse actual interest expense on $6,000 borrowed to finance cash payment to Streetcar s shareholders	(720)
Eliminate historical interest expense included in Streetcar s financial statements on loan to a Streetcar shareholder paid off upon the closing of the acquisition	(143)
	$ 163

Item (E): Adjustment to the weighted average number of common shares outstanding used in computing per share amounts, basic and diluted, is as follows:

	Year Ended December 31, 2010
Company s historical weighted average common shares	5,148,559
Add the pro forma impact of common shares issued to Streetcar s shareholders at the beginning of 2010	1,233,440
	6,381,999

NOTE 5 UK GAAP TO US GAAP ADJUSTMENTS

The following tables show a reconciliation of the unaudited historical profit and loss accounts for the period ended April 20, 2010, prepared in accordance with UK GAAP and in pounds sterling, to the statement of operations under US GAAP and in U.S. Dollars included in the unaudited pro forma combined condensed statements of operations.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

The UK GAAP to US GAAP adjustments represent the significant adjustments that are required to reconcile the statements of operations of Streetcar to US GAAP and provide descriptions of the nature of each adjustment as follows:

STREETCAR LIMITED

STATEMENT OF OPERATIONS PRESENTATION AND UK GAAP TO US GAAP ADJUSTMENTS

FOR THE PERIOD ENDED APRIL 20, 2010

	Streetcar Limited UK GAAP Period Ended April 20, 2010 (GBP) (Unaudited)	UK GAAP to US GAAP Presentation Adjustments (GBP) (1)	UK GAAP US Presentation Period Ended April 20, 2010 (GBP)	UK GAAP to US GAAP Adjustments Period Ended April 20, 2010 (GBP)	Streetcar Limited US GAAP Period Ended April 20, 2010 (GBP)	Streetcar Limited US GAAP Period Ended April 20, 2010 (USD) (2)
			(in thousands)			
Turnover	£ 5,543	£ (5,543)	£	£	£	£
Revenue		5,543	5,543	(238)(3)	5,305	$ 8,253
Cost and expenses						
Cost of sales	3,817	(3,817)				
Fleet operations		3,818	3,818	(238)(3)	3,580	5,570
Member services and fulfillment		452	452		452	703
Research and development		98	98		98	152
Administrative expenses before exceptional items	3,058	(3,058)				
Selling, general and administrative		2,071	2,071	413(4)	2,484	3,865
Exceptional profit on disposal of vehicles	(195)	195				
Amortization of acquired intangible assets						
Total operating expenses	6,680	(241)	6,439	175	6,614	10,290
Income from operations	(1,137)	241	(896)	(413)	(1,309)	(2,037)
Interest income						
Interest expense	(110)	(241)	(351)		(351)	(546)
Other income, net						
Loss before income taxes	(1,247)		(1,247)	(413)	(1,660)	(2,583)
Provision for income taxes						
Net Income	£ (1,247)	£	£ (1,247)	£ (413)	£ (1,660)	$ (2,583)

Notes:

1) Reclassification from Streetcar s UK GAAP profit and loss account presentation to US GAAP statement of operations presentation. This includes conforming adjustments to make Streetcar s

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

presentation for cost of sales, administrative expenses and interest expense consistent with the presentation of the Company s financial statement line items.

2) Results are converted to U.S. Dollars using the average exchange rate for the period presented. The exchange rate used for the period ended April 20, 2010 was 1.556.

3) Adjustment to reverse revenue and cost of sales gross up of certain credits granted to customers that are allowed by UK GAAP but prohibited by US GAAP.

4) Adjustment to accrue for transaction expenses of Streetcar s shareholders of £0.4 million, owed to a majority shareholder of Streetcar. Under UK GAAP, these expenses are considered expenses of the Streetcar shareholders and therefore are not included in Streetcar s UK GAAP profit and loss accounts. Under US GAAP, these expenses are considered expenses of Streetcar; therefore they are included in Streetcar s US GAAP statement of operations. The Company has recognized the liability related to these expenses as an assumed liability in accounting for the transaction. Upon the closing of the acquisition of Streetcar, the Company settled this liability with cash, note, common stock and warrants to acquire common stock of Zipcar.

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SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements, related notes and other financial information included in this prospectus. The consolidated statements of operations data for the years ended December 31, 2008, 2009 and 2010 and the consolidated balance sheets data as of December 31, 2009 and 2010 are derived from our audited consolidated financial statements included in this prospectus.

The consolidated statement of operations data for the year ended December 31, 2006 and 2007 and the consolidated balance sheets data as of December 31, 2006, 2007 and 2008 are derived from our audited consolidated financial statements not included in this prospectus. Historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,				
	2006	2007(1)	2008	2009	2010(2)
	(in thousands, except per share and share data)				
Revenue	$ 30,651	$ 57,818	$ 105,969	$ 131,182	$ 186,101
Cost and expenses					
Fleet operations	23,962	50,033	84,199	93,367	122,634
Member services and fulfillment	2,216	4,379	7,580	10,414	15,114
Research and development	794	904	1,549	2,314	3,170
Selling, general and administrative	7,231	16,204	25,324	29,973	49,172
Amortization of acquired intangible assets		219	1,226	990	3,414
Total operating expenses	34,203	71,739	119,878	137,058	193,504
Loss from operations	(3,552)	(13,921)	(13,909)	(5,876)	(7,403)
Interest income	603	1,387	429	60	47
Interest expense	(1,418)	(2,070)	(1,603)	(2,457)	(8,185)
Other income, net		160	568	3,690	1,731
Loss before income taxes	(4,367)	(14,444)	(14,515)	(4,583)	(13,810)
Provision for income taxes				84	311
Net loss	(4,367)	(14,444)	(14,515)	(4,667)	(14,121)
Less: Net loss attributable to the redeemable noncontrolling interest				23	(4)
Net loss attributable to Zipcar, Inc.	$ (4,367)	$ (14,444)	$ (14,515)	$ (4,644)	$ (14,125)
Net loss attributable to common stockholders per share basic and diluted	$ (2.86)	$ (7.51)	$ (7.15)	$ (2.23)	$ (2.74)
Weighted average number of common shares outstanding used in computing per share amounts basic and diluted	1,526,390	1,923,145	2,028,986	2,083,943	5,148,559
Pro forma net loss per share basic and diluted (unaudited)					$ (0.49)
Pro forma weighted average number of common shares outstanding (unaudited)(3)					29,031,776

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	Years Ended December 31,				
	2006	2007	2008	2009	2010
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 3,083	$ 7,482	$ 21,099	$ 19,228	$ 43,005
Total assets	47,214	103,707	87,926	89,907	248,928
Deferred revenue	2,009	6,081	9,870	12,908	17,912
Redeemable convertible preferred stock warrant		195	144	400	478
Notes payable and capital lease obligation	10,832	20,384	16,956	15,212	94,063
Redeemable convertible preferred stock	45,958	95,715	95,715	95,715	116,683
Total stockholders deficit	(17,307)	(31,068)	(45,018)	(47,363)	(5,301)

(1) In 2007, the Company acquired Flexcar (see Note 3 to the Consolidated Financial Statements).

(2) In April 2010, the Company acquired Streetcar (see Note 3 to the Consolidated Financial Statements).

(3) The pro forma weighted average number of shares of common stock outstanding gives effect to the automatic conversion of all of our outstanding convertible preferred stock into common stock upon the closing of this offering. The Series G redeemable convertible preferred stock, which converts to common stock at the closing of this offering, is included from its issuance dates of November 17, 2010 and December 1, 2010.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes and the other financial information appearing elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under Risk Factors. See also Forward-Looking Statements.

Overview

Zipcar operates the world s leading car sharing network. We operate our membership-based business in 14 major metropolitan areas and on more than 230 college campuses in the United States, Canada and the United Kingdom. Our car sharing service provides over 560,000 members with cars on demand in reserved parking spaces within an easy walk of where they live and work. Our members may reserve cars by the hour or by the day at rates that include gas, insurance and other costs associated with car ownership. We offer our solution to individuals, universities, businesses and government agencies.

Our revenue has grown from $30.7 million in 2006 to $186.1 million in 2010. From our inception through December 31, 2010, a substantial portion of our revenue has been generated in North America. We have experienced losses since inception and, as of December 31, 2010, had an accumulated deficit of $65.4 million. Our business initially requires fleet, marketing and infrastructure investments in each metropolitan area. As markets develop and membership increases, our business benefits from operational efficiencies and economies of scale. Cash flows from our more mature markets are used to fund new and emerging markets as well as investments in our infrastructure.

Acquisitions

Although our principal growth has been organic, we have also grown through acquisitions. On November 1, 2007, we acquired Flexcar, a national operator of car sharing services, in a tax-free stock-for-stock merger by issuing 14.3 million shares of Series F redeemable convertible preferred stock and warrants to acquire 0.2 million shares of Series F redeemable convertible preferred stock.

In April 2010, we expanded our London operations with the acquisition of Streetcar, a car sharing service in the United Kingdom. Streetcar s revenue for the year ended December 31, 2009 was $23.1 million. In connection with this acquisition, we issued 4.1 million shares of common stock and warrants to acquire 0.9 million shares of common stock along with $7.6 million in cash and $5.0 million in notes payable to acquire all of the outstanding capital stock of Streetcar. Upon the closing of this offering, we will repay the notes payable. In June 2010, we responded to a May 2010 inquiry letter from the U.K. Office of Fair Trading, or OFT, seeking information relating to our acquisition of Streetcar. The OFT subsequently referred the matter to the Competition Commission, or CC. In December 2010, the CC issued a final determination that it did not expect our acquisition of Streetcar to lead to a substantial lessening of competition in the United Kingdom. We commenced the integration of our London operations with those of Streetcar following the CC s final determination.

Equity Investment

In December 2009, we made an equity investment of approximately $0.3 million for a minority ownership stake in Catalunya Carsharing S.A., known as Avancar, the largest car sharing operator in Spain. In December 2010, we loaned $0.4 million to Avancar. This loan has a one year maturity and includes an option to convert the outstanding loan balance into an equity investment in Avancar. At our discretion, we have an option to increase our ownership to a majority holding before December 31, 2011. In addition, we have certain call and put options that are described in Note 12 to the consolidated financial statements.

Revenue

We derive revenue primarily from vehicle usage and membership fees. A prospective member applies for membership online. This initial application is accepted following a driving record check and validation of credit card information provided. To cover these costs, we charge a one-time non-refundable application fee.

Vehicle usage revenue is recognized as chargeable hours are incurred. Annual membership fees are deferred and recognized ratably over the one-year period of membership. Membership application fees are recorded as deferred revenue and recognized ratably as revenue over the average life of the member relationship, which we currently estimate to be five years. In 2008, we began to offer a fleet management solution, known as FastFleet, by licensing our proprietary vehicle-on-demand technology on a SaaS basis to organizations that manage their own fleets of vehicles, including local, state and federal government agencies. Customers are charged a monthly fee, which is recognized ratably.

Our revenue is not concentrated within any one customer or business. Substantially all of our members and customers pay their fees and vehicle usage charges with a credit card. Our revenue is derived from the United States, Canada and the United Kingdom.

Fleet Operations

Fleet operations consist principally of costs associated with operating our vehicles such as lease expense, depreciation, parking, fuel, insurance, gain or loss on disposal of vehicles, accidents, repairs and maintenance as well as employee-related costs. Our fuel costs fluctuate as gasoline prices increase or decrease. We expect fleet operation costs to increase as we expand the number of vehicles in our fleet to service an expanding membership base and support future revenue growth. Over time, however, we expect these costs to decline as a percentage of revenue due to the achievement of increased efficiencies in our operations and as a greater percentage of our markets reach critical mass and vehicle usage levels increase.

Member Services and Fulfillment

Member services and fulfillment expenses consist of the cost of our outsourced contact center, personnel expenses related to our member support teams and credit card processing fees. Member services and fulfillment costs are expected to increase as our membership base increases.

Research and Development

Research and development expenses consist primarily of labor-related costs incurred in coding, testing, maintaining and modifying our technology platform. We have focused our research and development efforts on both improving ease of use and functionality of our reservation, back-end and in-vehicle systems. Our internal and external costs associated with new and enhanced functionality are capitalized and amortized generally over three years. We expect research and development expenses to increase as we continue to enhance and expand our technological capabilities but to decrease over time as a percentage of revenue as we leverage our technology platform over a larger membership base.

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Sales and Marketing

Sales and marketing expenses consist primarily of labor-related costs, online search and advertising, trade shows, marketing agency fees, public relations and other promotional expenses. Online search and advertising costs, which are expensed as incurred, include online advertising media such as banner ads and pay-per-click payments to search engines. We expect to continue to invest in sales and marketing activities to increase our membership base and brand awareness. We expect that sales and marketing expenses will continue to increase in the future but decrease as a percentage of revenue as certain fixed costs are leveraged over a larger revenue base.

General and Administrative

General and administrative expenses consist primarily of labor-related expenses for administrative, human resources, internal information technology support, legal, finance and accounting personnel, professional fees, insurance and other corporate expenses. We expect that general and administrative expenses will increase as we continue to add personnel to support the growth of our business. In addition, we anticipate that we will incur additional personnel expenses, professional service fees, including audit and legal, investor relations, costs of compliance with securities laws and regulations, and higher director and officer insurance costs related to operating as a public company. As a result, we expect that our general and administrative expenses will continue to increase in the future but decrease as a percentage of revenue over time as our membership base and related revenue increases.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses and related disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements and, therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for information about these critical accounting policies, as well as a description of our other significant accounting policies.

Revenue Recognition

We recognize revenue only when the following four criteria are met: price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

We derive revenue primarily from vehicle usage and membership fees. Vehicle usage revenues are recognized as chargeable hours are incurred. Annual membership fees are non-refundable and are deferred and recognized ratably over the one-year period of membership. Membership application fees are recorded as deferred revenue and recognized as revenue over the average life of the member relationship, which we currently estimate to be five years. This estimate is based on several assumptions, including historical retention levels. Any changes to these estimates would increase or decrease our recorded revenue. If the average life of the member relationship changed by one year, our revenue in 2010 would not have changed by a material amount. Direct and incremental costs associated with the membership application process, consisting of the cost of driving record checks and the cost of providing membership cards, are deferred and recognized as an expense over the estimated life of the member relationship. Our members have the ability to purchase a damage fee waiver to reduce or eliminate insurance deductible costs in the event of an accident. Damage waiver fees are recorded as revenue ratably over the term for which such waiver coverage applies. Members are charged a fee for returning our vehicles late. Such fees are recorded as revenue at the time the fee is charged, which is at the end of the reservation period. Periodically, new members are offered driving credits as an inducement to joining Zipcar. These driving credits generally expire shortly after a new member joins Zipcar and allow the member to operate our vehicles without paying for the usage of the vehicles until the credits are exhausted. Accordingly, these driving credits are treated as a deliverable in the arrangement and represent a separate unit of accounting since the credits have value on a stand-alone basis with reliable evidence of fair value. Accordingly, a portion of the annual fee received is allocated to such credits, based on relative fair values of each deliverable, and recorded as revenue upon usage of such credits or upon expiration, whichever is earlier. We provide driving credits to existing members for various reasons, including referring a new member. The cost related to such driving credits is estimated based on an average cost per hour and applied to the estimated hours of driving a member is eligible for based on the corresponding credit. This amount is recorded in the consolidated statement of operations in Fleet Operations.

In 2008, we began to offer a fleet management solution known as FastFleet by licensing our proprietary vehicle-on-demand technology on a SaaS basis, primarily to local, state and federal government agencies. Customers are generally charged an upfront fee and a monthly fee. Monthly fees are recognized ratably. If upfront fees are charged, then the upfront fees are recorded as deferred revenue and recognized as revenue over the expected customer relationship period commencing from the day the customer is granted access to the system.

Software Development Costs

We capitalize certain costs of computer software developed or obtained for internal use. These costs relate to the development of new or enhanced functionality of the software. The costs incurred in the preliminary stages of development are expensed as incurred. Once a project has reached the application development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Accordingly, we use the release date to determine when capitalization ceases for a particular project. These capitalized costs are amortized over the expected software benefit period of three years.

Income Taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the tax rates anticipated to be in effect when such differences reverse. On a periodic basis, we assess the likelihood that we will be able to recover our deferred tax assets. A valuation allowance is provided if, based on currently available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized. This assessment requires us to make judgments about the likelihood and amounts of future taxable income. To date, we have recorded a full valuation allowance for the entire amount of net deferred tax assets.

We follow the accounting guidance on Accounting for Uncertain Tax Positions and recognize liabilities for uncertain tax positions. We evaluate our tax positions by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit by applicable taxing authorities. If we determine that a tax position will more likely than not be sustained in the event of an audit, then we estimate and measure the tax benefit likely to be realized upon ultimate settlement. Any such estimates are inherently difficult and subjective, as we have to make judgments regarding the probability of various possible outcomes. We have no amounts recorded for any

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unrecognized tax benefits as of December 31, 2010. Our policy is to record estimated interest and penalties related to the underpayment of income taxes as a component of our income tax provision. As of December 31, 2010, we had not recorded any accrued interest or tax penalties. Our income tax return reporting periods since December 31, 2007 remain open to income tax audit examination by federal and state taxing authorities. In addition, as we have net operating loss carryforwards, the Internal Revenue Service is permitted to audit earlier years and propose adjustments based on the amount of net operating loss generated in those years.

Utilization of net operating loss and research and development credit carryforwards may be subject to a substantial annual limitation due to ownership changes that have occurred previously or that may occur in the future, as provided by Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions. These ownership changes may limit the amount of net operating loss and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively.

We have performed an analysis under Section 382, as well as similar state provisions, in order to determine whether any limitations might exist on the utilization of net operating losses and research and development credits carryforward due to ownership changes that have occurred previously. Based on this analysis, we have determined that while ownership changes have occurred during our history, a substantial portion of the net operating losses and credits are available for future utilization.

Valuation of Long-Lived and Intangible Assets, Including Goodwill

Long-lived assets are reviewed for impairment whenever events or changes in circumstances or a triggering event, such as service discontinuance or technological obsolescence, indicate that the carrying amount of the long-lived asset may not be recoverable. Determining whether a triggering event has occurred often involves significant judgment from management. When such events occur, we compare the carrying amount of the asset to the undiscounted expected future cash flows related to the asset. If the comparison indicates that an impairment exists, the amount of the impairment is calculated and a charge is recorded. The amount of the impairment is determined to be the difference between the carrying amount and the fair value of the asset. If a readily determinable market price does not exist for the asset, fair value is estimated using discounted expected cash flows attributable to the asset. Significant judgment and estimates are involved in any impairment evaluation and our estimates, including estimates used in determining future cash flows.

We test goodwill for impairment at least annually. We review goodwill for impairment on the last day of our fiscal year and whenever events or changes in circumstances indicate that the carrying amount of this asset may exceed its fair value. Our assessment is performed at the reporting unit level. We evaluate goodwill for impairment using a two-step process. The first step is to identify potential impairment by comparing the fair value of a reporting unit to the book value, including goodwill. If the fair value of a reporting unit exceeds the book value, goodwill is not considered impaired. If the book value exceeds the fair value, the second step of the process is performed to measure the amount of impairment. We have determined that we have three reporting units United States of America (U.S.), United Kingdom (U.K.) and Canada.

The process of evaluating goodwill for impairment involves the determination of the fair value of our reporting units. The fair value of the reporting units is determined in part by using a discounted future cash flow method, which involves applying appropriate discount rates to estimated cash flows including terminal value that are based on forecasts of revenue, costs and capital requirements. We estimated future revenue growth based on a number of key assumptions, including membership growth, frequency of reservations per member, duration of trips, pricing for existing markets and entry into new markets. Our cost structure assumptions were based on historic trends, modified for inflation and expected operational efficiencies. The estimated terminal value was calculated using the Two-Stage Growth model. The cash flows employed in the discounted cash flow analysis are based on our most recent financial plan and various growth rates have been assumed for years beyond the current financial plan period. We used a discount rate in our analysis that was deemed to be commensurate with the underlying uncertainties associated with achieving the estimated cash flows projected. The fair value determination also includes using a guideline public company method in which the reporting unit is compared to publicly-traded companies in the industry group. The companies used for comparison under the guideline public company method were selected based on a number of factors, including but not limited to, the similarity of their industry, growth rate and stage of development, business model, and financial risk.

Based on the analysis, we noted that the fair value of the U.K. reporting unit, which carries approximately $58.0 million in goodwill associated with the Streetcar acquisition, exceeds the carrying value by approximately 8%, indicating no goodwill impairment for the U.K. reporting unit. As referenced above, the analysis incorporates quantitative data and qualitative criteria including new information that can change the result of the impairment test. The most significant assumptions used in the analysis are the discount rate, the terminal value and expected future revenues, gross margins and operating margins. Unfavorable trends in our membership growth, frequency of reservations per member, duration of trips and related pricing could negatively impact our revenue growth and terminal value. If our future costs are materially different from our historic cost trends or if we do not realize operational efficiencies as expected, our expected gross and operating margins could be negatively impacted. Our inability to meet expected results could increase the underlying uncertainties of future projections, thereby causing an increase in our discount rate. Accordingly, unfavorable changes to our assumptions could impact our conclusion regarding whether existing goodwill is impaired and result in a material impact on our consolidated financial position or results of operations. If the fair value of the U.K. reporting unit decreased by 10%, it could indicate a potential impairment for the reporting unit.

The fair value of the U.S. reporting unit, which carries the rest of the goodwill balance, significantly exceeded its carrying value including goodwill. Accordingly, a 10% decrease to the estimated fair value of that reporting unit would not have had an impact on the conclusion of our goodwill impairment testing for that reporting unit.

Accounting for Acquisitions

Accounting for acquisitions requires us to recognize and measure identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired entity. Our accounting for acquisitions involves significant judgments and estimates, including the fair value of certain forms of consideration such as our common stock, preferred stock or warrants, the fair value of acquired intangible assets, which involve projections of future revenues, cash flows and terminal value which are then discounted at an estimated discount rate, the fair value of other acquired assets and assumed liabilities, including potential contingencies, and the useful lives of the assets. The projections are developed using internal forecasts, available industry and market data and estimates of long-term rates of growth for our business. In addition, warrants are valued using assumptions that include expected volatility and expected terms, which are estimates. The impact of prior or future acquisitions on our financial position or results of operations may be materially impacted by the change in or initial selection of assumptions and estimates.

Stock-Based Compensation

Accounting guidance requires employee stock-based payments to be accounted for under the fair value method. Under this method, we are required to record compensation cost based on the fair value estimated for stock-based awards granted over the requisite service periods for the individual awards, which generally equal the vesting periods. We use the straight-line amortization method for recognizing stock-based compensation expense.

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The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model, which requires the use of highly subjective estimates and assumptions. Historically, as a private company, we lacked company-specific historical and implied volatility information. Therefore, we estimate our expected volatility based on the historical volatility of our publicly-traded peer companies and expect to continue to do so until such time as we have adequate historical data regarding the volatility of our traded stock price. The expected life assumption is based on the simplified method for estimating expected term for awards that qualify as plain-vanilla options. This option has been elected as we do not have sufficient stock option exercise experience to support a reasonable estimate of the expected term. The risk-free interest rate is the yield currently available on U.S. Treasury zero-coupon issues with a remaining term approximating the expected term of the option. We recognize compensation expense for only the portion of options that are expected to vest. Accordingly, we have estimated expected forfeitures of stock options based on our historical forfeiture rate and used these rates in developing a future forfeiture rate. If our actual forfeiture rate varies from our historical rates and estimates, additional adjustments to compensation expense may be required in future periods.

The fair value of our common stock was determined on a periodic basis by our board of directors, taking into account our most recent valuations. The assumptions underlying these valuations represent management s best estimates, which involve inherent uncertainties and the application of management judgment. As a result, if factors or expected outcomes change and we use significantly different assumptions or estimates, our stock-based compensation could be materially different. The most significant input into the Black-Scholes option-pricing model used to value our option grants is the fair value of common stock. If the estimate of fair value of common stock were increased by 10% for each stock grant in 2010, the resulting total fair value of the options granted in 2010 would have increased by approximately $0.7 million, resulting in $0.1 million increase to stock-based compensation in 2010.

The following table summarizes the number of stock options granted from January 1, 2008 through December 31, 2010, the average per share exercise price of the options and estimated per share weighted average fair value of options for each of the quarters:

Quarter Ended	Number of shares subject to options granted	Average Per share exercise price of options (1)	Average Per share estimated fair value of options (2)
March 31, 2008			
June 30, 2008	105,937	$ 4.76	$ 1.65
September 30, 2008			
December 31, 2008	1,320,622	$ 5.10	$ 2.78
March 31, 2009			
June 30, 2009	50,000	$ 5.10	$ 2.30
September 30, 2009			
December 31, 2009	512,500	$ 6.98	$ 4.07
March 31, 2010	796,749	$ 8.74	$ 5.10
June 30, 2010			
September 30, 2010	295,263	$ 10.98	$ 6.28
December 31, 2010	270,150	$ 11.90	$ 6.69

(1) The per share exercise price of options is determined by our board of directors and is no less than the fair market value of our common stock on the date of grant.

(2) As described above, the per share estimated fair value of option was estimated for the date of grant using the Black-Scholes option-pricing model. This model estimates the fair value by applying a series of factors including the exercise price of the option, a risk free interest rate, the expected term of the option, expected share price volatility of the underlying common stock and expected dividends on the underlying common stock. Additional information regarding our valuation of common stock and option awards is set forth in Note 6 to our financial statements included elsewhere in this prospectus.

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All of our stock options have been granted at exercise prices of no less than the fair value of our common stock on the date of grant. In 2008, our board of directors determined the fair value of our common stock by using discounted future cash flows under the income method after considering the most recent rounds of financing. Our common stock valuation was $4.76 per share in February 2008, largely due to our full integration of the Flexcar acquisition in November 2007 as well as further organic revenue growth. In July 2008, the board of directors valued our common stock at $5.10 per share primarily as a result of improving revenue projections, membership growth and the closing of a $10 million term loan with a financial institution.

In February 2009, our board of directors reviewed and updated our common stock valuation upon completion of its 2009 planning process, which considered several economic factors that negatively impacted our projections at that time. The revised discounted future cash flows under the income method resulted in a reduction of the value of our common stock to $4.50 per share. However, the board decided to continue granting its stock options at an exercise price of $5.10 per share, consistent with its July 2008 valuation.

Over the course of the second and third quarters of 2009, our probability of a future liquidity event, including an initial public offering of our common stock, increased based on the improvements in market conditions, including the IPO market and the credit markets. As a result, we were able to better forecast the occurrence of a liquidity event in the next 12 to 18 months. Accordingly, since July 31, 2009 our valuation analysis has been conducted under a probability-weighted expected return method as prescribed by the AICPA Practice Aid. Under this methodology, the fair market value of our common stock is estimated based upon an analysis of future values assuming various outcomes. The value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available to us as well as the rights of each share class. The possible outcomes considered are based upon an analysis of future scenarios as described below:

- completion of an initial public offering;
- sale to a strategic acquirer;
- continuation as a private company; and
- remote likelihood of dissolution.

The private company scenario and sale scenario analyses use averages of the guideline public company method and the discounted future cash flow method. We estimated our enterprise value under the guideline public company method by comparing our company to publicly-traded companies in our industry group. The companies used for comparison under the guideline public company method were selected based on a number of factors, including but not limited to, the similarity of their industry, growth rate and stage of development, business model, and financial risk. We also estimated our enterprise value under the discounted future cash flow method, which involves applying appropriate discount rates to estimated cash flows that are based on forecasts of revenue, costs and capital requirements. Our assumptions underlying the estimates were consistent with the plans and estimates that we use to manage the business. The risks associated with achieving our forecasts were assessed in selecting the appropriate discount rates.

The initial public offering scenario analyses use the guideline public company method. We estimated our enterprise value under the guideline public company method by comparing our company to publicly-traded companies in our industry group. The companies used for comparison under the guideline public company method were selected based on a number of factors, including, but not limited to, the similarity of their industry, growth rate and stage of development business model, and level of financial risk.

The present values calculated for our common stock under each scenario were weighted based on management s estimates of the probability of each scenario occurring. The resulting values

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represented the estimated fair market value of our common stock at the valuation date, which was determined to be $6.98 as of July 31, 2009. We granted stock options with an exercise price of $6.98 per share after that valuation date. Several factors contributed to the increase in the fair market value of the common stock between the valuations performed on January 31, 2009 and July 31, 2009. During this period, the markets improved and the liquidity and credit constraints began to ease. In June 2009, we obtained a second $10 million term loan with a financial institution, $4.0 million of which was borrowed in 2009. Further, under the probability-weighted expected return method, our valuation was benefited by placing distinct values at distinct dates based on expected outcomes, higher valuation multiples enjoyed by comparable companies and the reduction in the time to a liquidity event coupled with lower discount rate as a result of lower risk levels.

Our board continued to use the probability-weighted expected return method in the valuation performed on December 31, 2009. During the period since the previous valuation, we continued to execute our plan toward a liquidity event, increasing the probability of an initial public offering. We further refined the selection of our guideline public companies. The overall market conditions continued to improve over this period. Further, we demonstrated our ability to meet our expected results thereby reducing our risks and discount rates further. Based on these factors, the value of our common stock was determined to be $8.74 as of December 31, 2009.

Our board performed a valuation of our common stock on March 31, 2010. During the three months since the valuation on December 31, 2009, we continued to execute our plan for the first quarter and a near-term liquidity event. The overall market conditions improved further and the increase in the valuation of our guideline public companies was reflective of this improvement. We obtained a $20 million term loan with the same financial institutions we borrowed from in prior years. We borrowed $10 million during the three months ended March 31, 2010. In addition, we borrowed the remaining $6 million available under the term loan executed in 2009. Considering the market improvement, continued reduction in our discount rates due to lower risks and increased probability of a liquidity event, the probability-weighted expected return method resulted in a common stock value of $10.54 as of March 31, 2010.

Upon the closing of the Streetcar acquisition, our board performed another valuation of our common stock as of the Streetcar acquisition date of April 20, 2010. There were no material changes since the prior valuation other than a slight increase in the probability of a near term liquidity event and improvement in market multiples, which resulted in a common stock value of $10.68 as of April 20, 2010.

Our board performed a valuation of our common stock on June 30, 2010. The overall market conditions remained relatively stable from the previous valuation. We had borrowed the remaining $10 million under the $20 million term loan arrangement. There were no changes to the probability of a liquidity event but we further reduced our discount rates due to a further reduction in risk of executing our expected results. Accordingly, the common stock value was determined to be $10.98 as of June 30, 2010.

Our board performed a valuation of our common stock on September 30, 2010. During the three months ended September 30, 2010, the OFT, which was reviewing our acquisition of Streetcar, referred the matter to the CC, which further delayed the integration of our London operations with those of Streetcar. As a result of these events, we reduced the probability of a liquidity event and increased the discount on market multiples, which resulted in the common stock value of $10.94 as of September 30, 2010.

In November 2010, the CC issued a provisional finding that it does not expect our acquisition of Streetcar to lead to a substantial lessening of competition in the United Kingdom. While not binding, the provisional finding by the CC lessened the uncertainty associated with our Streetcar acquisition

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and, accordingly, we lowered our risk of meeting our future results and our discount on market multiples and increased our probability of a liquidity event. Our board performed a valuation of our common stock as of November 19, 2010. As a result of the aforementioned factors, in addition to the overall improvement to market conditions since the last valuation was performed, the common stock value was determined to be $12.42 as of November 19, 2010.

Additionally, in November and December 2010, we issued shares of Series G redeemable convertible preferred stock at a purchase price equivalent to $15.22 per share, on a post-split basis. The value assigned to the Series G redeemable convertible preferred stock is higher than the value assigned to the common stock of $12.42 per share as a result of additional rights associated with the Series G redeemable convertible preferred stock, including the following:

- Series G redeemable convertible preferred stock is entitled to receive a liquidation preference equal to $7.61 per share, plus any declared but unpaid dividends thereon, prior to any distribution to the holders of the common stock and without giving effect to the reverse stock split of the common stock.

- Series G redeemable convertible preferred stock is subject to anti-dilution adjustments in the event we make certain dilutive equity issuances.

- Holders of Series G redeemable convertible preferred stock are entitled to a number of contractual rights, including registration rights, preemptive rights and certain rights of first refusal and co-sale.

- The ratio at which the Series G redeemable convertible preferred stock converts into common stock is subject to the initial public offering price in a qualifying public offering. If the initial public offering price is equal to or greater than $17.50 per share, each share of Series G redeemable convertible preferred stock would be converted into 0.5 shares of common stock. If the initial public offering price is less than $17.50 per share, the conversion ratio of our Series G redeemable convertible preferred stock will adjust so that a greater number of shares of common stock are issued upon conversion. See Capitalization and Note 5 to the consolidated financial statements.

Our board performed a valuation of our common stock on December 31, 2010. In December 2010, the CC issued a final determination that it does not expect our acquisition of Streetcar to lead to a substantial lessening of competition in the United Kingdom. As a result of this outcome, we increased our probability of a liquidity event. In addition, the overall market conditions continued to improve. Accordingly, the common stock value was determined to be $13.10 as of December 31, 2010.

Our board performed a valuation of our common stock as of February 24, 2011. Since the previous valuation, the overall market conditions improved and we increased our probability of an initial public offering. The valuation of our common stock was positively impacted by higher valuation multiples enjoyed by comparable companies. Accordingly, the fair market value of our common stock was determined to be $14.42 as of February 24, 2011. On February 24, 2011, our board granted stock options to purchase 590,475 shares of common stock, each at an exercise price of $14.42 per share. On February 24, 2011, we also issued 173,370 shares of common stock to three board members at a purchase price of $14.42 per share. These shares are subject to a right, but not an obligation, of repurchase by us at the original issuance price that lapses quarterly over two years from the date of issuance.

On March 23, 2011, we and the underwriters for this offering determined a preliminary range for the initial public offering price of $14.00 to $16.00 per share, the midpoint of which represents a valuation increase of approximately 4% over the fair market value of stock options we granted on February 24, 2011. Among the factors considered in setting the preliminary range were prevailing market conditions and estimates of our business potential. We believe that the difference in value reflected between the midpoint of the preliminary range and management s determination of the value

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of our common stock during 2009 and 2010, as set forth above, was primarily the result of the following factors:

- an increasing probability of a liquidity event, including an initial public offering of our public stock, relative to the probability of other business equity values that are lower than an initial public offering valuation;

- overall public equity market conditions;

- the continued development and momentum of growth in our business, including but not limited to our acquisition of Streetcar;

- higher valuation multiples enjoyed by comparable companies; and

- reductions in discount rates resulting from our ability to meet our expected financial results.

Results of Consolidated Operations

	Year Ended December 31,		
	2008	2009	2010
	(in thousands, except share and per share data)		
Revenue	$ 105,969	$ 131,182	$ 186,101
Cost and expenses			
Fleet operations	84,199	93,367	122,634
Member services and fulfillment	7,580	10,414	15,114
Research and development	1,549	2,314	3,170
Selling, general and administrative	25,324	29,973	49,172
Amortization of acquired intangible assets	1,226	990	3,414
Total operating expenses	119,878	137,058	193,504
Loss from operations	(13,909)	(5,876)	(7,403)
Interest income			