ZIPCAR INC
Form S-1
June 01, 2010
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As filed with the Securities and Exchange Commission on June 1, 2010

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ZIPCAR, INC.

(Exact name of registrant as specified in its charter)

Delaware	**7514**	**04-3499525**
(State or other jurisdiction of	**(Primary Standard Industrial**	**(I.R.S. Employer**

incorporation or organization)	**Classification Code Number)**	**Identification No.)**

25 First Street, 4th Floor

Cambridge, MA 02141

(617) 995-4231

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Scott W. Griffith

Chief Executive Officer

25 First Street, 4th Floor

Cambridge, MA 02141

(617) 995-4231

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

John H. Chory, Esq.	
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Waltham, Massachusetts 02451	**Boston, Massachusetts 02110**
(781) 966-2000	**(617) 951-7000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

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

Large accelerated filer ¨	**Accelerated filer** ¨
Non-accelerated filer þ **(Do not check if a smaller reporting company)**	**Smaller reporting company** ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(2)**
Common Stock, $0.001 par value per share	$75,000,000	$5,348

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PRELIMINARY PROSPECTUS

Subject to Completion. Dated June 1, 2010

Shares

Common Stock

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

Zipcar is offering of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional 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. It is currently estimated that the initial public offering price per share will be between $ and $. We intend to apply to list our shares of common stock for quotation on the Nasdaq Global Market under the symbol ZIP .

See Risk Factors on page 9 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	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Zipcar	$	$

Proceeds, before expenses, to the selling stockholders	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Zipcar and up to an additional shares from the selling stockholders 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 , 2010.

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

Prospectus dated , 2010.

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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.

Until , 2010 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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 9 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 400,000 members, also known as Zipsters , with self-service vehicles that are conveniently 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 easy-to-use 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 based on their specific needs and desires for each trip. Upon returning the Zipcar, the member locks the vehicle and walks away, free from the costs and hassles of car ownership. Zipcar provides its members a convenient, cost-effective and enjoyable alternative to car ownership.

We operate our membership-based business in 13 major metropolitan areas and on more than 150 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, 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 $13.7 million in 2005 to $131.2 million in 2009. In April 2010, we acquired Streetcar Limited, a car sharing service in the United Kingdom. Our presence in London will also help support our expansion into other European markets. Streetcar s revenue was $23.1 million in 2009.

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. 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.

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

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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 metropolitan areas and hundreds of universities as attractive markets for car sharing. Today, we operate only in 13 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 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

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 smart, socially responsible and sustainable lifestyle.

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.

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Market Opportunity

We believe the global addressable market for car sharing is enormous 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, there are many attractive international and domestic markets with little or no car sharing services today.

Zipcar is building a new lifestyle brand based on our mission, Enabling Simple and Responsible Urban Life. 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.

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 believe the Frost & Sullivan market forecasts are more likely achievable by 2020.

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 7,000 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 the convenient access across as many cities.

Low Cost, Word of Mouth Marketing. Our superior member experience 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.

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.

- ***Broaden Our Relationships with Existing Members.*** We believe continuously improving our members experiences translates into longer and more active member relationships. We will continue to seek ways to broaden our product and service offerings to provide our members with solutions to 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.

Recent Developments

In April 2010, we acquired Streetcar. We believe London has the potential to be one of the world s largest car sharing markets based on its commuting characteristics, financial burdens of car ownership, demographics and other factors. Our presence in London will also help support our expansion into other European markets.

On May 24, 2010, Zipcar Vehicle Financing LLC, or ZVF, a special purpose entity wholly-owned by Zipcar, entered into a new securitization program and a new variable funding note facility, which collectively, we refer to as our ABS facility. The ABS facility has a revolving period of one year, with an amortization period of an additional two years. The committed aggregate principal amount of this facility is $70.0 million. We will use this facility to purchase vehicles and we expect to meet most, if not all, of our future vehicle needs in the United States through leases from ZVF.

Risks That We Face

You should consider carefully the risks described under the Risk Factors section beginning on page 9 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.

Industry Data

Some of the industry and market data contained in this prospectus are based on independent industry publications or other publicly available information, while other information is based on our internal sources. Although we believe that each source is reliable as of its respective date, the information contained in such sources has not been independently verified, and neither the underwriters nor we can assure you as to the accuracy or completeness of this information. As a result, you should be aware that the industry and market data contained in this prospectus, and beliefs and estimates based on such data, may not be reliable.

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The Offering

Common stock offered by Zipcar	shares
Common stock offered by the selling stockholders	shares
Total shares offered	shares
Option to purchase additional shares	To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Zipcar and up to an additional shares from the selling stockholders at the initial public offering price less the underwriting discount.
Common stock to be outstanding after this offering	shares
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 ABS facility and (ii) 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.
Proposed Nasdaq Global Market symbol	ZIP

The number of shares of our common stock to be outstanding after this offering is based on the number of shares of our common stock outstanding as of May 15, 2010 and excludes:

- 8,626,346 shares of common stock issuable upon exercise of stock options outstanding as of May 15, 2010, at a weighted average exercise price of $2.52 per share;
- 5,448,749 shares of common stock reserved as of May 15, 2010 for future issuance under our equity incentive plans; and
- 3,472,643 shares of common stock issuable upon exercise of warrants outstanding as of May 15, 2010, at a weighted average exercise price of $2.69 per share.

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

- the conversion of all outstanding shares of our preferred stock into 47,426,401 shares of our common stock, which will occur automatically immediately prior to 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; 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,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
				(Unaudited)	
	(in thousands, except per share and share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 57,818	$ 105,969	$ 131,182	$ 25,758	$ 33,244
Cost and expenses					
Fleet operations	50,033	84,199	93,367	19,038	24,894
Member services and fulfillment	4,379	7,580	10,414	1,890	2,670
Research and development	904	1,549	2,314	572	671
Selling, general and administrative	16,204	25,324	29,973	6,677	9,437
Amortization of acquired intangible assets	219	1,226	990	258	197
Total operating expenses	71,739	119,878	137,058	28,435	37,869
Loss from operations	(13,921)	(13,909)	(5,876)	(2,677)	(4,625)
Interest income	1,387	429	60	26	12
Interest expense	(2,070)	(1,603)	(2,457)	(495)	(805)
Other income, net	160	568	3,690	199	126
Loss before income taxes	(14,444)	(14,515)	(4,583)	(2,947)	(5,292)
Provision for income taxes			84	23	36
Net loss	(14,444)	(14,515)	(4,667)	(2,970)	(5,328)
Less: Net loss attributable to redeemable noncontrolling interest			23	3	8
Net loss attributable to controlling interest	$ (14,444)	$ (14,515)	$ (4,644)	$ (2,967)	$ (5,320)
Net loss attributable to common stockholders per share basic and diluted	$ (3.76)	$ (3.58)	$ (1.11)	$ (0.72)	$ (1.18)
Weighted average number of shares of common stock outstanding used in computing per share amounts basic and diluted	3,846,291	4,057,973	4,167,887	4,102,592	4,493,010
Pro forma net loss per share basic and diluted (unaudited)			$ (0.09)		$ (0.10)
Pro forma weighted average number of shares of common stock outstanding (unaudited)			51,594,284		51,919,407

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

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our outstanding shares of preferred stock into common stock; and
- on a pro forma as adjusted basis to reflect the receipt by us of estimated net proceeds of $ million from the sale of shares of common stock offered by us at an assumed initial offering price of $ per share, which is the midpoint of the range listed on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and offering expenses payable by us.

	As of March 31, 2010		
	Actual	Pro Forma	Pro Forma as Adjusted
		(Unaudited) (in thousands)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 30,794	$ 30,794	$
Total assets	100,984	100,984	
Deferred revenue	12,769	12,769	
Redeemable convertible preferred stock warrant	460		
Notes payable and capital lease obligation	29,349	29,349	
Redeemable convertible preferred stock	95,715		
Total stockholders (deficit) equity	(51,170)	45,005	

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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, as well as other risks not currently known to us or that we currently consider immaterial. 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 we expect to incur net losses in 2010. We do not know if our business operations will become profitable or if we will continue to incur net losses in 2011 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 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.

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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. The expansion of our systems and infrastructure will require us to commit substantial 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.

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

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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.

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.

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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.

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 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.

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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;
- 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 has generally increased at a higher rate in the second and third quarters compared to the first and fourth quarters. Our revenue fluctuates due to inclement weather conditions, such as snow or rain storms. Although our revenue has increased over time as we have added new members and increased the number of vehicles in our fleet, 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 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

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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.

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.

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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.

In addition, in connection with our acquisition of Streetcar, we expect to integrate 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

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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.

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.

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.

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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.

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We are engaged in legal proceedings, including a class action matter, 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. We have also been named in a class action lawsuit. While we have filed a motion to dismiss this complaint and intend to vigorously defend against this lawsuit, a judgment against us in this lawsuit could adversely affect our results of operations. 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 by the Securities and Exchange Commission, or SEC, and the Nasdaq Global 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, 2011, 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

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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 March 31, 2010, we had an aggregate principal amount of debt outstanding of approximately $29.9 million, $2.5 million of which represents vehicle leases with several third parties. In addition, ZVF, our wholly-owned subsidiary, has entered into a securitization program and a variable funding note facility, pursuant to which ZVF is expected to 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;
- 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.

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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.

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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, 2009, we had net operating loss carryforwards of $70.0 million for U.S. federal tax purposes and $49.0 million for state tax purposes. The federal net operating loss 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

Our acquisition of Streetcar may be reviewed by the U.K. antitrust authorities.

In May 2010, we received an inquiry letter from the U.K. Office of Fair Trading, or OFT, seeking information relating to our acquisition of Streetcar. This letter requests information to allow the OFT to determine whether the acquisition meets certain thresholds entitling it to review the acquisition. The OFT has asked us to enter into an agreement to hold the two companies separate while OFT determines whether it is entitled to review the transaction. We intend to comply with this request. This agreement will prevent us from integrating our London operations with those of Streetcar until the OFT s inquiry, if any, is complete. Any such inquiry must be completed by the OFT within a period of approximately four months following the announcement of the transaction.

Upon completion of its review, the OFT may, in its sole discretion, recommend that the United Kingdom s Competition Commission review the transaction in further detail. If this were to occur,

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integration of our operations could be significantly delayed, and any synergies we expect to obtain from the acquisition could be delayed, if realized at all. The Competition Commission could, in its discretion, ask us to unwind the transaction if it determined that the transaction may result in a substantial lessening of competition in any relevant market in the United Kingdom. If this were to occur, our financial results would be adversely impacted.

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 Streetcar acquisition 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, we expect the integration of Streetcar 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 may initially be 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 acquisition may cost more than we anticipate.

We have incurred significant transaction and closing costs associated with the acquisition of Streetcar and we expect to incur significant integration-related expenses associated with combining the businesses. The acquisition may cost more than we anticipate, and 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.

Following the acquisition, we may be subject to unforeseen liabilities.

We have conducted limited due diligence on Streetcar s operations. Following the acquisition, we may be subject to unforeseen liabilities arising from Streetcar s past or present operations. These liabilities may be greater than the warranty and indemnity limitations we negotiated with Streetcar s former shareholders. Any unforeseen liability that is greater than these warranty and indemnity limitations could have a negative impact on our financial condition.

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. Goodwill and nonamortizable intangible assets acquired are subject to impairment testing on a regular basis and such testing could result in potential periodic impairment charges. As a result, actual operating results of the combined company could be materially different from the pro forma results.

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

In connection with the acquisition, we expect to convert Streetcar members to the Zipcar system and convert the Streetcar systems 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.

We will also need to convert the Streetcar systems in-vehicle systems, administrative systems, and vehicle branding to that of Zipcar. Such conversions 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 we have applied to list our common stock for quotation on the Nasdaq Global 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.

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

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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 , 2010, upon completion of this offering, we will have outstanding shares of common stock, assuming no exercise of the underwriters option to purchase additional shares. This includes the shares that we and the selling stockholders are selling in this offering, plus an additional shares, which may be resold in the public market immediately. Of the remaining shares, shares of common stock will be subject to a 180-day contractual lock-up with the underwriters, and 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 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 Inc., 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 , 2010, there were 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 million shares of our common stock as of , 2010, 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 million additional shares of our common stock as of , 2010, 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 5,448,749 shares reserved for future issuance under our equity incentive plans as of May 15, 2010. 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, you will incur immediate dilution of $ in net tangible book value per share from the price you paid. In addition, following this offering, purchasers in the offering will have contributed % 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 May 15, 2010, 8,626,346 shares of common stock were issuable upon exercise of outstanding stock options with a weighted average exercise price of $2.52 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.

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, capital expenditures, including capital expenditures related to the expansion of our vehicle fleet, 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.

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

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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 $0.2 million, $0.8 million and $1.7 million during 2007, 2008 and 2009, respectively. 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 will continue to 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 % 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, acting together, would continue to 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, acting together, would continue to 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 $ million, assuming an initial public offering price of $ per share, which is the midpoint of the range listed on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise in full their option to purchase additional shares, we estimate that our net proceeds will be approximately $ million after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. 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 the repayment of debt of approximately $ million, working capital and other general corporate purposes, including the development of new services, funding the expansion of our fleet, sales and marketing activities and capital expenditures.

In particular, we intend to use approximately $ of the proceeds to repay amounts owing to Goldman, Sachs & Co., one of the lead managing underwriters of this offering, relating to indebtedness incurred by our wholly-owned subsidiary, ZVF. ZVF used the proceeds of the variable note issued to 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 will use approximately $ to repay aggregate amounts owing to two other financial institutions. We entered into various loan and security agreements with one or both of these financial institutions in each of May 2008, June 2009 and March 2010 for an aggregate of $40.0 million. We used the amounts we borrowed under these facilities for working capital purposes. The 2008 facility matures in June 2012, the 2009 facility matures in July 2013, and the 2010 facility matures in October 2013. The effective interest rate for the 2008 facility is 11.4%, the effective interest rate for the 2009 facility is 12.0%, and the effective interest rate for the 2010 facility is 16.0%.

We will 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 15.6% and are payable over 27 months commencing on July 1, 2011.

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. Our management will have broad discretion over the uses of the net proceeds from this offering. 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.

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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. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. While we believe our internal company research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source.

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CAPITALIZATION

The following table sets forth our current and long-term debt and capitalization as of March 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 47,426,401 shares of common stock upon the closing of this offering and (2) 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 give further effect to our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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 March 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	$ 26,863	$ 26,863	$
Redeemable convertible preferred stock warrants	460		
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, 14,297,694 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	49,756		
Total redeemable convertible preferred stock	95,715		
Stockholders (deficit) equity:			
Common stock, $0.0017 par value: 72,500,000 shares authorized, 4,575,993 shares issued and outstanding, actual; 72,500,000 shares authorized, 52,002,388 shares issued and outstanding, pro forma and 72,500,000 shares authorized, shares issued and outstanding, pro forma as adjusted	5	52	
Additional paid-in capital	5,743	101,871	
Accumulated deficit	(56,434)	(56,434)	
Accumulated other comprehensive loss	(484)	(484)	
Total stockholders (deficit) equity	(51,170)	45,005	
Total capitalization	$ 71,868	$ 71,868	$

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A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the range listed on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash, cash equivalents and short-term investments, additional paid-in capital, total stockholders equity and total capitalization by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The table above does not include:

- 1,470,986 shares of common stock issuable upon the exercise of warrants outstanding as of March 31, 2010 at a weighted average exercise price of $2.45 per share;

- 8,738,070 shares of common stock issuable upon the exercise of stock options outstanding as of March 31, 2010 at a weighted average exercise price of $2.52 per share; and

- 337,025 shares of common stock available for future issuance under our equity compensation plans as of March 31, 2010.

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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 March 31, 2010 was $1.8 million, or $0.04 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 an assumed initial public offering price of $ per share, which is the midpoint of the range listed on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2010 would have been approximately $ million, or approximately $ per share. This amount represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately $ 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:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of March 31, 2010	$ 0.03	
Increase per share attributable to this offering	(0.03)	
Pro forma as adjusted net tangible book value per share after this offering		$
Dilution per share to new investors		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the range listed on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value per share after this offering by approximately $, and dilution in pro forma net tangible book value per share to new investors by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares of our common stock in this offering, the pro forma as adjusted net tangible book value after the offering would be $ per share, the increase in pro forma net tangible book value to existing stockholders would be $ per shares and the dilution to new investors would be $ per share, in each case assuming an initial public offering price of $ per share, which is the midpoint of the range listed on the cover page of this prospectus.

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The following table summarizes, as of March 31, 2010, 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. The calculation below is based on an assumed initial public offering price of $ per share, which is the midpoint of the range listed on the cover page of this prospectus, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders		%	$	%	$
New investors					
Total		100%		100%	

The foregoing tables and calculations are based on the number of shares of our common stock outstanding as of March 31, 2010 after giving effect to the automatic conversion of all outstanding shares of our preferred stock upon the closing of this offering, and excludes:

- 8,185,561 shares of common stock we issued in April 2010 in connection with the acquisition of Streetcar;
- 1,470,986 shares of common stock issuable upon the exercise of warrants outstanding as of March 31, 2010 at a weighted average exercise price of $2.45 per share;
- 8,738,070 shares of common stock issuable upon the exercise of stock options outstanding as of March 31, 2010 at a weighted average exercise price of $2.52 per share; and
- 337,025 shares of common stock available for future issuance under our equity compensation plans as of March 31, 2010.

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 31, 2010, the pro forma as adjusted net tangible book value per share after this offering would be $, and total dilution per share to new investors would be $.

If the underwriters exercise in full their option to purchase additional shares:

- the percentage of shares of common stock held by existing stockholders will decrease to approximately % of the total number of shares of our common stock outstanding after this offering; and
- the number of shares held by new investors will increase to , or approximately % of the total number of shares of our common stock outstanding after this offering.

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ZIPCAR AND STREETCAR

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introductory Note

On April 21, 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 estimated consideration of $62.2 million. The preliminary purchase price consists of the following: 8.2 million shares of common stock of the Company (valued at $43.1 million), $7.6 million in cash, $5 million in promissory notes and warrants to purchase 1.6 million shares of the Company s common stock (valued at $6.5 million). The preliminary purchase price was based on management s initial estimates, 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 Company and Streetcar for the year ended December 31, 2009 and for the three months ended March 31, 2010, as if the acquisition had occurred on January 1, 2009. The unaudited pro forma condensed combined balance sheet assumes that the merger took place on March 31, 2010 and combines the Company s March 31, 2010 consolidated balance sheet with Streetcar s March 31, 2010 balance sheet.

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 and balance sheet 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 and balance sheet 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, 2009 and March 31, 2010 have been translated into U.S. Dollars at the average daily rates for the periods ended December 31, 2009 and March 31, 2010, respectively. The historical balance sheet of Streetcar has been translated into U.S. Dollars at the closing rate on March 31, 2010.

The pro forma acquisition adjustments described in Note 4 were based on available information and certain assumptions made by the Company s management and may be revised as additional information becomes available. The unaudited pro forma combined condensed financial information included in this prospectus is not necessarily intended to represent what the Company s financial position is or 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.

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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, deferred taxes are not included since 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, 2009

	Zipcar, Inc.	Streetcar Limited	Pro Forma Adjustments	Pro Forma Combined
	(in thousands, except share and per share data)			
Revenue	$ 131,182	$ 23,065		$ 154,247
Cost and expenses				
Fleet operations	93,367	11,810	124(A)	105,301
Member services and fulfillment	10,414	2,250		12,664
Research and development	2,314	343		2,657
Selling, general and administrative	29,973	7,083		37,056
Amortization of acquired intangible assets	990		3,434(C)	4,424
Total operating expenses	137,058	21,486	3,558	162,102
Loss from operations	(5,876)	1,579	(3,558)	(7,855)
Interest income	60			60
Interest expense	(2,457)	(1,499)	(1,419)(D)	(5,375)
Other income, net	3,690			3,690
Loss before income taxes	(4,583)	80	(4,977)	(9,480)
Provision for income taxes	84	19		103
Net loss	(4,667)	61	(4,977)	(9,583)
Less: Net loss attributable to redeemable noncontrolling interest	23			23
Net loss attributable to controlling interest	$ (4,644)	$ 61	$ (4,977)	$ (9,560)
Net loss attributable to common stockholders per share basic and diluted	$ (1.11)			$ (0.77)
Weighted average number of common shares outstanding used in computing per share amounts basic and diluted	4,167,887		(E)	12,353,448

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, respectively.

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ZIPCAR AND STREETCAR

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2010

	Zipcar, Inc.	Streetcar Limited	Pro Forma Adjustments	Pro Forma Combined
		(in thousands, except share and per share data)		
Revenue	$ 33,244	$ 6,351		$ 39,595
Cost and expenses				
Fleet operations	24,894	3,868	(19)(A)	28,743
Member services and fulfillment	2,670	578		3,248
Research and development	671	125		796
Selling, general and administrative	9,437	2,020	(863)(B)	10,594
Amortization of acquired intangible assets	197		743(C)	940
Total operating expenses	37,869	6,591	(139)	44,321
Loss from operations	(4,625)	(240)	139	(4,726)
Interest income	12			12
Interest expense	(805)	(434)	(268)(D)	(1,507)
Other income, net	126			126
Loss before income taxes	(5,292)	(674)	(129)	(6,095)
Provision for income taxes	36			36
Net loss	(5,328)	(674)	(129)	(6,131)
Less: Net loss attributable to redeemable noncontrolling interest	8			8
Net loss attributable to controlling interest	$ (5,320)	$ (674)	$ (129)	$ (6,123)
Net loss attributable to common stockholders per share basic and diluted	$ (1.18)			$ (0.48)
Weighted average number of common shares outstanding used in computing per share amounts basic and diluted	4,493,010		(E)	12,678,571

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, respectively.

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ZIPCAR AND STREETCAR

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF MARCH 31, 2010

	Zipcar, Inc.	Streetcar Limited	Pro Forma Adjustments	Pro Forma Combined
	(in thousands, except share and per share data)			
Assets				
Current assets				
Cash and cash equivalents	$ 30,794	$ 1,404	$ (8,387)(F)	$ 23,811
Accounts receivable, net	2,918	1,397		4,315
Restricted cash	45			45
Inventory		93	(93)(G)	
Prepaid expenses and other current assets	5,883	1,629		7,512
Total current assets	39,640	4,523	(8,480)	35,683
Property and equipment, net	8,749	23,250		31,999
Goodwill	41,871		54,222(H)	96,093
Intangible assets	1,188		10,261(H)	11,449
Restricted cash	4,500			4,500
Deposits and other noncurrent assets	5,036			5,036
Total assets	$ 100,984	$ 27,773	$ 56,003	$ 184,760
Liabilities and Stockholders Deficit				
Current liabilities				
Accounts payable	$ 3,988	$ 2,087		$ 6,075
Accrued expenses and other liabilities	8,950	4,121	(347)(I)	12,724
Deferred revenue	9,564	1,594	(1,594)(J)	9,564
Current portion of capital lease obligations and other debt	7,937	13,669		21,606
Total current liabilities	30,439	21,471	(1,941)	49,969
Capital lease obligations and other debt, net of current portion	21,412	13,598	1,461(K)	36,471
Deferred revenue, net of current portion	3,205			3,205
Redeemable convertible preferred stock warrants	460			460
Other liabilities	799			799
Total liabilities	56,315	35,069	(480)	90,904
Redeemable non-controlling interest	124			124
Redeemable convertible preferred stock, par value $0.001 per share:	95,715			95,715
Stockholders deficit:				
Common stock Zipcar (*), $0.001 par value: 72,500,000 shares authorized; 4,575,993 shares issued and outstanding at March 31, 2010	5	93	(85)(L)	12
Additional paid-in capital	5,743	6,114	43,865(M)	55,722
Accumulated deficit	(56,434)	(13,503)	12,703(P)	(57,234)
Accumulated other comprehensive loss	(484)			(484)
Total stockholders deficit	(51,170)	(7,296)	56,483	(1,983)

Total liabilities and stockholders deficit	$ 100,984	$ 27,773	$ 56,003	$ 184,760

(*) On a pro forma combined basis, share information is as follows: 90,000,000 shares authorized; 12,761,554 shares issued and outstanding at March 31, 2010

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, respectively.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

The acquisition is accounted for under the acquisition method of accounting in accordance with ASC Topic 805-10, Business Combinations Overall (ASC 805-10). The Company will account 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 estimated purchase price (consideration transferred) as described in Note 3, *Preliminary 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 preliminary estimates 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. The purchase price allocation is subject to finalization of the Company s analysis of the fair value of the assets and liabilities of Streetcar as of the acquisition date. Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial statements is preliminary and will be adjusted upon completion of the final valuation. Such adjustments could be material.

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 established 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. The unaudited pro forma condensed combined balance sheet reflects the remaining anticipated acquisition-related transaction costs of both companies as a reduction of cash with a corresponding increase in accumulated deficit. 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 has begun to perform a detailed review of Streetcar s accounting policies. As a result of that review, the Company has identified differences between the accounting policies of the two companies that, when conformed, can have a material impact on the consolidated financial statements of the combined company. The unaudited pro forma

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

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 and the policy of not recognizing fuel inventory in its vehicles as opposed to the Streetcar policy of recognizing such inventory. At this time, the Company is still in the process of evaluating any other accounting policy differences.

NOTE 3 PRELIMINARY PURCHASE PRICE ALLOCATION

The unaudited pro forma combined condensed consolidated financial information reflects an estimated purchase price of approximately $62.2 million consisting of the following: 8.2 million shares of common stock of the Company (valued at $43.1 million), $7.6 million of cash, $5 million in promissory notes and warrants to purchase 1.6 million shares of common stock (valued at $6.5 million).

The fair value of the warrants issued in connection with the acquisition was estimated using the Black-Scholes option pricing model. The following assumptions were used in estimating the fair value:

Stock price on March 31, 2010	$ 5.27
Exercise price	$ 2.53
Expected term (in years)	7
Expected volatility	60%
Risk-free interest rate	3.20%
Expected dividend	0%

The purchase price of approximately $62.2 million was allocated over the fair values of the assets acquired and liabilities assumed as follows (in thousands):

Cash	$ 1,404
Accounts receivable	1,397
Prepaid expenses and other current assets	1,629
Property and equipment	23,250
Member relationships	8,136
Parking spaces in place	633
Non-Compete agreements	633
Tradename	859
Goodwill	54,222
Total assets acquired	92,163
Account payable	(2,087)
Accrued expenses	(3,774)
Assumed debt	(24,102)
Total liabilities assumed	(29,964)
Purchase price	$ 62,199

The valuation of the identifiable intangible assets acquired was based on the Company s management preliminary estimates, currently available information and reasonable and supportable assumptions. These estimates are preliminary as the Company is still in the process of evaluating the various assumptions used in valuing these assets. The purchase price of the acquisition was allocated to the assets acquired and liabilities assumed based on estimates of their fair values as of March 31,

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

2010. The tangible long-lived assets were recorded at their estimated fair value, which approximates their carrying value, while the intangible long-lived assets were valued using a discounted cash flow method. 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 $54.2 million was classified as goodwill.

The aggregate estimated purchase price of $62.2 million reflected in these unaudited pro forma condensed combined financial statements is based on the valuation of the Company s common stock as of March 31, 2010, which was $5.27 per share. The Company has yet to determine the value of its common stock as of the actual acquisition date of April 21, 2010. Assuming a $0.50 change in the Company s common stock value, the estimated purchase price would increase or decrease by approximately $4.9 million, which would be reflected in these unaudited pro forma condensed combined financial statements as an increase or decrease to goodwill.

The estimated amortization period for the acquired intangible assets subject to amortization and the pro forma amortization expenses included in these pro forma financial statements is as follows (in thousands):

	Estimated Fair Value	Estimated Useful Life (Years)	Pro Forma Amortization for the Year Ended December 31, 2009	Pro Forma Amortization for the Three Months Ended March 31, 2010
Member relationships	$ 8,136	6	$ 2,551	$ 523
Parking spaces in place	633	3	219	55
Non-Compete agreements	633	2	329	82
Tradename	859	3	335	83
	$ 10,261		$ 3,434	$ 743

As of March 31, 2010, future amortization expense is expected to be as follows (in thousands):

Year 1	$ 3,304
Year 2	2,870
Year 3	2,014
Year 4	1,156
Year 5	723
Thereafter	194
	$ 10,261

NOTE 4 PROFORMA ADJUSTMENTS

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

	Year Ended December 31, 2009	Three Months Ended March 31, 2010
Accounting policies conformity related to depreciation policy of vehicles	$ 86	$ (19)
Accounting policies conformity related to fuel inventory accounting	38	
	$ 124	$ (19)

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

Item (B): Adjustment to eliminate acquisition costs (in thousands) of $752 and $111 for the Company and Streetcar, respectively, for the three months ended March 31, 2010.

Item (C): Adjustments to reflect amortization of acquired intangible assets as detailed in Note 3 *Preliminary Purchase Price Allocation*.

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

	Year Ended December 31, 2009	Three Months Ended March 31, 2010
Interest expense incurred on acquisition note payable at an effective interest rate of 15.6%	$ 763	$ 196
Interest expense incurred on funds borrowed at an effective interest rate of 12% and used to finance part of $7.6 million cash payment to Streetcar s shareholders	875	184
Eliminate interest expense on loan to a Streetcar shareholder paid off upon the closing of the acquisition	(219)	(112)
	$ 1,419	$ 268

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, 2009	Three Months Ended March 31, 2010
Company s historical weighted average common shares	4,167,887	4,493,010
Add common shares issued to Streetcar s shareholders	8,185,561	8,185,561
	12,353,448	12,678,571

Item (F): Adjustments to cash and cash equivalents to reflect the cash portion of the purchase price paid to Streetcar s shareholders on the acquisition date in the amount of $7.6 million and a reduction of cash for expected future transaction costs in the amount of $0.8 million.

Item (G): Adjustments to conform Streetcar s accounting policies related to fuel inventory to those of the Company s.

Item (H): Adjustment to record intangible assets and goodwill in the combined balance sheet as detailed in Note 3 *Preliminary Purchase Price Allocation*.

Item (I): Adjustment to eliminate accrued interest payable to a Streetcar shareholder as of the acquisition date.

Item (J): Adjustments to eliminate Streetcar s deferred revenue as of the acquisition date.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

Item (K): The adjustment to other debt reflects adjustments to record the promissory note of the acquisition consideration and to eliminate a loan that was paid off to a Streetcar shareholder prior to the acquisition effective date, as follows (in thousands):

Eliminate Streetcar s investor loan paid off upon the closing of the acquisition	$ (3,164)
Record acquisition consideration for fair value of note issued	5,000
Record debt discount related to fair value of warrants issued as part of the acquisition note	(375)
	$ 1,461

Item (L): The adjustment to common stock reflects adjustments for the acquisition consideration, at par, and to eliminate Streetcar s historical common stock, at par, as follows (in thousands):

Eliminate Streetcar s historical common stock	$ (93)
Record acquisition consideration for issuance of common stock at par	8
	$ (85)

Item (M): The adjustment to Additional paid-in capital reflects adjustments for the following (in thousands):

Eliminate Streetcar s historical Additional paid-in Capital	$ (6,114)
Record acquisition consideration for common stock issued in excess of par	43,130
Record acquisition consideration for fair value of warrants issued	6,474
Record debt discount related to fair value of warrants issued as part of the acquisition note	375
	$ 43,865

Item (P): The adjustment to Accumulated Deficit reflects adjustments for the following (in thousands):

Eliminate Streetcar s historical accumulated deficit	$ 13,503
Increase accumulated deficit for anticipated transaction costs	(800)
Increase in Streetcar s adjusted historical accumulated deficit as a result of accounting policies conformity related to fuel inventory accounting	93
Eliminate increase in Streetcar s adjusted historical accumulated deficit as a result of accounting policies conformity related to fuel inventory accounting	(93)
	$ 12,703

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 5 UK GAAP TO US GAAP ADJUSTMENTS

The following tables show a reconciliation of the audited historical profit and loss accounts of Streetcar for the year ended December 31, 2009 and for the unaudited balance sheet as of March 31, 2010 prepared in accordance with UK GAAP and in pounds sterling, to the statement of operations and balance sheet under US GAAP and in U.S. Dollars included in the unaudited pro forma combined condensed statements of operations and balance sheet.

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

STREETCAR LIMITED

STATEMENT OF OPERATIONS PRESENTATION AND UK GAAP TO US GAAP ADJUSTMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Streetcar Limited UK GAAP Year Ended December 31, 2009 (GBP) (Audited)	UK GAAP to US GAAP Presentation Adjustments (GBP) (1)	UK GAAP US Presentation Year Ended December 31, 2009 (GBP)	UK GAAP to US GAAP Adjustments Year Ended December 31, 2009 (GBP)	Streetcar Limited US GAAP Year Ended December 31, 2009 (GBP)	Streetcar Limited US GAAP Year Ended December 31, 2009 (USD) (2)
			(in thousands)			
Turnover	£ 15,765	£ (15,765)	£	£	£	
Revenue		15,765	15,765	(1,036)(3)	14,729	$ 23,065
Cost and expenses						
Cost of sales	8,787	(8,787)				
Fleet operations		8,578	8,578	(1,036)(3)	7,542	11,810
Member services and fulfillment		1,437	1,437		1,437	2,250
Research and development		219	219		219	343
Administrative expenses before exceptional items	7,219	(7,219)				
Selling, general and administrative		4,523	4,523		4,523	7,083
Exceptional profit on disposal of vehicles	(718)	718				
Amortization of acquired intangible assets						
Total operating expenses	15,288	(531)	14,757	(1,036)	13,721	21,486
Income from operations	477	531	1,008		1,008	1,579
Interest income						
Interest expense	(179)	(531)	(710)	(247)(4)	(957)	(1,499)
Other income, net						

Loss before income taxes	298		298	(247)	51	80
Provision for income taxes	(1,809)		(1,809)	1,821(5)	12	19
Net Income	£ 2,107	£	£ 2,107	£ (2,068)	£ 39	$ 61

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

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 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 December 31, 2009 was 1.566.
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 interest expense to reflect accretion of warrants associated with a debt instrument. Under UK GAAP, warrants granted in connection with a debt instrument are treated as separate instruments and treated as equity and debt respectively. Under US GAAP, these warrants and debt instruments are treated as debt instruments with detachable equity warrants. Proceeds from the sale of debt instruments with stock purchase warrants have been allocated to the two elements based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at the time of issuance. The portion of the proceeds allocated to the warrants has been accounted for as paid-in capital. The resulting discount on the debt instrument has been accreted over the original repayment terms of the associated debt instrument.
5) Adjustment to provision for income taxes to reflect differences in threshold recognition of a deferred tax asset between UK GAAP and US GAAP. UK GAAP allows recognition of deferred tax assets when the likelihood of recoverability of these assets is probable. Under US GAAP such recognition is possible only when future profitability is likely and only after a track record of profitability is established.

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

STREETCAR LIMITED

BALANCE SHEET PRESENTATION AND UK GAAP TO US GAAP ADJUSTMENTS

AS OF MARCH 31, 2010

	Streetcar Limited UK GAAP As of March 31, 2010 (GBP)	UK GAAP to US GAAP Presentation Adjustments (GBP) (1)	UK GAAP US Presentation Year Ended March 31, 2010 (GBP)	UK GAAP to US GAAP Adjustments Year Ended March 31, 2010 (GBP)	Streetcar Limited US GAAP Year Ended March 31, 2010 (GBP)	Streetcar Limited US GAAP Year Ended March 31, 2010 (USD) (2)
			(in thousands)			
Assets						
Current assets						
Cash and cash equivalents	£ 932	£	£ 932		£ 932	$ 1,404
Debtors	2,079	(2,079)				
Accounts receivable		927	927		927	1,397
Deferred tax asset	1,821		1,821	(1,821)(3)		
Stock	62	(62)				
Inventory		62	62		62	93
Prepaid expenses and other current assets		1,152	1,152	(71)(6)	1,081	1,629
Total current assets	4,894		4,894	(1,892)	3,002	4,523
Tangible assets	15,431	(15,431)				
Property and equipment, net		15,431	15,431		15,431	23,250
Total assets	£ 20,325	£	£ 20,325	£ (1,892)	£ 18,433	$ 27,773
Liabilities and Stockholders Deficit						
Current liabilities						
Creditors	£ 5,178	£ (5,178)	£		£	
Financial liabilities	9,072	(9,072)				
Accounts payable		1,385	1,385		1,385	2,087
Accrued expenses and other liabilities		2,735	2,735		2,735	4,121
Deferred revenue		1,058	1,058		1,058	1,594
Current portion of capital lease obligations and other debt		9,072	9,072		9,072	13,669
Total current liabilities	14,250		14,250		14,250	21,471
Financial liabilities	9,025	(9,025)				
Capital lease obligations and other debt, net of current portion		9,025	9,025		9,025	13,598

Total liabilities	23,275		23,275		23,275	35,069
Stockholders deficit:						
Equity share capital	62	(62)				
Share premium	3,703	(3,703)				
Retained earnings	(6,715)	6,715				
Common stock		62	62		62	93
Additional paid-in capital		3,703	3,703	355(4)	4,058	6,114
Accumulated deficit		(6,715)	(6,715)	(2,247)(5)	(8,962)	(13,503)
Total stockholders deficit	(2,950)		(2,950)	(1,892)	(4,842)	(7,296)
Total liabilities and stockholders deficit	£ 20,325	£	£ 20,325	£ (1,892)	£ 18,433	$ 27,773

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ZIPCAR AND STREETCAR

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL STATEMENTS (Continued)

Notes:

1) Reclassification from Streetcar s UK GAAP balance sheet account presentation to US GAAP balance sheet presentation. This includes conforming adjustments to make Streetcar s presentation for debtors, inventory, creditors and shareholders equity consistent with the presentation of the Company s financial statements line items.
2) Results are converted to U.S. Dollars using the closing exchange rate for March 31, 2010. The exchange rate used was 1.507.
3) Adjustment to deferred tax asset to reflect differences in threshold recognition of such assets between UK GAAP and US GAAP. UK GAAP allows recognition of deferred tax assets when the likelihood of recoverability of these assets is probable. Under US GAAP, such recognition is possible only when future profitability is likely and only after a track record of profitability is established.
4) Adjustment to paid-in capital to reflect the fair value of warrants associated with a debt instrument. Under UK GAAP, warrants granted in connection of a debt instrument are treated as separate instruments and treated as equity and debt respectively. Under US GAAP, these warrants and debt instruments are treated as debt instruments with detachable equity warrants. Proceeds from the sale of debt instruments with stock purchase warrants have been allocated to the two elements based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at the time of issuance. The portion of the proceeds allocated to the warrants has been accounted for as paid-in capital.
5) Adjustment to accumulated deficit to reflect the cumulative effect of the differences between UK GAAP and US GAAP associated with deferred tax assets and warrant grants associated with debt instruments as discussed in notes 3 and 4 above.
6) Streetcar has capitalized transaction costs through March 31, 2010. Under US GAAP, these costs are expensed as incurred.

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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, 2007, 2008 and 2009 and the consolidated balance sheets data as of December 31, 2008 and 2009 are derived from our audited consolidated financial statements included in this prospectus.

The consolidated statements of operations data for the years ended December 31, 2005 and 2006 and the consolidated balance sheets data as of December 31, 2005, 2006 and 2007 are derived from our audited consolidated financial statements not included in this prospectus. We have derived the consolidated statements of operations data for the three months ended March 31, 2009 and 2010 and the balance sheet data as of March 31, 2010 from our unaudited consolidated financial statements included in this prospectus. These unaudited financial statements include, in the opinion of management, all adjustments (consisting of normal and recurring adjustments) that management considers necessary for the fair statement of the financial information set forth in those statements. Historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,					Three Months Ended March 31,	
	2005	2006	2007(1)	2008	2009	2009	2010
						(Unaudited)	
	(in thousands, except per share and share data)						
Revenue	$ 13,667	$ 30,651	$ 57,818	$ 105,969	$ 131,182	$ 25,758	$ 33,244
Cost and expenses							
Fleet operations	9,507	23,962	50,033	84,199	93,367	19,038	24,894
Member services and fulfillment	975	2,216	4,379	7,580	10,414	1,890	2,670
Research and development	379	794	904	1,549	2,314	572	671
Selling, general and administrative	4,424	7,231	16,204	25,324	29,973	6,677	9,437
Amortization of acquired intangible assets			219	1,226	990	258	197
Total operating expenses	15,285	34,203	71,739	119,878	137,058	28,435	37,869
Loss from operations	(1,618)	(3,552)	(13,921)	(13,909)	(5,876)	(2,677)	(4,625)
Interest income	187	603	1,387	429	60	26	12
Interest expense	(847)	(1,418)	(2,070)	(1,603)	(2,457)	(495)	(805)
Other income, net			160	568	3,690	199	126
Loss before income taxes	(2,278)	(4,367)	(14,444)	(14,515)	(4,583)	(2,947)	(5,292)
Provision for income taxes					84	23	36
Net loss	(2,278)	(4,367)	(14,444)	(14,515)	(4,667)	(2,970)	(5,328)
Less: Net loss attributable to the redeemable noncontrolling interest					23	3	8
Net loss attributable to Zipcar, Inc.	$ (2,278)	$ (4,367)	$ (14,444)	$ (14,515)	$ (4,644)	$ (2,967)	$ (5,320)
Net loss attributable to common stockholders per share basic and diluted	$ (0.94)	$ (1.43)	$ (3.76)	$ (3.58)	$ (1.11)	$ (0.72)	$ (1.18)
Weighted average number of common shares outstanding used in computing per share amounts basic and diluted	2,424,975	3,052,780	3,846,291	4,057,973	4,167,887	4,102,592	4,493,010
Pro forma net loss per share basic and diluted (unaudited)					$ (0.09)		$ (0.10)
					51,594,284		51,919,407

Pro forma weighted average number of common shares outstanding (unaudited)(2)	

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	Years Ended December 31,					As of March 31,
	2005	2006	2007	2008	2009	2010
			(in thousands)			
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 1,172	$ 3,083	$ 7,482	$ 21,099	$ 19,228	$ 30,794
Total assets	22,368	47,214	103,707	87,926	89,907	100,984
Deferred revenue	966	2,009	6,081	9,870	12,908	12,769
Redeemable convertible preferred stock warrant			195	144	400	460
Notes payable and capital lease obligation	10,452	10,832	20,384	16,956	15,212	29,349
Redeemable convertible preferred stock	21,811	45,958	95,715	95,715	95,715	95,715
Total stockholders deficit	(13,953)	(17,307)	(31,068)	(45,018)	(47,363)	(51,170)

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

(2) 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.

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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.

Overview

Zipcar operates the world s leading car sharing network. We operate our membership-based business in 13 major metropolitan areas and on more than 150 college campuses in the United States, Canada and the United Kingdom. Our car sharing service provides over 400,000 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 $13.7 million in 2005 to $131.2 million in 2009. From our inception through March 31, 2010, substantially all of our revenue has been generated in North America. We have experienced losses since inception and, as of March 31, 2010, had an accumulated deficit of $56.4 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 8.2 million shares of common stock and warrants to acquire 1.3 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.

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

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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.

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

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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. Direct and incremental costs associated with the membership application process 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. 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. These driving credits are treated as a deliverable in the arrangement, and 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 accrued at the time of issuance of the driving credits.

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 charged a monthly fee, which is recognized ratably.

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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 unrecognized tax benefits as of December 31, 2009. 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, 2009, we had not recorded any accrued interest or tax penalties. Our income tax return reporting periods since December 31, 2006 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 expect to perform a Section 382 study during the second half of 2010 to determine whether such an ownership change has occurred and the extent to which it affects our existing carryforwards.

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

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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. We prepared our annual impairment analysis and concluded that the fair value of the applicable reporting unit, as determined by management using assumptions and estimates based on current market data and our financial data available at the time, significantly exceeded the net assets, including goodwill assigned to 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.

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.

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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.

The following table summarizes the number of stock options granted from January 1, 2007 through March 31, 2010, the 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	Per share exercise price of options (1)	Per share estimated fair value of options (2)
March 31, 2007	335,000	$ 2.10	$ 0.87
June 30, 2007	375,000	$ 2.10	$ 0.87
September 30, 2007	660,000	$ 2.25	$ 1.11
December 31, 2007	1,701,496	$ 2.25	$ 1.10
March 31, 2008			
June 30, 2008	211,875	$ 2.38	$ 0.82
September 30, 2008			
December 31, 2008	2,641,251	$ 2.55	$ 1.39
March 31, 2009			
June 30, 2009	100,000	$ 2.55	$ 1.15
September 30, 2009			
December 31, 2009	1,025,000	$ 3.49	$ 2.04
March 31, 2010	1,593,500	$ 4.37	$ 2.55

(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.

We have historically granted stock options at exercise prices no less than the fair value of our common stock on the date of grant. Prior to 2007, our board of directors had estimated the fair value of our common stock on an annual basis, with input from management. Because there has been no public market for our common stock, our board of directors determined the fair value of our common stock by considering a number of objective and subjective factors, including the valuation implied by recent financing rounds, our size and growth rate, operating loss trends, the amount of preferred stock liquidation preferences, the illiquid nature of our common stock and expected time to liquidity. We believe the estimates of the fair value of our common stock that were used were reasonable.

Beginning in 2007, our board of directors began performing valuations every six months. In 2007 and 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 was valued at $2.10 per share at the beginning of 2007 and increased to $2.25 in August 2007. Our common stock valuation further increased to $2.38 per share in February 2008,

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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 $2.55 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 $2.25 per share. However, the board decided to continue granting its stock options at an exercise price of $2.55 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 represented the estimated fair market value of our common stock at the valuation date, which was determined to be $3.49 as of July 31, 2009. We granted stock options with an exercise price of $3.49

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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 $4.37 as of December 31, 2009.

We performed our next valuation 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 $5.27 as of March 31, 2010.

Results of Consolidated Operations

	Year Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(in thousands, except share and per share data)			(Unaudited)	
Revenue	$ 57,818	$ 105,969	$ 131,182	$ 25,758	$ 33,244
Cost and expenses					
Fleet operations	50,033	84,199	93,367	19,038	24,894
Member services and fulfillment	4,379	7,580	10,414	1,890	2,670
Research and development	904	1,549	2,314	572	671
Selling, general and administrative	16,204	25,324	29,973	6,677	9,437
Amortization of acquired intangible assets	219	1,226	990	258	197
Total operating expenses	71,739	119,878	137,058	28,435	37,869
Loss from operations	(13,921)	(13,909)	(5,876)	(2,677)	(4,625)
Interest income	1,387	429	60	26	12
Interest expense	(2,070)	(1,603)	(2,457)	(495)	(805)
Other income, net	160	568	3,690	199	126
Loss before income taxes	(14,444)	(14,515)	(4,583)	(2,947)	(5,292)
Provision for income taxes			84	23	36
Net loss	(14,444)	(14,515)	(4,667)	(2,970)	(5,328)
Less: Net loss attributable to redeemable noncontrolling interest			23	3	8
Net loss attributable to controlling interest	$ (14,444)	$ (14,515)	$ (4,644)	$ (2,967)	$ (5,320)
Net loss attributable to common stockholders per share basic and diluted	$ (3.76)	$ (3.58)	$ (1.11)	$ (0.72)	$ (1.18)
Weighted average number of common shares outstanding used in computing per share amounts basic and diluted	3,846,291	4,057,973	4,167,887	4,102,592	4,493,010
Pro forma net loss per share basic and diluted (unaudited)			$ (0.09)		$ (0.10)
Pro forma weighted average number of common shares outstanding (unaudited)			51,594,284		51,919,407

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The following table sets forth selected consolidated statements of operations data for each of the periods indicated as a percentage of total revenue.

	Year Ended December 31,			Three Months Ended March 31, (Unaudited)	
	2007	2008	2009	2009	2010
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost and expenses					
Fleet operations	86.5	79.5	71.2	73.9	74.9
Member services and fulfillment	7.6	7.2	7.9	7.3	8.0
Research and development	1.6	1.5	1.8	2.2	2.0
Selling, general and administrative	28.0	23.9	22.8	25.9	28.4
Amortization of acquired intangible assets	0.4	1.2	0.8	1.0	0.6
Total operating expenses	124.1	113.1	104.5	110.4	113.9
Loss from operations	(24.1)	(13.1)	(4.5)	(10.4)	(13.9)
Interest income	2.4	0.4	0.0	0.1	0.0
Interest expense	(3.6)	(1.5)	(1.9)	(1.9)	(2.4)
Other income, net	0.3	0.5	2.8	0.8	0.4
Loss before income taxes	(25.0)	(13.7)	(3.5)	(11.4)	(15.9)
Provision for income taxes			0.1	0.1	0.1
Net loss	(25.0)	(13.7)	(3.6)	(11.5)	(16.0)
Less: Net loss attributable to redeemable noncontrolling interest			0.0	0.0	0.0
Net loss attributable to controlling interest	(25.0)%	(13.7)%	(3.5)%	(11.5)%	(16.0)%

Segments

We aggregate operating segments into reportable segments based primarily upon similar economic characteristics, customers, sales and marketing activities and delivery methods. We have identified two reportable segments: North America and the United Kingdom. In both segments, we derive revenue primarily from self-service vehicle use by our members. The North America segment represents substantially all of our revenue, with the United Kingdom segment representing less than 4% in each of the periods presented. Revenue has grown from $57.4 million in 2007 to $127.5 million in 2009 in the North America segment, and the segment (loss) income before income taxes, which excludes corporate expenses and certain other costs, improved from $(2.0) million to $15.1 million. This improvement is principally a result of the major metropolitan areas and universities in this segment reaching larger scale and achieving higher operational efficiencies. Revenue has grown from $0.4 million in 2007 to $3.7 million in 2009 in the United Kingdom segment. During this period, the segment loss before income taxes, which excludes corporate expenses and certain other costs, improved from $(2.7) million to $(2.0) million. These losses are principally the result of the early, investment stage of our United Kingdom operations prior to the acquisition of Streetcar in April 2010. Refer to Note 13 to the consolidated financial statements for additional segment information.

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Comparison of Three Months Ended March 31, 2009 and 2010

Revenue

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2010	Change $	Change %
	(amounts in thousands)			
Vehicle usage revenue	$ 22,871	$ 29,262	$ 6,391	27.9%
Fee revenue	2,869	3,948	1,079	37.6%
Other revenue	18	34	16	88.9%
Total	$ 25,758	$ 33,244	$ 7,486	29.1%

Usage revenue increased primarily due to an increase in reservations associated with new members, partially offset by lower usage revenue per member. Fee revenue is derived from annual membership, application and damage waiver fees. The increase in fee revenue is primarily a result of a higher member base at March 31, 2010 as compared to March 31, 2009. Our average membership increased from 267,000 for the period ended March 31, 2009 to 360,000 for the period ended March 31, 2010. The annual and application fee revenue is recognized ratably over one and five years, respectively. Revenue per member decreased by $4 to $92 in the three months ended March 31, 2010 from $96 in the three months ended March 31, 2009 primarily due to lower usage revenue per member. The decrease in usage revenue per member is a combination of reduction in hours reserved as well as members taking advantage of our lower-priced driving offerings that were not available in the prior period. Other revenue increase is primarily attributable to revenue from our SaaS business associated with FastFleet, our fleet management solution.

Operating Expenses

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2010	Change $	Change %
	(amounts in thousands)			
Fleet operations	$ 19,038	$ 24,894	$ 5,856	30.8%
Member services and fulfillment	1,890	2,670	780	41.3%
Research and development	572	671	99	17.3%
Selling, general and administrative	6,677	9,437	2,760	41.3%
Amortization of acquired intangible assets	258	197	(61)	(23.6)%
Total	$ 28,435	$ 37,869	$ 9,434	33.2%

Fleet Operations: Fleet operations expenses increased as a result of an increase in the number of vehicles in our fleet and higher cost per vehicle, partially offset by savings associated with higher utilization of our vehicles. The average number of vehicles available in our fleet increased by 709 to 6,061 for the three months ended March 31, 2010 as compared to the three months ended March 31, 2009. In addition, cost per vehicle increased in the three months ended March 31, 2010 due to higher gas prices and higher repairs and maintenance. Fuel costs per mile driven increased 45% in the three months ended March 31, 2010 as compared to the same period in 2009 primarily due to higher gas prices. Fleet expenses as a percentage of revenue increased 1.0% to 74.9% for the three months ended March 31, 2010 from 73.9% for the comparable period in 2009. This increase is mainly due to increases in fuel costs, partially offset by an increase in vehicle usage levels.

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Member Services and Fulfillment: Member services and fulfillment costs increased primarily due to an increase in members of approximately 95,000 to 367,000 as of March 31, 2010 from 272,000 members as of March 31, 2009. Member services and fulfillment costs as a percentage of revenue increased 0.7% to 8.0% for the three months ended March 31, 2010 from 7.3% for the comparable period in 2009. This increase is primarily due to an increase in costs associated with a change in our outsourced contact center provider to improve the quality of our service.

Research and Development: Research and development expenses increased primarily as a result of additional headcount related to continued investment in the development and maintenance of our online reservation and fleet management system. Research and development expenses as a percentage of revenue decreased for the three months ended March 31, 2010 by 0.2% to 2.0% from 2.2% for the comparable period in 2009.

Selling, General and Administrative: The increase in selling, general and administrative expenses from the three months ended March 31, 2009 to the three months ended March 31, 2010 was primarily due to an increase in personnel-related expenses of $0.9 million, professional fees of $1.2 million and other general and administrative related expenses of $0.5 million. Professional fees were higher compared to the three months ended March 31, 2009 primarily due to legal and consulting fees of $0.8 million associated with the acquisition of Streetcar and the preparation towards operating as a public company. In addition, marketing programs, advertising costs and related discretionary spending increased $0.3 million during the three months ended March 31, 2010. Selling, general and administrative expenses as a percentage of revenue increased by 2.5% to 28.4% for the three months ended March 31, 2010 from 25.9% for the comparable period in 2009.

Amortization of Acquired Intangible Assets: Acquired intangible assets associated with the 2007 Flexcar acquisition include member relationships and parking spaces in existence at the time of the acquisition, and are amortized over their estimated useful lives of up to five years based on the pattern in which the economic benefits of the intangible assets are consumed. Amortization of acquired intangible assets decreased for the three months ended March 31, 2010 by $0.1 million as compared to the three months ended March 31, 2009. The decrease in the 2010 period is due to the reduction in amortization of certain intangibles for which the related economic benefit was higher in the earlier periods of amortization. We expect amortization of acquired intangible assets to increase in the future as a result of the acquisition of Streetcar.

Interest Expense: The $0.3 million increase in interest expense was primarily due to additional interest payments on new debt.

Other Income, net: Other income, decreased from $0.2 million for the three months ended March 31, 2009 to $0.1 million for the three months ended March 31, 2010.

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Comparison of Years Ended December 31, 2007, 2008 and 2009

Revenue

	Years Ended December 31,			Change in 2008		Change in 2009	
	2007	2008	2009	$	%	$	%
	(amounts in thousands)						
Vehicle usage revenue	$ 53,821	$ 96,528	$ 117,553	$ 42,707	79.4%	$ 21,025	21.8%
Fee revenue	3,816	8,972	13,503	5,156	135.1%	4,531	50.5%
Other revenue	181	469	126	288	159.1%	(343)	(73.1%)
Total	$ 57,818	$ 105,969	$ 131,182	$ 48,151	83.3%	$ 25,213	23.8%

Usage revenue increased in 2009 from 2008 primarily due to an increase in reservations associated with new members, partially offset by lower usage revenue per member. The increase in fee revenue is primarily as a result of higher member base at December 31, 2009 as compared to December 31, 2008. Our average membership increased from 214,000 in 2008 to 305,000 in 2009. Revenue per member decreased by $67 to $429 in 2009 from $496 in 2008 primarily due to lower usage revenue per member which we believe is due to the impact of economic conditions. Other revenue includes revenue from FastFleet, our fleet management solution. Also included in other revenue is revenue associated with a government grant program in one city and we do not expect to record any revenue from this program in the future.

Revenue increased in 2008 from 2007 as a result of the revenue recognized for a full year following the Flexcar acquisition in November 2007 and new members. Our membership increased from 140,000 at December 31, 2007 to 258,000 at December 31, 2008, contributing to the increase in usage revenue and fee revenue. The increase of 118,000 in 2008 includes approximately 30,000 members we converted from Flexcar. Revenue per member decreased by $26 to $496 in 2008 from $522 in 2007 primarily due to lower usage revenue per member. Other revenue in 2008 included revenue associated with a government grant program and revenue associated with FastFleet. There was no revenue from FastFleet prior to 2008, and accordingly, all other revenue in 2007 was derived from the government grant program.

Operating Expenses

	Years Ended December 31,			Change in 2008		Change in 2009	
	2007	2008	2009	$	%	$	%
	(amounts in thousands)						
Fleet operations	$ 50,033	$ 84,199	$ 93,367	$ 34,166	68.3%	$ 9,168	10.9%
Member services and fulfillment	4,379	7,580	10,414	3,201	73.1%	2,834	37.4%
Research and development	904	1,549	2,314	645	71.3%	765	49.4%
Selling, general and administrative	16,204	25,324	29,973	9,120	56.3%	4,649	18.4%
Amortization of acquired intangible assets	219	1,226	990	1,007	459.8%	(236)	(19.2%)
Total	$ 71,739	$ 119,878	$ 137,058	$ 48,139	67.1%	$ 17,180	14.3%

Fleet Operations: Fleet operations expenses increased in 2009 from 2008 primarily as a result of an increase in the number of vehicles in our fleet, partially offset by lower costs per vehicle. The average number of vehicles in our fleet increased by 939 to 6,092 during 2009. Cost per vehicle

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decreased in 2009 as compared to 2008 primarily due to lower gas prices and lower insurance costs. Fuel costs per mile driven decreased 27% in 2009 as compared to 2008 primarily due to lower gas prices. Fleet operations as a percentage of revenue decreased to 71.2% in 2009 as compared to 79.5% in 2008. This decrease is due to lower gas prices, lower insurance premiums and an increase in vehicles usage levels.

Fleet operations expenses increased significantly in 2008 from 2007 primarily as a result of an increase in our vehicles due to general business growth, including the full-year effect of our Flexcar acquisition. The average number of vehicles in our fleet increased by 1,054 to 5,153 in 2008, which resulted in an increase in fleet related costs, including vehicle lease, parking, insurance, repairs and maintenance costs. Fuel costs per mile driven increased 5% in 2008 as compared to 2007 primarily due to higher gas prices. Fleet operations as a percentage of revenue decreased to 79.5% in 2008 as compared to 86.5% in 2007. This decrease is primarily attributable to insurance premiums and parking expenses which are lower as a percentage of revenue, coupled with an increase in vehicle usage levels.

Member Services and Fulfillment: Member services and fulfillment costs increased primarily due to an increase in members of approximately 91,000 in 2009 to 349,000 at December 31, 2009 from 258,000 members at December 31, 2008. Additionally, we incurred transition costs in 2009 associated with a change in our outsourced contact center provider along with higher transaction costs in the initial period following the transition. Member services and fulfillment costs as a percentage of revenue increased to 7.9% in 2009 from 7.2% in 2008. This increase was primarily due to the additional costs associated with the change in our outsourced contact center provider.

Member services and fulfillment costs increased in 2008 primarily as a result of an increase in members due to general business growth, including the full-year effect of the Flexcar acquisition. Member services and fulfillment costs as a percentage of revenue decreased in 2008 to 7.2% from 7.6% in 2007. This decrease was primarily attributable to lower credit card processing fees.

Research and Development: Research and development expenses increased in 2009 and 2008. The increase in 2009 is primarily associated with additional headcount related to continued investment in the development and maintenance of our online reservation and fleet management system. This resulted in $0.6 million increase in labor and labor-related costs in 2009. The increase for 2008 is due to an increase of $0.6 million in labor and employee-related expense to accommodate a higher level of technology investment and the Flexcar acquisition. Research and development expenses as a percentage of revenue increased to 1.8% in 2009 from 1.5% in 2008. This increase is mainly related to increases in payroll-related costs associated with additional headcount related to continued investment in the development and maintenance of our online reservation and fleet management system. Research and development expenses as a percentage of revenue decreased to 1.5% in 2008 from 1.6% in 2007.

Selling, General and Administrative: Selling, general and administrative expenses increased in 2009 and 2008. Labor and labor-related costs, including stock compensation, increased by $2.0 million as a result of an increase in our workforce. Marketing programs, advertising costs and related discretionary spending increased $2.0 million. Facilities and other related costs increased by $0.5 million due to headcount growth. Selling, general and administrative expenses as a percentage of revenue decreased to 22.8% in 2009 from 23.9% in 2008.

The increase in selling, general and administrative expenses in 2008 was primarily due to an increase in labor and labor-related expenses of $5.2 million resulting from our general business

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growth, including the full-year effect of the Flexcar acquisition. The $5.2 million increase included stock compensation expense of $0.8 million. Spending on marketing programs, advertising costs and events increased by $1.0 million. Facilities, depreciation, professional fees and other costs increased $3.0 million primarily as a result of the Flexcar acquisition. Selling, general and administrative expenses as a percentage of revenue decreased to 23.9% in 2008 from 28.0% in 2007.

Amortization of Acquired Intangible Assets: Amortization of acquired intangible assets decreased in 2009 by $0.2 million and increased in 2008 by $1.0 million. The changes in both periods are as a result of intangible assets recorded from the Flexcar acquisition on November 1, 2007. The increase in 2008 is due to the full-year effect of amortization; the decrease in 2009 is due to the reduction in amortization of certain intangibles for which the related economic benefit was higher in the prior year.

Interest Income: Interest income decreased from $0.4 million in 2008 to $0.1 million in 2009. Interest income decreased from $1.4 million in 2007 to $ 0.4 million in 2008. In both periods the decrease was primarily attributable to lower yields on cash and cash equivalents.

Interest Expense: Interest expense increased from $1.6 million in 2008 to $2.5 million in 2009. This increase was principally due to additional interest payments on new debt issuances. Interest expense decreased from $2.1 million in 2007 to $1.6 million in 2008. The decrease was a result of a lower percentage of vehicles under capital leases, partly offset by interest expense on a new debt issuance beginning in May 2008.

Other Income, net: Other income, net increased from $0.6 million in 2008 to $3.7 million in 2009. This increase is primarily attributable to the sale of Zero Emission Vehicle, or ZEV, credits of $3.3 million during 2009. Under certain state government regulations, vehicle manufacturers are required to ensure that a portion of the vehicles sold in that state are classified as zero emission vehicles . These laws provide for the purchase and sale of excess credits earned. Because of the energy efficient nature of our business, we were able to earn ZEV credits under state regulations, and recorded the proceeds from the sale of these credits as other income. During 2008, other income, net increased $0.4 million primarily related to the sale of tax credits under a state government program.

Provision for Income Taxes: The provision for income taxes for the year ended December 31, 2009 was related to state income taxes. We did not report a benefit for federal income taxes in our consolidated financial statements. Instead, the deferred tax asset generated from our net operating loss was offset by a full valuation allowance because it is more likely than not that we may not realize the tax benefits of the net operating loss carryforward.

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Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated statements of operations data and our unaudited statements of operations data as a percentage of revenues for each of the nine quarters in the period ended March 31, 2010. We have prepared the quarterly data on a consistent basis with our audited consolidated financial statements included in this prospectus, and the financial information reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of this data. The results of historical periods are not necessarily indicative of the results of operations for a full year or any future period.

	For the Three Months Ended,								
	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
	(in thousands, except share and per share data)								
Statements of Operations Data:									
Revenue	$ 20,508	$ 26,145	$ 30,917	$ 28,399	$ 25,758	$ 32,084	$ 37,538	$ 35,802	$ 33,244
Cost and expenses									
Fleet operations	19,156	20,645	23,191	21,207	19,038	22,500	26,702	25,127	24,894
Member services and fulfillment(1)	1,681	1,797	2,158	1,944	1,890	2,633	3,051	2,840	2,670
Research and development(1)	356	347	395	451	572	538	563	641	671
Selling, general and administrative(1)	6,116	6,435	6,562	6,211	6,677	7,497	7,481	8,318	9,437
Amortization of acquired intangible assets	312	318	318	278	258	257	258	217	197
Total operating expenses	27,621	29,542	32,624	30,091	28,435	33,425	38,055	37,143	37,869
Loss from operations	(7,113)	(3,397)	(1,707)	(1,692)	(2,677)	(1,341)	(517)	(1,341)	(4,625)
Interest income	141	118	110	60	26	6	16	12	12
Interest expense	(528)	(329)	(376)	(370)	(495)	(590)	(722)	(650)	(805)
Other income, net	223	217	175	(47)	199	246	(19)	3,264	126
(Loss) income before income taxes	(7,277)	(3,391)	(1,798)	(2,049)	(2,947)	(1,679)	(1,242)	1,285	(5,292)
Provision for income taxes					23	21			