SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

NOVEMBER 17, 2000
(NOVEMBER 11, 2000)

(Date of Report (date of earliest event reported))

CENDANT CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE	1-10308	06-0918165
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification Number)

9 WEST 57TH STREET NEW YORK, NY	10019-2601
(Address of principal executive office)	(Zip code)

(212) 413-1800
(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS

On November 11, 2000, Cendant Corporation ("Cendant"), PHH Corporation ("we", "our", or "us") and Avis Acquisition Corp. (collectively, "the Company") entered into an Agreement and Plan of Merger ("Merger Agreement") with Avis Group Holdings, Inc. ("Avis") to acquire all of the outstanding shares of Avis, not currently owned by Cendant at a price of $33 per share in cash.

The acquisition is subject to, among other things, approval of a majority of the votes cast by the shareholders of Avis who are unaffiliated with Cendant and also to customary regulatory approvals. The acquisition is expected to be completed during the first quarter of 2001, although there can be no assurance that all required approvals will be obtained by such time. The acquisition will be accounted for as a purchase.

The acquisition will be made by our subsidiary. It is our intention to distribute the consumer car rental business, Avis Rent A Car, to a Cendant subsidiary not within our ownership structure. After the acquisition and the distribution of the consumer car rental business, we will own and operate the Vehicle Management and Leasing business as well as the Wright Express fuel card business.

We estimate that the total amount of funds required to purchase all of the outstanding shares of Avis not currently owned by Cendant and pay related costs will be approximately $967 million. In addition, the acquisition entails the assumption of approximately $7.3 billion of net debt of Avis.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement incorporated herein as Exhibit 2.1.

See Exhibits 99.1 and 99.2 for financial statements of Avis and pro forma financial information giving effect to the acquisition of Avis, respectively.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Form 8-K contains forward-looking statements within the meaning of the Private Litigation Reform Act of 1995.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

See Exhibit 99.1 attached hereto for Financial Statements of Avis Group Holdings, Inc.

(b) Pro Forma Financial Information.

See Exhibit 99.2 attached hereto for Pro Forma Financial Information giving effect to the acquisition of Avis Group Holdings, Inc.

(c) Exhibits.

See Exhibit Index.

SIGNATURES

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

CENDANT CORPORATION

/s/ DAVID M. JOHNSON

David M. Johnson
SENIOR EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

/S/ JOHN T. MCCLAIN

John T. McClain
SENIOR VICE PRESIDENT, FINANCE AND
CORPORATE CONTROLLER

Date: November 17, 2000

CENDANT CORPORATION
CURRENT REPORT ON FORM 8-K

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger by and among Cendant Corporation, PHH Corporation, Avis Acquisition Corp. and Avis Group Holdings, Inc. dated as of November 11, 2000 (incorporated by reference to Cendant Corporation's Form 10-Q dated November 14, 2000)
23.1	Consent of Deloitte & Touche LLP, Independent Auditors
99.1	Financial Statements of Business Acquired
99.2	Pro Forma Combined Condensed Financial Information (unaudited)

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Current Report on Form 8-K under the Securities Exchange Act of 1934 of Cendant Corporation dated November 13, 2000 of our report dated January 26, 2000 (March 27, 2000 as to Note 1) relating to the consolidated financial statements of Avis Group Holdings, Inc. for the years ended December 31, 1999, 1998 and 1997 and to the incorporation by reference in Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303, 333-78475 and 333-38638 of Cendant Corporation on Form S-8 and Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, 333-86469, 333-30314 and 333-34562 of Cendant Corporation on Form S-3 under the Securities Act of 1933 of our report dated January 26, 2000 (March 27, 2000 as to Note 1) appearing in the above-mentioned Current Report on Form 8-K of Cendant Corporation.

/s/ Deloitte & Touche LLP
New York, New York
November 17, 2000

EXHIBIT 99.1

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Avis Group Holdings, Inc.
New York, New York

We have audited the accompanying consolidated statements of financial position of Avis Group Holdings, Inc. (formerly Avis Rent A Car, Inc.) and subsidiaries (the "Company") as of December 31, 1999 and 1998, and the related consolidated statements of operations, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

New York, New York
January 26, 2000
(March 27, 2000 as to Note 1)

AVIS GROUP HOLDINGS, INC. (FORMERLY AVIS RENT A CAR, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED DECEMBER 31, 1999	1998	1997
Revenue:			
Vehicle rental	$2,500,746	$2,297,582	$2,046,154
Vehicle leasing	692,935		
Other fee based	139,046		
	3,332,727	2,297,582	2,046,154
Costs and expenses:			
Direct operating, net	957,270	927,930	853,767
Vehicle depreciation and lease charges, net	1,174,509	593,064	525,143
Selling, general and administrative	582,056	436,275	413,291
Interest, net	382,303	192,080	180,608
Minority interest	5,890		
Non-vehicle depreciation and amortization	34,600	24,151	16,162
Amortization of cost in excess of net assets acquired	30,182	11,854	6,860
	3,166,810	2,185,354	1,995,831
Income before provision for income taxes	165,917	112,228	50,323
Provision for income taxes	73,332	48,707	22,850
Net income	92,585	63,521	27,473
Preferred stock dividends	9,110		
Earnings applicable to common stockholders	$ 83,475	$ 63,521	$ 27,473
Earnings per share:			
Basic	$ 2.66	$ 1.86	$ .89
Diluted	$ 2.61	$ 1.82	$ .88

See notes to the consolidated financial statements.

AVIS GROUP HOLDINGS, INC. (FORMERLY AVIS RENT A CAR, INC.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	DECEMBER 31, 1999	DECEMBER 31, 1998
ASSETS		
Cash and cash equivalents	$ 71,697	$ 29,751
Cash held on deposit with financial institution	93,530	
Restricted cash	253,080	133,284
Accounts receivable, net	1,115,740	360,574
Finance lease receivables	871,034	
Prepaid expenses	64,316	42,083
Vehicles, net--rental	3,367,362	3,164,816
Vehicles, net--leasing	3,134,009	
Property and equipment, net	197,827	145,045
Other assets	115,273	40,590
Deferred income tax assets		117,659
Cost in excess of net assets acquired, net	1,794,390	463,260
Total assets	$11,078,258	$4,497,062
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY		
Accounts payable	$ 588,377	$ 198,481
Accrued liabilities	369,453	326,204
Due to affiliates, net	59,396	22,293
Current income tax liabilities	18,226	23,045
Deferred income tax liabilities, net	181,256	28,504
Public liability, property damage and other insurance liabilities, net	259,756	261,209
Debt	8,469,805	3,014,712
Minority interest (preferred membership interest)	99,305	
Total liabilities	10,045,574	3,874,448
Commitments and contingencies		
Preferred stock:		
Series A Preferred stock ($.01 par value, 7,200,000 shares authorized, issued and outstanding; $50 liquidation preference)	360,000	
Series B Preferred stock accrued ($.01 par value, 5,880,217 shares authorized; $50 liquidation preference)	9,000	
Series C Preferred stock ($.01 par value, 40,000 shares authorized, issued and outstanding; $50 liquidation preference)	2,000	
Total preferred stock	371,000	
Common stockholders' equity:		
Class A Common stock ($.01 par value, 100,000,000 shares authorized; 35,925,000 issued at December 31, 1999 and 1998)	359	359
Additional paid-in capital	593,106	591,651
Retained earnings	175,690	92,215
Accumulated other comprehensive loss	(3,639)	(10,651)
Treasury stock (4,793,288 and 2,672,700 shares at December 31, 1999 and 1998, respectively, at cost)	(103,832)	(50,960)
Total common stockholders' equity	661,684	622,614
Total liabilities, preferred stock and common stockholders' equity	$11,078,258	$4,497,062

See notes to the consolidated financial statements.

AVIS GROUP HOLDINGS, INC. (FORMERLY AVIS RENT A CAR, INC.)

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	COMPREHENSIVE INCOME	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	TREASURY STOCK	TOTAL
Balance January 1, 1997		$ 85	$ 74,915	$ 1,221	$ 194		$ 76,415
Net income	$27,473			27,473			27,473
Sale of Class A Common stock ($.01 par value) through an initial public offering of 22,425,000 shares of common stock on September 24, 1997		224	355,592				355,816
Foreign currency translation adjustment	(5,761)				(5,761)		(5,761)
Additional minimum pension charge	(221)				(221)		(221)
Comprehensive income	$21,491						
Balance, December 31, 1997		309	430,507	28,694	(5,788)		453,722
Net income	$63,521			63,521			63,521
Sale of Class A Common stock ($.01 par value) through a public offering of 5,000,000 shares of common stock on March 23, 1998		50	161,144				161,194
Purchases of treasury stock, 2,672,700 shares, at cost						$ (50,960)	(50,960)
Foreign currency translation adjustment	(3,374)				(3,374)		(3,374)
Additional minimum pension charge	(1,489)				(1,489)		(1,489)
Comprehensive income	$58,658						
Balance, December 31, 1998		359	591,651	92,215	(10,651)	(50,960)	622,614
Net income	$92,585			92,585			92,585
Preferred stock dividends				(9,110)			(9,110)
Purchases of treasury stock 2,327,300 shares, at cost						(57,237)	(57,237)
Issuance of treasury stock due to exercise of stock options and other, net			1,455			4,365	5,820
Foreign currency translation adjustment	6,199				6,199		6,199
Additional minimum pension benefit	813				813		813
Comprehensive income	$99,597						
Balance, December 31, 1999		$359	$593,106	$175,690	$ (3,639)	$ (103,832)	$661,684

See notes to the consolidated financial statements.

AVIS GROUP HOLDINGS, INC. (FORMERLY AVIS RENT A CAR, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEARS ENDED DECEMBER 31, 1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 92,585	$ 63,521	$ 27,473
Adjustments to reconcile net income to net cash provided by operating activities:			
Vehicle depreciation	1,146,926	581,022	466,799
Depreciation and amortization of property and equipment	19,558	12,890	11,791
Amortization of other non-revenue producing assets	45,224	23,115	11,231
Deferred income tax provision	57,027	38,457	9,161
Provision for doubtful accounts receivable	6,137	2,961	3,208
Provision for public liability, property damage and other insurance liabilities, net	(1,819)	13,687	25,574
Changes in operating assets and liabilities:			
Restricted cash	(62,588)	(26,300)	(76,596)
Accounts receivable	(89,568)	(14,045)	(15,201)
Prepaid expenses	(6,336)	6,848	3,914
Other assets	21,654	(5,625)	(8,769)
Accounts payable	54,299	(23,148)	(12,597)
Accrued liabilities	7,795	(2,475)	(84,150)
Due to (from) affiliates	(192,951)	(18,320)	53,761
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,097,943	652,588	415,599
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for vehicle additions	(5,605,494)	(4,303,048)	(4,240,809)
Vehicle deletions	4,205,221	3,610,721	3,382,177
Increase in finance lease receivables	(22,663)		
Payments for additions to property and equipment	(48,240)	(42,933)	(24,733)
Retirements of property and equipment	(6,419)	5,603	3,971
Payments for purchase of rental car franchise licensees, net of cash acquired	(45,192)	(237,182)	(199,381)
Payment for purchase of PHH Holdings, net of cash acquired	(1,325,781)		
Proceeds from the sale and leaseback of office building	32,156		
NET CASH USED IN INVESTING ACTIVITIES	(2,816,412)	(966,839)	(1,078,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from public offerings, net		161,194	359,316
Purchases of treasury stock, net	(53,868)	(50,960)	
Changes in debt:			
Proceeds	6,120,545	1,217,289	3,381,173
Repayments	(4,307,537)	(1,023,432)	(3,031,885)
Net increase in debt	1,813,008	193,857	349,288
Payments for debt issuance costs	(6,543)	(4,654)	(29,302)
Increase in minority interest (preferred membership interest)	99,305		
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,851,902	299,437	679,302
Effect of exchange rate changes on cash	2,043	(334)	(945)
Net increase (decrease) in cash and cash equivalents and cash held on deposit with financial institutions	135,476	(15,148)	15,181
Cash and cash equivalents and cash held on deposit with financial institutions at beginning of year	29,751	44,899	29,718
CASH AND CASH EQUIVALENTS AND CASH HELD ON DEPOSIT WITH FINANCIAL INSTITUTIONS AT END OF YEAR	$ 165,227	$ 29,751	$ 44,899
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 370,247	$ 209,977	$ 189,086
Income taxes	$ 28,877	$ 13,338	$ 8,899
Business acquired:			
Fair value of assets acquired, net of cash acquired	$ 6,004,777	$ 244,501	$ 519,650
Liabilities assumed	4,271,804	7,319	320,269
Net assets acquired	1,732,973	237,182	199,381
Less issuance of Series A and Series C Preferred Stock	362,000		
NET CASH PAID FOR ACQUISITIONS	$ 1,370,973	$ 237,182	$ 199,381

See notes to the consolidated financial statements.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Effective March 27, 2000, Avis Rent A Car, Inc. changed its name to Avis Group Holdings, Inc. The accompanying consolidated financial statements include Avis Group Holdings, Inc. (formerly Avis Rent A Car, Inc.) and subsidiaries, which was incorporated on October 17, 1996. The Company and its former parent, Avis Inc., were acquired by Cendant ("Cendant") on October 17, 1996 (the "Date of Acquisition") for approximately $806.5 million (the "Acquisition"). The purchase price was comprised of approximately $367.2 million in cash, $100.9 million of indebtedness and $338.4 million of common stock. Avis Group Holdings, Inc. (formerly Avis Rent A Car, Inc.) and subsidiaries are referred to throughout the notes to the consolidated financial statements as the "Company". On January 1, 1997, Avis, Inc., the Company's former ultimate parent, a wholly-owned subsidiary of Cendant, contributed the net assets of its corporate operations and all of its common stock ownership in Avis International, Ltd. and subsidiaries, Avis Enterprises, Inc. and subsidiaries, Pathfinder Insurance Company and Global Excess & Reinsurance, Ltd. to the Company. Pursuant to a plan developed by Cendant prior to the Date of Acquisition, Cendant caused the Company to undertake an initial public offering ("IPO"). On September 24, 1997, the Company issued and sold 22,425,000 shares of its common stock through such IPO and received net proceeds of $359.3 million. On March 23, 1998, the Company sold 5,000,000 shares of its common stock through a public offering (the "Offering") and received net proceeds of approximately $161.2 million. In addition, in the Offering on March 23, 1998, Cendant reduced its ownership of the Company by selling 1,000,000 shares of the Company's common stock and retained the net proceeds. As a result of the IPO, the Offering on March 23, 1998, the net repurchase of 2,120,588 shares and 2,672,700 shares of treasury stock by the Company during 1999 and 1998, respectively, and the issuance of Series A and C preferred stock in connection with the VMS acquisition (see Notes 2, 14 and 15), Cendant's common stockholder's equity interest in the Company at January 1, 2000 is approximately 18 % excluding potential conversion of Preferred Stock (see Notes 14, 16 and 24). The Company has used the net proceeds from these offerings to (i) acquire certain Avis System franchises (see Note 2) and (ii) for working capital and general corporate purposes, including the repayment of certain indebtedness. A Cendant subsidiary owns and operates the reservation system as well as the telecommunications and computer processing systems which service the rental car operations for reservations, rental agreement processing, accounting and vehicle control. Cendant is reimbursed for such services at cost (see Note 5). In addition, a Cendant subsidiary charges the Company a royalty fee for the use of the Avis trade name (see Note 5).

On March 19, 1999, and June 30, 1999, the Company purchased the common stock and franchise rights of Rent-A-Car Company, Incorporated, of Richmond Virginia ("Rent-A-Car, Inc.") and Motorent, Inc. of Nashville Tennessee ("Motorent") for approximately $10.1 million and $49.3 million, respectively. These acquisitions were financed through internally generated funds.

On June 30, 1999, the Company completed the transaction contemplated by the Agreement and Plan of Merger and Reorganization dated as of May 22, 1999 (the "Merger Agreement"), with PHH Corporation, a Maryland corporation and wholly-owned subsidiary of Cendant, PHH Holdings Corporation ("PHH Holdings"), a Texas corporation and wholly-owned subsidiary of PHH Corporation, and Avis Fleet Leasing and Management Corporation, a Texas corporation and a wholly-owned subsidiary of the Company (the "Acquisition Subsidiary"). Pursuant to the Merger Agreement, the Acquisition Subsidiary and PHH Holdings merged on June 30, 1999 and the Acquisition Subsidiary acquired the fleet leasing and management and fuel card business of PHH corporation ("VMS") for approximately $1.8 billion and refinanced VMS indebtedness of approximately $3.5 billion (the "VMS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition"). The acquisition financing included borrowings by the Company of $1.0 billion of term loans, the issuance by the Company of $500 million of senior subordinated notes, and the issuance by the Acquisition Subsidiary of $362.0 million of preferred stock (see Notes 10, 14 and 15).

PRINCIPLES OF CONSOLIDATION

All material intercompany accounts and transactions have been eliminated.

ACCOUNTING ESTIMATES

Generally accepted accounting principles require the use of estimates, which are subject to change, in the preparation of financial statements. Significant accounting estimates used include estimates for recoverability of the cost in excess of net assets acquired, the determination of public liability, property damage and other insurance liabilities, and the realization of deferred income tax assets. However, actual results may differ.

REVENUE RECOGNITION

VEHICLE RENTAL REVENUE:

Revenue is recognized over the period the vehicle is rented.

VEHICLE LEASING REVENUE:

The Company primarily leases vehicles under three standard arrangements: open-end operating leases, closed-end operating leases or open-end finance leases (direct financing leases). These leases are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for leases". Each lease is either classified as an open end or closed end operating lease or open end finance lease and are included in Vehicles, net-leasing and Finance lease receivables, respectively, on the accompanying Consolidated Statements of Financial Position. Vehicle lease terms generally range from 12 to 50 months. Amounts charged to the leases for interest on the unrecovered investment are credited to income on a level yield method, which approximates the contractual terms.

OTHER FEE BASED REVENUE:

Revenues from fleet management services other than leasing are recognized over the period in which services are provided and the related expenses are incurred.

CASH AND CASH EQUIVALENTS

The Company considers unrestricted deposits and short-term investments with an original maturity date of three months or less to be cash equivalents.

CASH HELD ON DEPOSIT WITH FINANCIAL INSTITUTION

Cash held on deposit with financial institution represents lease payments collected from the Company's vehicle leasing customers by one of the Company's lenders in connection with the Company's VMS Domestic Asset Based Financing Structure (see Vehicle Leasing and Other Fee Based

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt in Note 10). Cash collected during the month by the lender, net of vehicle purchases, is settled with the Company in the early part of the following month.

RESTRICTED CASH

Restricted cash includes cash and short-term investments that are not readily available for normal Company disbursements. Certain amounts have been set aside as required under the Company's debt covenants and to satisfy insurance related and other commitments of the Company.

FINANCE LEASE RECEIVABLES

Finance Lease Receivables are leases accounted for in accordance with SFAS No. 13, "ACCOUNTING FOR LEASES", which are classified as a direct financing lease, as defined.

The Company records the cost of the leased vehicle as an "investment in finance leases". Vehicles are depreciated using the straight-line method over the expected lease term. Amounts charged to the lessees for interest on the unrecovered investment are credited to income on a level yield method, which approximates the contractual terms.

VEHICLES, NET

Rental vehicles are stated at cost, net of accumulated depreciation, incentives and allowances. In accordance with industry practice, when vehicles are sold, gains or losses are reflected as an adjustment to depreciation. Vehicles are generally depreciated at rates ranging from 10% to 25% per annum. Manufacturers provide the Company with incentives and allowances (such as rebates and volume discounts) which are amortized to income over the holding periods of the vehicles.

Leasing vehicles include vehicles which are leased to customers under either open-end or closed-end operating leases:

Open-end Operating Leases--Under these leases, the minimum lease term is 12 months with a month to month renewal thereafter. In addition, resale of the vehicles upon termination of the lease is generally for the account of the lessee except for a minimum residual value, which the Company has guaranteed. The Company guarantees 16% of the original cost of the unit for the first 24 months of the lease, and then 16% of the fair market value of the unit at inception of the month to month renewals thereafter.

Closed-end Operating Leases--Under these leases, the minimum lease term is for 12 months or longer. However, 24 and 36 month lease terms are the most prevalent. These leases are cancelable under certain conditions. Resale of the vehicles upon termination is for the account of the Company.

Open-end finance leases provide that the resale of the vehicles upon termination of the lease, are for the account of the lessee.

PROPERTY AND EQUIPMENT, NET

Property and equipment is stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives range from five to ten years for furniture, fixtures and equipment, to thirty years for buildings. Leasehold improvements are amortized over the shorter of twenty years or the remaining life of the lease. Maintenance and repairs are expensed; renewals and improvements are capitalized. When depreciable assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the Consolidated Statements of Operations.

COST IN EXCESS OF NET ASSETS ACQUIRED, NET

Cost in excess of net assets acquired is amortized over a 40 year period and is shown net of accumulated amortization of $49.9 million and $19.7 million at December 31, 1999 and 1998, respectively.

IMPAIRMENT ACCOUNTING

The Company reviews the recoverability of its long-lived assets, including cost in excess of net assets acquired, when events or changes in circumstances occur that indicate that the carrying value of the assets may not be recoverable. The measurement of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future pre-tax undiscounted cash flows generated. The measurement of impairment requires management to use estimates of expected future cash flows. If an impairment loss existed, the amount of the loss would be recorded under the caption costs and expenses in the Consolidated Statements of Operations. It is reasonably possible that future events or circumstances could cause these estimates to change.

PUBLIC LIABILITY, PROPERTY DAMAGE AND OTHER INSURANCE LIABILITIES, NET

Insurance liabilities on the accompanying consolidated statements of financial position include additional liability insurance, personal effects protection insurance, public liability and property damage ("PLPD") and personal accident insurance claims for which the Company is self-insured. The Company is self-insured up to $1 million per claim under its automobile liability insurance program for PLPD and additional liability insurance. Costs in excess of $1 million per claim are insured under various contracts with commercial insurance carriers. The liability for claims up to $1 million is estimated based on the Company's historical loss and loss adjustment expense experience, which is adjusted for current trends.

The insurance liabilities include a provision for both claims reported to the Company as well as claims incurred but not yet reported to the Company. This method is an actuarially accepted loss reserve method. Adjustments to this estimate and differences between estimates and the amounts subsequently paid are reflected in the Consolidated Statements of Operations as they occur.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign companies are translated at year-end exchange rates. Results of operations are translated at the average rates of exchange in effect during the year. The resultant translation adjustment is included as a component of accumulated other comprehensive loss within consolidated common stockholders' equity.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

Effective September 30, 1997, the Company files a U.S. consolidated federal income tax return. The Company has adopted the calendar year as its fiscal year. The Company files separate income tax returns in states where a consolidated return is not permitted. The Company was included in the consolidated federal income tax return of Cendant through September 29, 1997. Pursuant to the regulations under the Internal Revenue Code, the Company's pro rata share of the consolidated federal income tax liability of Cendant was allocated to the Company on a separate return basis. In accordance with Statement of Financial Accounting Standards No. 109, "ACCOUNTING FOR INCOME TAXES" ("SFAS 109"), deferred income tax assets and liabilities are measured based upon the difference between the financial accounting and tax basis of assets and liabilities.

PENSIONS

Costs of the defined benefit plans are actuarially determined under the projected unit credit cost method and include amounts for current service and interest on projected benefit obligations and plan assets. The Company's policy is to fund at least the minimum contribution amount required by the Employee Retirement Income Security Act of 1974.

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs were $86.7 million, $77.7 million and $65.6 million for the years ended December 31, 1999, 1998 and 1997, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage exposure to market risks associated with fluctuations in interest rates. Analyses are performed on an on-going basis to determine that a high correlation exists between the characteristics of derivative instruments and the assets or transactions being hedged. As a matter of policy, derivative activities are not engaged for trading or speculative purposes. Exposure to credit-related losses exist in the event of non-performance by counterparties to certain derivative financial instruments. At December 31, 1999, the Company's identified derivative financial instruments (see Recent Accounting Pronouncements below) include interest rate swap agreements, interest rate cap and floor agreements, gasoline options and options imbedded in certain instruments (see Notes 10, 12 and 14).

Interest on the Company's interest rate swap agreements, and interest rate cap and floor agreements are cash settled on a net basis for each agreement quarterly. The Company's swaption agreement is marked to market with adjustments to the swaption's fair value recorded in earnings. Gains or losses from the sale or exercise of gasoline options are recognized when the underlying option is sold.

ENVIRONMENTAL COSTS

The Company's operations include the storage and dispensing of gasoline. The Company accrues losses associated with the remediation of accidental fuel discharges when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the presentation of the current year's consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

A recent pronouncement of the Financial Accounting Standards Board which is not required to be adopted at this date, is SFAS No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES" ("SFAS 133"), which is effective for the Company's consolidated financial statements for the year ending December 31, 2001. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that any entity recognize all derivatives as either assets or liabilities in the statement of financial position at fair value. Avis Rent A Car has not completed its assessment of the effect on the Company's consolidated financial statements that will result from the adoption of SFAS 133.

NOTE 2--ACQUISITIONS

On March 19, 1999, and June 30, 1999, the Company purchased the common stock and franchise rights of Rent-A-Car Company, Incorporated, of Richmond, Virginia ("Rent-A-Car, Inc.") and Motorent, Inc. of Nashville Tennessee ("Motorent") for approximately $10.1 million and $49.3 million, respectively. These acquisitions were financed through internally generated funds.

On June 30, 1999, the Company completed the transaction contemplated by the Merger Agreement with PHH Corporation, PHH Holdings Corporation and the Acquisition Subsidiary. Pursuant to the Merger Agreement, the Acquisition Subsidiary and PHH Holdings merged on June 30, 1999 and the Acquisition Subsidiary acquired the fleet leasing and fuel card businesses of VMS for approximately $1.8 billion and refinanced VMS indebtedness of approximately $3.5 billion. The acquisition financing included borrowings by the Company of $1.0 billion of term loans, the issuance by the Company of $500 million of senior subordinated notes, and the issuance by the acquisition subsidiary of $362.0 million of preferred stock (see Notes 10,14 and 15).

In connection with the VMS Acquisition, the Company received a perpetual, royalty-free license to use the VMS trademarks, including the "PHH" name and logo. PHH Corporation and PHH Holdings entered into a 5-year non-compete agreement with Avis Group Holdings, Inc. and the Acquisition Subsidiary. The Acquisition Subsidiary also received a limited license to use the Cendant name in Europe and the United States for a period of up to one year. In addition, the parties have entered into agreements under which Cendant agreed to provide the Company with computer services and with transitional services with respect to various administrative services, including payroll and benefits, which had previously been provided to VMS by Cendant. In addition, the Acquisition subsidiary has entered into an agreement under which it will provide Cendant with certain transitional administrative services which had previously been provided by VMS.

NOTE 2--ACQUISITIONS (CONTINUED)

The preliminary purchase cost allocation for the Company's acquisitions of Rent-A-Car Inc., Motorent and VMS, are subject to adjustment, when additional information concerning asset and liability valuations are obtained. The final asset and liability fair values will differ from those set forth in the accompanying statement of financial position at December 31, 1999. However, the changes are not expected to have a material effect on the financial position of the Company.

The following is the preliminary purchase cost allocation of the acquisitions described above (in thousands):

Purchase cost	$1,917,949
Fair value of:	
Assets acquired	4,810,307
Liabilities assumed	(4,271,804)
Net assets	538,503
Cost in excess of net assets acquired	$1,379,446

The following unaudited pro forma information presents the results of operations of the Company as if the acquisition of VMS for approximately $1.9 billion (including the issuance of Series A and Series C Preferred Stock) and the refinancing of VMS indebtedness and related adjustments had taken place on January 1, 1998 (in thousands, except per share data):

	YEARS ENDED DECEMBER 31,	
	1999	1998
Revenue	$4,144,670	$3,907,039
Income before provision for income taxes	$ 141,402	$ 65,596
Net income	$ 73,171	$ 26,916
Preferred stock dividends	18,220	18,220
Earnings applicable to common stockholders	$ 54,951	$ 8,696
Earnings per share:		
Basic	$ 1.75	$ .25
Diluted	$ 1.72	$ .25

On May 1, 1998, the Company acquired the assets of the car rental business of Hayes Leasing Company, Inc., including the Avis System franchises for the cities of Austin, Fort Worth and San Antonio, and the counties of Dallas and Tarrant, Texas for approximately $86 million in cash plus the refinancing of fleet-related indebtedness, which totaled approximately $136 million for a total purchase price of approximately $222 million. In addition, during the year ended December 31, 1998, the Company purchased the assets of several other Avis System franchises for approximately $15 million in cash. If these Acquisitions had occurred on January 1, 1999 or 1998, they would not have had a material impact on the Company's results of operations. The excess purchase price over the net assets acquired for these acquisitions was approximately $90 million.

NOTE 2--ACQUISITIONS (CONTINUED)

The following is the purchase cost allocation for the acquisition of the car rental assets of Hayes Leasing Company, Inc. and other Avis System franchises during the year ended December 31, 1998 mentioned above (in thousands):

Purchase cost	$237,182
Fair value of:	
Assets acquired	153,828
Liabilities assumed	(7,319)
Net assets	146,509
Cost in excess of net assets acquired	$ 90,673

In 1997, the Company purchased First Gray Line and the franchise rights of another Avis System franchisee. These acquisitions had an aggregate purchase cost of approximately $199 million. The excess purchase cost over net assets acquired was approximately $168 million.

The following is the purchase cost allocation for these 1997 acquisitions mentioned above (in thousands):

Purchase cost	$199,381
Fair value of:	
Assets acquired	351,517
Liabilities assumed	320,269
Net assets	31,248
Cost in excess of net assets acquired	$168,133

The acquisition of the franchise rights of the additional Avis System franchisee, if it had occurred on January 1, 1997, would not have had a material impact on the results of operations of the Company.

The following unaudited pro-forma information presents the results of operations of the Company, which assumes that the following transactions had occurred on January 1, 1997 (i) the acquisition of the Company by Cendant and the establishment of a franchisor/franchisee relationship, (ii) the acquisition of First Gray Line and (iii) the repayment of debt with the net proceeds (after the purchase of First Gray Line) from the IPO (in thousands, except earnings per share amounts):

	1997
Revenue	$2,175,897
Net income	$ 39,432
Basic earnings per share	$ 1.28
Diluted earnings per share	$ 1.26

NOTE 2--ACQUISITIONS (CONTINUED)

The above mentioned acquisitions have been accounted for by the purchase method. The financial statements include the operating results of acquisitions subsequent to their dates of acquisition.

NOTE 3--RESTRICTED CASH

At December 31, 1999 and 1998, restricted cash includes an escrow amount of $90,000,000 as required under the Company's debt agreements, to provide additional credit enhancement on the Company's Medium Term Notes and Domestic Asset Backed Securities-Variable Fund Notes (see Note 10). Also included in restricted cash at December 31, 1999 is $116,244,000 related to the VMS Domestic and Foreign ABS Facilities and certain amounts which are set aside to satisfy claims under the Company's self-insurance programs and other obligations of the Company.

NOTE 4--ACCOUNTS RECEIVABLE, NET

Accounts receivable, net at December 31, 1999 and 1998 consist of the following (in thousands):

	1999	1998
Vehicle leasing and other fee based	$ 699,006	
Due from General Motors	196,497	$161,377
Vehicle rentals	109,084	104,032
Vehicle related	51,282	65,586
Value added and provincial taxes	28,427	
Damage claims	13,715	14,710
Other	25,398	18,219
	1,123,409	363,924
Less allowance for doubtful accounts	(7,669)	(3,350)
	$1,115,740	$360,574

Vehicle related amounts include receivables for vehicles sold under guaranteed repurchase contracts ("Repurchase Programs") and amounts due for incentives and allowances. Incentives and allowances are based on all of the following: the volume of vehicles to be purchased for a model year, the manufacturers' willingness to encourage the Company to retain vehicles rather than return the vehicles back to the manufacturer and the purchase of particular models not subject to repurchase under "buyback" arrangements. Incentives and allowances are amortized to income over the average holding period of the vehicles (see Notes 7 and 24).

NOTE 5--DUE TO AFFILIATES, NET

Due to affiliates, net at December 31, 1999 and 1998 consist of amounts due Cendant or its consolidated subsidiaries of $59.4 million and $22.3 million, respectively, for services. Non-interest bearing advances represent intercompany transactions relating primarily to royalty fees, reservation processing and data processing.

Expense items of the Company include the following items from Cendant and affiliates of Cendant for the years ended December 31, 1999, 1998 and 1997 (in thousands):

	1999	1998	1997
Royalty fee	$100,031	$ 91,904	$ 81,846
Reservations	58,063	49,872	43,240
Data processing and other	43,700	35,844	41,896
Rent	4,639	4,648	4,927
	$206,433	$182,268	$171,909

These charges seek to reimburse the affiliated company for the actual costs incurred. They are determined in accordance with various intercompany agreements and include certain allocations which are based upon such factors as square footage, employee salaries, computer usage time, etc. Effective January 1, 1997, Cendant charged the Company a royalty fee of 4.0% of revenue for the use of the Avis trade name. The royalty fee of 4.0% consists of a base royalty of 3.0% of the vehicle rental segment's gross revenue and a supplemental royalty of 1.0% of the vehicle rental segment's gross revenue payable quarterly in arrears, which will increase periodically to a maximum of 1.5% in 2003. The supplemental royalty or a portion thereof may be deferred if the Company does not meet certain financial targets.

In addition, for the years ended December 31, 1999 and 1998, the Company was charged by Cendant approximately $4.1 million and $3.8 million for certain software developed for internal use, which has been capitalized on the accompanying Consolidated Statements of Financial Position. Under the Computer Services Agreement with Cendant, dated July 30, 1997, software developed for the Company's internal use is charged to the Company at Cendant's cost.

NOTE 6--FINANCE LEASE RECEIVABLES

Under these leases, the minimum lease term is 12 months with a month to month renewal thereafter. In addition, resale of the vehicles upon termination of the lease is for either the account of the lessor (PHH Europe) or the lessee (both PHH North America and PHH Europe). The net investment in leases and leased vehicles at December 31, 1999 consisted of the following (in thousands):

Future minimum lease payments receivable	$561,157
Estimated unguaranteed residual value	392,191
Less unearned income	(82,314)
	$871,034

NOTE 6--FINANCE LEASE RECEIVABLES (CONTINUED)

At December 31, 1999, future minimum lease payments on the Company's direct financing leases are as follows (in thousands):

2000	$243,645
2001	175,791
2002	94,459
2003	33,088
2004	7,841
Thereafter	6,333
	$561,157

NOTE 7--VEHICLES, NET

Vehicles at December 31, 1999 and 1998 consist of the following (in thousands):

	1999		1998
	VEHICLE RENTAL	VEHICLE LEASING	VEHICLE RENTAL
Rental vehicles	$3,683,864		$3,443,385
Vehicles under open-end operating leases		$3,337,191	
Vehicles under closed-end operating leases		230,693	
Buses and support vehicles	81,150		67,786
Vehicles held for sale	19,757	40,400	21,871
	3,784,771	3,608,284	3,533,042
Less accumulated depreciation	(417,409)	(474,275)	(368,226)
	$3,367,362	$3,134,009	$3,164,816

Depreciation expense recorded for rental vehicles was $644.6 million, $576.2 million and $460.6 million for the years ended December 31, 1999, 1998, and 1997, respectively. Depreciation expense recorded for leasing vehicles for the period June 30, 1999 (date of acquisition) through December 31, 1999 was $507.7 million. Rental vehicle depreciation expense for rental vehicles is stated net of amortization of certain incentives and allowances from various vehicle manufacturers of approximately $120 million, $119 million and $121 million for the years ended December 31, 1999, 1998 and 1997, respectively. Rental vehicle depreciation expense also reflects a net gain (loss) on the disposal of vehicles of $(5.4) million, $(6.8) million and $7.0 million for the years ended December 31, 1999, 1998, and 1997, respectively.

NOTE 7--VEHICLES, NET (CONTINUED)

At December 31, 1999, future minimum lease payments to be received on the Company's open-end and closed-end operating leases are as follows (in thousands):

YEARS	
2000	$1,122,002
2001	921,121
2002	619,250
2003	290,897
2004	96,987
Thereafter	92,673
Total	$3,142,930

Other fleet leasing vehicles with net carrying amounts of $233.6 million at December 31, 1999, are included in special purpose entities which are not owned by the Company. These entities do not require consolidation as they are not controlled by the Company and all risks and rewards rest with the owners. Additionally, managed vehicles totaling approximately $110.9 million at December 31, 1999, are owned by special purpose entities, which are owned by the Company. However, such assets and related liabilities have been netted in the Consolidated Statements of Financial Position since there is a two-party agreement with determinable accounts, a legal right to offset exists and the Company exercises its right of offset in settlement with client corporations received from vehicle manufacturers are partially recognized at the time of acquisition of the leased vehicle, a portion is deferred and recognized on a straight line basis over the lease term of the vehicle, and a portion is deferred and recognized at the time the vehicle is disposed of.

VEHICLE SALE--LEASEBACK TRANSACTIONS

During 1999, the Company entered into a sale-leaseback transaction with an independent third party ("Counterparty") in Canada. In addition, the Company is party to similar arrangements with the Counterparty resulting from transactions incurred prior to 1999. Under this arrangement, the Company sells its net investment in operating leases and leased vehicles to the Counterparty. Then, it repurchases the leased vehicles (the Counterparty retains the lease rights). Subsequently, the Company leases the vehicles under a direct financing lease to the Counterparty. The Counterparty prepays all lease payments except for an agreed-upon residual amount. These residual amounts are typically 3% to 4.5% of the total lease exposure from these transactions. The total amount of net investment in operating leases and leased vehicles sold under this agreement was $48.1 million. At December 31, 1999, the total outstanding prepaid rent and residual amounts outstanding under such agreements was $286.7 million and $16.1 million respectively. The total revenues recognized under these agreements was $60.6 million for 1999.

NOTE 8--PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31, 1999 and 1998 consist of the following (in thousands):

	1999	1998
Land	$ 28,270	$ 23,726
Buildings	8,191	8,655
Leasehold improvements	119,702	87,830
Furniture, fixtures and equipment	52,823	16,869
Construction-in-progress	32,975	32,236
	241,961	169,316
Less accumulated depreciation and amortization	(44,134)	(24,271)
	$197,827	$145,045

In December 1999, VMS in the U.K. entered into a sale and lease back for an office building. The selling price of the office building was approximately $32.2 million. The period of the lease is 16 years. The gain on the sale of the office building of $16.4 million has been reflected in the Consolidated Statement of Financial Position at December 31, 1999, as a reduction of cost in excess of net assets acquired, net.

NOTE 9--ACCRUED LIABILITIES

Accrued liabilities at December 31, 1999 and 1998 consist of the following (in thousands):

	1999	1998
Payroll and related costs	$106,209	$103,043
Taxes, other than income taxes	15,664	9,349
Rents and property related	36,270	22,241
Interest	28,866	6,140
Sales and marketing	54,749	43,704
Vehicle related	29,355	27,102
Other	98,340	114,625
	$369,453	$326,204

NOTE 10--FINANCING AND DEBT

Debt outstanding at December 31, 1999 and 1998 consist of the following (in thousands):

	1999	1998
VEHICLE RENTAL		
Commercial Paper Notes	$1,026,261	$ 678,377
Short-term notes-foreign	111,259	74,881
Series 1997-1A asset backed Medium Term Notes due May through October 2000 at 6.22%	800,000	800,000
Series 1997-1B asset backed Medium Term Notes due May through October 2002 at 6.40%	850,000	850,000
Series 1998-1 asset backed Medium Term Notes due December 2004 through May 2005 at 6.14%	600,000	600,000
Revolving credit facility due June 2005	62,000	
Other	5,902	11,454
TOTAL VEHICLE RENTAL DEBT	3,455,422	3,014,712
VEHICLE LEASING AND OTHER FEE BASED		
Commercial Paper Notes	1,521,498	
Canadian short term borrowings	44,563	
Series 1999-2 floating rate asset-backed notes, Class A-1	550,000	
Series 1999-2 floating rate asset-backed notes, Class A-2	450,000	
Foreign Asset Backed Securities--UK Advances	850,443	
Self-fund notes	30,397	
Wright Express Certificates of Deposit	67,482	
TOTAL VEHICLE LEASING AND OTHER FEE BASED DEBT	3,514,383	
ACQUISITION FINANCING		
Term A Loan Notes due June 2005	250,000	
Term B Loan Notes due June 2006	375,000	
Term C Loan Notes due June 2007	375,000	
Senior Subordinated Notes due May 2009 at 11.00%	500,000	
TOTAL ACQUISITION FINANCING	1,500,000	
TOTAL DEBT	$8,469,805	$3,014,712

VEHICLE RENTAL DEBT

On July 31, 1997, the Company, through its wholly-owned subsidiary Avis Rent A Car System, Inc. ("ARACS"), entered into a domestic integrated fleet financing program that provided for financing for vehicles covered by Repurchase Programs, (the "Avis ABS Facility"). As of December 31, 1999, the availability of the domestic integrated fleet under this program is $3.75 billion. The domestic integrated fleet financing program provides for the issuance of up to $1.5 billion of asset-backed variable funding notes (the "Commercial Paper Notes") and $2.25 billion of asset backed medium term notes (the "Medium Term Notes"). The Commercial Paper Notes and the Medium Term Notes are backed by a first priority security interest in the domestic rental fleet. Additional credit enhancement was provided for the Medium Term Notes by establishing an escrow account of $90 million, which is included in

NOTE 10--FINANCING AND DEBT (CONTINUED)

"Restricted Cash" (see Note 3) on the accompanying Consolidated Statements of Financial Position at December 31, 1999 and 1998, respectively. The weighted average interest rates on the Commercial Paper Notes were 5.3% and 5.5% for the years ended December 31, 1999 and 1998. Average borrowings in the Commercial Paper Notes during the years ended December 31, 1999 and 1998 was $1,079.3 million and $809.7 million, respectively.

On June 30, 1999, the Company entered into a $1.35 billion secured credit facility (the "Credit Facility") which is guaranteed by certain of it's subsidiaries. This facility replaced a similar facility that ARAC had entered into on July 31, 1997. The Credit Facility consists of (i) $1 billion of Term Loans (see Acquisition Financing below), (ii) a revolving credit facility of up to $350 million which is available on a revolving basis until June 30, 2005 in order to finance the working capital needs of the Company in the ordinary course of business (with up to $75 million of such amount available for the issuance of standby letters of credit to support workers' compensation and other insurance and bonding requirements of ARACS, the Company and its subsidiaries in the ordinary course of business, and a 364 day standby letter of credit facility of up to $225 million available to fund (a) any shortfall in certain payments owing to AESOP Leasing, a subsidiary of ARACS pursuant to fleet agreements and (b) maturing Commercial Paper Notes if such Commercial Paper Notes cannot be repaid through the issuance of additional Commercial Paper Notes or draws under the liquidity facility supporting the Commercial Paper Notes). At December 31, 1999 and 1998, the Company had issued letters of credit of $29.2 million and $31.9 million under the revolving credit facility and $150 million and $150 million under the $225 million standby letter of credit facility, respectively. Under the terms of the Revolving Credit Facility, the Company had outstanding $62 million as of December 31, 1999 at a variable interest rate with terms identical to the Term A Loan Notes (see Acquisition Financing below).

The Credit Facility is secured by the tangible and intangible assets of the Company (including, without limitation, its intellectual property, its rights under the Master License Agreement and related agreements, real property and all of the capital stock or equivalent equity ownership interests of the Company and each of its direct and indirect domestic subsidiaries and 65% of the Company first-tier foreign subsidiaries), except for those assets which are subject to a negative pledge or as to which the agents for the Credit Facility shall determine in their sole discretion that the costs of obtaining such a security interest are excessive in relation to the value of the security to be afforded thereby.

The weighted-average interest rates of the short-term notes-foreign as of December 31, 1999 and 1998 were 5.8% and 6.0%, respectively.

VEHICLE LEASING AND OTHER FEE BASED DEBT

In connection with the VMS Acquisition (see Note 2), Avis Group Holdings, Inc. refinanced the VMS existing fleet debt with the proceeds of $2,735,507 domestic and $720,000 foreign asset-backed securities issued pursuant to an offering of asset-backed securities (the "Interim VMS ABS Offering"), under certain fleet financing facilities and together with the Avis ABS Facility. The domestic securities comprising the Interim VMS ABS Offering are issued by a bankruptcy remote special purpose entity (the "Domestic ABS Issuer") and placed initially with a single multi-seller commercial paper conduit, and thereafter may be syndicated to one or more other bank sponsored conduits (collectively the "CP Conduits"). The CP Conduits will acquire Domestic Variable Funding Notes ("VFNs"), Domestic Preferred Membership Interests and U.K. Advances using the proceeds of commercial paper issuances. In addition, from time to time, the Domestic ABS Issuer may issue medium-term notes secured by the

NOTE 10--FINANCING AND DEBT (CONTINUED)

Domestic ABS Assets, using the proceeds of any such offerings to reduce the amount of Domestic VFNs then outstanding.

On October 28, 1999, $1 billion of 7 and 12 year Medium Term Notes ("MTN's") were issued to replace a like amount of Domestic VFN's. This facility consists of two classes of floating rate asset-backed notes; Class A-1 notes, which total $550 million and Class A-2 notes, which total $450 million. Both classes of notes have an interest rate, which is reset monthly at LIBOR plus 32 basis points for the Class A-1 notes and LIBOR plus 35 basis points for the Class A-2 notes. The Class A-1 notes have an average expected life of 2 years and commence amortizing in March 2001 and have a final stated maturity of October 2006. The Class A-2 notes have an average expected life of 3 years and commence amortizing when the Class A-1 notes are repaid in full. The Class A-2 notes have a final stated maturity of October 2011. Both classes of notes are rated AAA by Standard and Poors and Aaa by Moody's. In addition to the floating rate asset-backed notes, the Company may issue up to $1.75 billion Variable Funding Investor Notes to a group of multi seller commercial paper conduits. The Domestic VFN agreement expires in June 2000 and is renewable annually. The blended interest rate in effect (including program fees from 32 to 35 basis points) at December 31, 1999 for the domestic asset-backed securities is 6.71%. The Company has also issued two series of Senior Preferred Membership Interests (see Note 11), which total $99.3 million at a rate (including program fees of 70 basis points) of 6.97 % at December 31, 1999.

VMS-U.K. currently has a $856 million asset-backed facility (the "U.K. ABS Facility"), which is supported by the leased vehicles and fuel card receivables of the various VMS-U.K entities. VMS-U.K. is funded through a group of multi-seller commercial paper conduits. The interest rate is variable and is based on commercial paper notes plus a weighted average margin of approximately 45 basis points. As of December 31, 1999, there was approximately $850 million outstanding at a blended rate of 6.66%. This facility expires in December 2000 and is renewable annually.

SELF-FUND NOTES

Self-fund notes represent loans made by customers to purchase leased vehicles. Repayment of these notes is matched to payments on the underlying lease including the disposal of the vehicles at maturity. Interest can be fixed or floating, depending on the underlying leases. The average interest rate at December 31, 1999 was 5.1%. The loans are repayable at expiration of the various lease terms. At December 31, 1999 self-funded notes expire between 2003 and 2013.

WRIGHT EXPRESS CERTIFICATES OF DEPOSIT

At December 31, 1999, scheduled maturities of certificates of deposit of $67.5 million are all less than one year. The interest rates range from 5.2% to 6.25%.

ACQUISITION FINANCING

In connection with the VMS Acquisition (see Notes 1 and 2), the Company entered into $1 billion of term loans, consisting of $250 million ("Term A Loan"), $375 million ("Term B Loan") and $375

NOTE 10--FINANCING AND DEBT (CONTINUED)

million ("Term C Loan"), under the credit facility described previously. These amounts are outstanding as of December 31, 1999 and accrue interest as follows:

Term Loans A, B, C and Revolving Loans bear interest at either Chase Manhattan Bank's ("Chase") alternate base rate ("ABR") or the Eurodollar rate (at the Company's option) plus the applicable margin. As of December 31, 1999, the applicable margin and interest rate for each type of loan is as follows:

	ABR LOANS	WEIGHTED AVERAGE EURODOLLAR LOANS	DECEMBER 31, 1999 INTEREST RATE
Revolving Loans	1.75%	2.75%	8.20%
Term A Loan	1.75%	2.75%	8.41%
Term B Loan	2.25%	3.25%	8.92%
Term C Loan	2.50%	3.50%	9.16%

The agreements with the Company's lenders include a number of significant covenants that, among other things, restrict its ability to dispose of non-fleet assets, incur additional indebtedness, create liens, prohibit the payment of dividends, enter into certain investments or acquisitions, repurchase or redeem capital stock, engage in mergers or consolidations or engage in certain transactions with affiliates and otherwise restrict corporate activities. Certain of these agreements also require the Company to maintain specified financial ratios. As of December 31, 1999, the Company was in compliance with all such covenants related to these agreements.

In addition, the Company issued $500 million of Senior Subordinated Notes due May 1, 2009 with an interest rate of 11% (the "Senior Subordinated Notes"). The Senior Subordinated Notes are subordinated in the right of payment to all existing and future senior indebtedness of the Company and are unconditionally guaranteed on a senior subordinated basis by ARACS and other domestic subsidiaries of the Company that guarantees the Senior Credit Facility (as defined). Interest is payable semi-annually commencing November 1, 1999.

Mandatory maturities of long-term obligations, including current maturities, for each of the next five years ending December 31, and thereafter, are as follows (in thousands):

2000	$ 828,104
2001	387,795
2002	1,189,964
2003	251,644
2004	359,631
Thereafter	1,831,164

OTHER CREDIT FACILITIES

At December 31, 1999, in addition to the credit facilities previously described, the Company had credit facilities available to support various international and other operations. At December 31, 1999, the total available under these facilities was $625.8 million of which $393.0 million was unused and available. Amounts unused under these facilities require an annual fee of 0.2% to 0.4% of the unused portion. In addition, the Company had available letters of credit/overdraft agreements in place,

NOTE 10--FINANCING AND DEBT (CONTINUED)
renewable annually at the Company's option and the bank's discretion. At December 31, 1999, the Company had $45.1 million available, against which there are outstanding Letters of Credit totaling $27.6 million. The collateral for certain of these agreements consists of a pledge of certain cash balances, in the amount of $25 million, which are included in "Restricted Cash" on the accompanying Consolidated Statements of Financial position.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company has derivative financial instruments at December 31, 1999 that are sensitive to fluctuations in interest rates and gasoline prices. The following derivative instruments agreements have been entered into by the Company:

To reduce the risk from interest rate fluctuations under its asset based debt agreements, the Company has entered into domestic and foreign interest rate cap and interest rate floor agreements with durations of 10 and 5 years, respectively. The interest rate cap and interest rate floor agreements have notional values of $672.8 million and $436.2 million and $591.7 million and $591.7 million, respectively. The agreements established the domestic and foreign interest rate ceiling and floor on the asset-backed vehicle financing of 6.13% and 5.0% and 6.3% and 5.5%, respectively.

The Company was party to twenty five and four interest rate swap agreements at December 31, 1999 and 1998, respectively, to reduce the impact of changes in interest rates on certain outstanding debt obligations. These agreements effectively change the Company's interest rate exposure on $842.2 million and $288.6 million of its outstanding debt from a weighted average variable interest rate to an average fixed rate of 5.3% and 4.8% at December 31, 1999 and 1998, respectively. The variable interest rates for certain of these interest rate swap agreements are either reset quarterly or monthly based upon various indices, including 30 day commercial paper, 3 month LIBOR and 3 month Canadian Bankers Acceptances. Interest is cash settled on a net basis for each agreement quarterly. The interest rate swap agreements will terminate between May 2000 and May 2005. Under certain of the swap agreements terminating in August 2003, the counter-party has the right to terminate one of the agreements in August 2000 and one agreement in August 2001. Under a Swap Agreement terminating in May 2005, the counterparty has the right to terminate the agreement in June 2001. The differential to be paid or received is recognized ratably as interest rates change over the life of the agreements as an adjustment to interest expense.

The net interest differential (credited) charged to interest expense for the periods ended December 31, 1999, 1998 and 1997 was ($773,000), $53,000, and $909,000, respectively. The Company is exposed to credit risk in the event of non-performance by counterparties to its interest rate swap agreements. Credit risk is limited by entering into such agreements with institutions with high credit ratings. Therefore, the Company does not anticipate that non-performance by counterparties will occur. Notwithstanding this, the Company monitors counterparty credit ratings at least quarterly through reviewing independent credit agency reports.

Both current and potential exposure are evaluated, as necessary, by obtaining replacement cost information from alternative dealers. Potential loss to the Company from credit risk on these agreements is limited to amounts receivable, if any.

Depending on market fundamentals of the price of gasoline and other conditions, the Company may purchase put options to reduce or eliminate the risk of gasoline price declines. Put options

NOTE 10--FINANCING AND DEBT (CONTINUED)

purchased by the Company effectively establish a minimum sales transaction fee for the volume of gasoline purchased on the Company's programs. An increase in the value of the options is highly correlated to a decrease in the average price of gasoline purchased by the Company's cardholders. Put options permit the Company to participate in price increases above the option price. The cost of an option is amortized in the month the options expire. Gains and losses from the sale or exercise of options are recognized when the underlying option is sold. At December 31, 1999, the total contract amount of such options was 31.1 million gallons of gasoline and the unamortized cost of these options was $313 thousand and is included in other assets in the accompanying Consolidated Statements of Financial position.

NOTE 11--MINORITY INTEREST (PREFERRED MEMBERSHIP INTEREST)

In connection with the issuance of the Vehicle Leasing ABS Facility (see Note 10), the Company has issued two Series 1999-2 Senior Preferred Membership Interests ("PMI's") of which $99.3 million are outstanding at a distribution rate of 6.97% at December 31, 1999. The PMI's represent an equity interest in one of the Company's domestic vehicle leasing subsidiaries and accordingly, are reported as minority interest (preferred membership interest), on the accompanying Consolidated Statements of Financial Position at December 31, 1999. The holders of the Preferred Membership Interest are entitled to receive dividends based upon the funding costs of the multi-seller commercial paper conduits, plus a program fee of 0.70% per annum. The dividend periods correspond to the same interest periods as the 1999-2 floating rate asset-backed notes. For the year ended December 31, 1999, the Company accrued approximately $5.9 million of distributions, which are reflected in the accompanying Consolidated Statements of Operations as minority interest.

NOTE 12--FAIR VALUE OF FINANCIAL INSTRUMENTS

The net interest receivable and the estimated fair value of the Company's interest rate swaps, caps and floors, swaption agreement and gasoline put options represent assets of approximately $763 thousand and $15.2 million, respectively, at December 31, 1999. At December 31, 1998, the net interest receivable and estimated fair value of the Company's interest rate swap agreements represent assets of approximately $268 thousand and $885 thousand, respectively.

For instruments including cash and cash equivalents, restricted cash, accounts receivable, and accounts payable, the carrying amount approximates fair value because of the short maturity of these instruments. The fair value of floating-rate debt approximates carrying value because these instruments re-price frequently at current market prices. At December 31, 1999 and 1998, the fair value of the Medium Term Notes, Asset Backed Securities and Senior Subordinated Notes is (less than), exceeds the carrying value by approximately $(27.7) million and $44.5 million, respectively.

At December 31, 1999 the Company had $371 million of preferred stock which approximates fair value. The Company believes that it is not practicable to estimate the current fair value of the amounts due to affiliates, net, because of the related party nature of the instruments.

NOTE 13--INCOME TAXES

The provision for income taxes for the years ended December 31, 1999, 1998 and 1997 consist of the following (in thousands):

	1999	1998	1997
Current:			
Federal		$ 800	
State	$ 2,010	980	$ 1,013
Foreign	14,295	8,470	12,676
	16,305	10,250	13,689
Deferred:			
Federal	42,095	33,200	12,463
State	3,596	3,520	410
Foreign	11,336	1,737	(3,712)
	57,027	38,457	9,161
Provision for income taxes	$73,332	$48,707	$22,850

The effective income tax rates for the years ended December 31, 1999, 1998 and 1997 vary from the statutory U.S. federal income tax rate due to the following (dollar amounts in thousands):

	1999		1998		1997	
Statutory U.S. federal income tax provision/tax rate	$58,071	35.0%	$39,280	35.0%	$17,613	35.0%
Tax effect of foreign operations and dividends	2,628	1.6	2,677	2.4	1,436	2.9
Amortization of cost in excess of net assets acquired and other intangibles	8,190	4.9	3,351	3.0	2,369	4.7
State income taxes, net of federal tax benefit	3,644	2.2	2,925	2.6	924	1.8
Other non-deductible business expenses	799	0.5	474	0.4	508	1.0
Effective income tax provision/tax rate	$73,332	44.2%	$48,707	43.4%	$22,850	45.4%

NOTE 13--INCOME TAXES (CONTINUED)

In accordance with SFAS 109, the net deferred income tax (liabilities) assets at December 31, 1999 and 1998, include the following (in thousands):

	1999	1998
GROSS DEFERRED INCOME TAX ASSETS:		
Accrued liabilities	$ 241,631	$ 230,575
Net operating loss carryforwards	138,392	118,437
Alternative minimum income tax credit carryforwards	4,199	3,825
	384,222	352,837
GROSS DEFERRED INCOME TAX LIABILITIES:		
Tax depreciation in excess of book depreciation	(546,938)	(247,090)
Prepaids and other	(18,540)	(16,592)
	(565,478)	(263,682)
Net deferred income tax (liabilities) assets	$(181,256)	$ 89,155

In connection with the adoption of SFAS No. 130, "REPORTING COMPREHENSIVE INCOME" ("SFAS 130"), the Company has included in net deferred income tax (liabilities) assets and common stockholders' equity, an increase of $4.6 million, $3.1 million, and $3.8 million related to the income tax effects of the Foreign Currency Translation Adjustment and Minimum Pension Liability for the years ended December 31, 1999, 1998, and 1997, respectively.

The Company has alternative minimum tax net operating loss carryforwards of $211.9 million. The federal net operating loss carryforward is $370.9 million which expires as follows: 2000, $11.6 million; 2001, $7.1 million; 2004, $93.1 million; 2007, $67.7 million; 2008, $41.1 million; 2009, $18.3 million; 2010, $1.1 million; 2017, $83.7 million; 2018, $1 million and 2019, $46.2 million.

Deferred income taxes were not provided on accumulated earnings of foreign subsidiaries of $99,164,000 at December 31, 1999 because such accumulated undistributed earnings are considered to be permanently reinvested. If these amounts were not considered permanently reinvested, additional deferred income taxes of approximately $45,133,000 would have been provided at December 31, 1999.

NOTE 14--PREFERRED STOCK (IN THOUSANDS)

	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK	TOTAL
Issuance of Preferred Stock Series A and Series C on June 30, 1999 in connection with the acquisition of VMS (see Notes 1&2)	$360,000		$2,000	$362,000
Preferred Stock Dividends accrued		$9,000		9,000
Balance December 31, 1999	$360,000	$9,000	$2,000	$371,000

NOTE 14--PREFERRED STOCK (IN THOUSANDS) (CONTINUED)
SERIES A PREFERRED STOCK

In connection with the VMS Acquisition (see Notes 1 and 2), a total of 7,200,000 shares of Series A Preferred Stock of the Acquisition Subsidiary have been issued and were outstanding at December 31, 1999. Holders of Series A Preferred Stock are not entitled to preemptive rights. The Series A Preferred Stock has an aggregate liquidation preference of $360 million or $50 per share (the "Series A Liquidation Preference"). Each share of Series A Preferred accrues dividends at a rate per annum of 5% of the Series A Liquidation Preference, payable in cash semi-annually in arrears. Until June 30, 2004, dividends may be paid at the discretion of the Acquisition Subsidiary in shares of Series B Cumulative PIK Preferred Stock (see Series B Preferred Stock below). In addition, if the Company is unable to obtain the consent of its Shareholders to amend its charter by June 30, 2000 to issue Class B Common Stock of the Company and Class A Common Stock of the Company issuable in exchange for the Class B Common Stock of the Company, the dividend rate on the Series A Preferred will increase to 12%, with retroactive effect to the date of issuance. The Series A Preferred is also entitled to special annual dividends at a rate of 2% of the Series A Liquidation Preference per annum, payable in cash annually on March 15th, in the event that the Acquisition Subsidiary achieves targeted consolidated Earnings Before Income Taxes, Depreciation and Amortization ("EBITDA") levels. Upon liquidation, and after payment of all amounts owed to all classes of capital stock ranked senior to the Series A Preferred, holders of shares of Series A Preferred will receive the Series A Liquidation Preference of such shares plus accrued and unpaid dividends.

The Series A Preferred may be redeemed by the Acquisition Subsidiary, in whole or in part, on or after the fifth anniversary of the date of issuance, June 30, 2004, and must be redeemed in whole upon the eleventh anniversary of the date of issuance for an amount per share equal to the Series A Liquidation Preference plus accrued and unpaid dividends. In addition, holders of the Series A Preferred may cause the Acquisition Subsidiary to redeem their shares for cash, upon the bankruptcy or insolvency of the Company or a change of control with respect to the Company or the Acquisition Subsidiary.

The holders of the Series A Preferred may convert shares of Series A Preferred into shares of Class B Common Stock of the Company once specified levels of 12-month consolidated EBITDA of the Acquisition Subsidiary have been reached and the average closing price of Class A Common Stock of the Company for a specified period shall have exceeded a performance conversion price. Such conversion shall be at a rate (the "Performance Conversion Rate") obtained by dividing the per share Series A Liquidation Preference by $50 (as adjusted for antidilution protection, the "Performance Conversion Price").

On or after the fifth anniversary of the closing date of the VMS Acquisition, June 30, 1999, if the share price of the Class A Common Stock of the Company has exceeded an amount equal to 110% of the Performance Conversion Price for 20 trading days within a period of 30 consecutive trading days ending within five trading days of notice of conversion given by the Acquisition Subsidiary, then the Acquisition Subsidiary has the right to convert all of the shares of the Series A Preferred into Class B Common Stock of the Company at the Performance Conversion Rate. Upon the bankruptcy or insolvency of the Acquisition Subsidiary or any of its subsidiaries that constitute a Significant Subsidiary of the Company, as defined in Rule 1-02(w) of Regulation S-X (a "Significant Subsidiary"), the Series A Preferred automatically converts into Class B Common Stock of the Company at a rate equal to the quotient obtained by dividing: (1) the per share Series A Liquidation Preference by (2) the average

NOTE 14--PREFERRED STOCK (IN THOUSANDS) (CONTINUED)

trading price per share of Class A Common Stock of the Company for the 30 trading days immediately preceding the date of the holder's conversion notice or the date on which the bankruptcy case commences, as applicable (the "Series A Market Conversion Rate"). The Series A Market Conversion Rate is subject to adjustment for antidilution protection.

Additionally, holders of Series A Preferred may convert their Series A Preferred into Class B Common Stock of the Company at the Series A Market Conversion Rate if the Acquisition Subsidiary: (1) fails to make a redemption payment on the Series A Preferred or the Series B Preferred, (2) fails to pay dividends when due on either the Series A Preferred or the Series B Preferred, (3) takes actions requiring consents of its holders of the Series A Preferred or the Series B Preferred without obtaining such consents or (4) issues additional shares of the Series A Preferred or Series B Preferred, or reissues shares of either, in violation of their terms.

Without the affirmative vote or written consent of the holders of a majority of the outstanding shares of Series A Preferred, the Acquisition Subsidiary shall not (1) authorize, create or issue any security ranking senior to the Series A Preferred as to dividends or on liquidation (other than the Series C Preferred); (2) amend its articles of incorporation or the certificate of designation for the Series A Preferred in a manner adverse to the holders of the Series A Preferred; (3) authorize the issuance of additional shares of Series A Preferred; or (4) reincorporate the Acquisition Subsidiary in a jurisdiction other than Texas prior to the second anniversary of the date of issuance of the Series A Preferred. Holders of Series A Preferred are not entitled to voting rights, except as required by Texas law. In those circumstances where the holders of Series A Preferred have a right to vote, each holder of a share of Series A Preferred shall be entitled to one vote per share.

Shares of Series A Preferred are freely transferable. Shares of Series A Preferred reacquired in any manner will be retired and may not be reissued as shares of Series A Preferred.

SERIES B PREFERRED STOCK

Series B Cumulative PIK Preferred Stock (the "Series B Preferred") will be issued as dividends to the Series A Preferred holders by the Acquisition Subsidiary. Holders of the Series B Preferred are not entitled to preemptive rights. The Series B Preferred has a liquidation preference of $50 per share (the "Series B Liquidation Preference"). Each share of Series B Preferred accrues dividends at a rate per annum of 5% of the Series B Liquidation Preference, payable in cash semi-annually in arrears. In addition, if the Company is unable to obtain the consent of its shareholders to amend its charter by June 30, 2000 to issue Class B Common Stock of the Company and Class A Common Stock of the Company issuable in exchange for the Class B Common Stock of the Company, the dividend rate on the Series B Preferred will increase to 12%, with retroactive effect to the date of issuance. Until the fifth anniversary of the date of issuance of the Series B Preferred, dividends may, at the discretion of the Acquisition Subsidiary be paid in kind; thereafter, dividends must be paid in cash. Upon liquidation, and after payment of all amounts owed to all classes of capital stock ranked senior to the Series B Preferred, holders of shares of Series B Preferred will receive the Series B Liquidation Preference of such shares plus accrued and unpaid dividends.

The Series B Preferred has the same ranking as the Series A Preferred. The Series B Preferred may be redeemed by the Acquisition Subsidiary, in whole or in part, on or after the fifth anniversary of the date of issuance, January 30, 2005, and must be redeemed in whole upon the eleventh anniversary

NOTE 14--PREFERRED STOCK (IN THOUSANDS) (CONTINUED)
of the date of issuance for an amount per share equal to the Series B Liquidation Preference plus accrued and unpaid dividends.

Additionally, holders of Series B Preferred may convert their Series B Preferred into Class B Common Stock of the Company at the Series B Market Conversion Rate (defined below) if the Acquisition Subsidiary: (1) fails to make a redemption payment on the Series A Preferred or the Series B Preferred, (2) fails to pay dividends when due on either the Series A Preferred or the Series B Preferred, (3) takes actions requiring the consents of the holders of the Series A Preferred or the Series B Preferred without obtaining such consents or (4) issues additional shares of the Series A Preferred or Series B Preferred, or reissues shares of either, in violation of their terms. The Series B Preferred also automatically converts into Class B Common Stock of the Company at the Series B Market Conversion Rate upon the bankruptcy or insolvency of the Acquisition Subsidiary or any of its Significant Subsidiaries.

The Series B Market Conversion Rate ("Series B Market Conversion Rate") equals the quotient obtained by dividing : (1) the per share Series B Liquidation Preference by (2) the average trading price per share of the Company's Common Stock for the 30 trading days immediately preceding the date of the holder's conversion notice or the date on which the bankruptcy case commences, as applicable. The Market Conversion Rate is subject to customary adjustment under certain circumstances.

Holders of Series B Preferred will have voting rights analogous to those of the holders of the Series A Preferred. Shares of Series B Preferred are freely transferable. Shares of Series B Preferred reacquired in any manner will be retired and may not be reissued as shares of Series B Preferred.

SERIES C PREFERRED STOCK

A total of 40,000 shares of Series C Preferred of the Acquisition Subsidiary were outstanding at December 31, 1999, in connection with the VMS Acquisition (see Notes 1 and 2). Holders of the Series C Preferred are not entitled to preemptive rights. The Series C Preferred has an aggregate liquidation preference of $2,000,000 or $50 per share (the "Series C Liquidation Preference"). Each share of Series C Preferred accrues dividends at 11% per annum, payable in cash semi-annually in arrears. An escrow account in the amount of $1,000,000, which is included in "Restricted Cash", has been established to cover future dividend payments. Upon liquidation, and after payment of amounts, if any, owed to all classes of capital stock ranked senior to the Series C Preferred, holders of shares of Series C Preferred will receive the Series C Liquidation Preference of such shares plus accrued and unpaid dividends. The Series C Preferred ranks senior to the Series A Preferred, the Series B Preferred and the Class A Common Stock in right of payment of dividends. The Series C Preferred may be redeemed by the Acquisition Subsidiary, in whole or in part, on or after June 30, 2004, the fifth anniversary of the date of issuance, and must be redeemed in whole upon June 30, 2006, the seventh anniversary of the date of issuance, in each case for an amount per share equal to the Series C Liquidation Preference plus accrued and unpaid dividends.

Holders of Series C Preferred are not entitled to voting rights, except under certain circumstances. Without the affirmative vote or written consent of the holders of a majority of the outstanding shares of Series C Preferred, the Acquisition Subsidiary may not take certain specified actions that would

NOTE 14--PREFERRED STOCK (IN THOUSANDS) (CONTINUED)

adversely affect the rights of the holders of the Series C Preferred. Shares of Series C Preferred reacquired in any manner will be retired and may not be reissued as shares of Series C Preferred.

PREFERRED STOCK OF THE COMPANY

In addition, the Company has authorized the issuance of 20 million shares of Preferred Stock, par value $.01 of which none has been issued at December 31, 1999 and 1998.

NOTE 15--CLASS B COMMON STOCK

In the event that the Company obtains the consent of its shareholders to amend its charter by June 30, 2000 to issue Class B Common Stock, the Company will authorize and reserve for issuance shares of Class B Common Stock to be issued upon the conversion of the Series A Preferred or the Series B Preferred of the Acquisition Subsidiary.

The Class B Common Stock will rank (1) junior to any class or series of preferred stock of the Company and (2) PARI PASSU with the Class A Common Stock in right of payment of dividends and on liquidation. The Class B Common Stock will be nonvoting.

At any time that the beneficial ownership by Cendant, together with any affiliate of Cendant (Cendant and such affiliates, the "Cendant Affiliates"), of the Class A Common stock is less than 20% of the aggregate number of all of the outstanding shares of Class A Common Stock, the Cendant Affiliates shall have the right to convert shares of Class B Common Stock into Class A Common Stock on a share-for-share basis in an amount such that the ownership by the Cendant Affiliates of the Class A Common Stock does not exceed 20% of the aggregate number of all of the outstanding shares of Class A Common Stock after giving effect to such conversion.

The Cendant Affiliates shall have the right to convert the Class B Common Stock into shares of Class A Common Stock on a share-for-share basis upon the occurrence of (1) the bankruptcy or insolvency of the Company and (2) a Preferred Stock Change of Control, other than any Preferred Stock Change of Control that is caused solely by the sale by the Cendant Affiliates of its shares of Class A Common Stock or Class B Common Stock.

Upon the transfer, sale or disposition for value to any person other than the Cendant Affiliates, each share of Class B Common Stock shall be automatically exchanged for the Class A Common Stock on a share-for-share basis.

Other than upon conversion of the Series A Preferred or the Series B Preferred, no additional shares of Class B Common Stock may be issued. Shares of Class B Common Stock shall be freely transferable. Shares of Class B Common Stock reacquired in any manner shall be retired and may not be reissued as shares of Class B Common Stock.

In connection with the VMS Acquisition, the Company entered into a registration rights agreement pursuant to which Cendant and certain transferees of Class B Common Stock and Class A Common Stock converted from the Class B Common stock held by Cendant (the "Holders") will have the right to require the Company to register all or part of the Class A Common Stock owned by such Holders under the Securities Act of 1933 as amended (the "Securities Act") (an "Acquisition Demand Registration"). However, the Company may postpone giving effect to an Acquisition Demand Registration for a period of up to 30 days if the Company believes such registration might have a material adverse effect on any

NOTE 15--CLASS B COMMON STOCK (CONTINUED)

plan or proposal by the Company with respect to any financing, acquisition, recapitalization, reorganization or other material transaction or the Company is in possession of material non-public information that, if publicly disclosed, could result in a material disruption of a major corporate development or transaction then pending or in progress or in other material adverse consequences to the Company. In addition, the Holders have the right to participate in any registrations by the Company of Class A Common Stock (an "Acquisition Piggyback Registration"). The Holders will pay all out-of-pocket expenses incurred in connection with any Acquisition Registration, and the Company will pay all out-of-pocket expenses incurred in connection with any Acquisition Demand Piggyback Registration, except for underwriting discounts, commissions and expenses attributable to the shares of Class A Common Stock sold by such holders.

NOTE 16--TREASURY STOCK

At December 31, 1999 and 1998, treasury stock is comprised of the following:

	1999		1998	
	TREASURY STOCK, NET (IN THOUSANDS)	TREASURY SHARES	TREASURY STOCK, NET (IN THOUSANDS)	TREASURY SHARES
Balance, beginning of year	$ 50,960	2,672,700		
Common stock repurchased	57,237	2,327,300	$50,960	2,672,700
Treasury stock issued under the Company's stock option plan, and other	(4,365)	(206,712)		
	$103,832	4,793,288	$50,960	2,672,700

On September 1, 1998, the Board of Directors authorized the Company to repurchase up to 1,500,000 shares of the outstanding common stock at market prices. On September 23, 1998, the Board of Directors authorized the Company to purchase up to 3,500,000 additional shares of outstanding common stock. Of the total treasury shares repurchased during the year ended December 31, 1999, 1,614,200 were repurchased from Cendant at an aggregate cost of $40.8 million. No shares were repurchased from Cendant during 1998. As of December 31, 1999, the acquisition of these treasury shares reduced Cendant's ownership in the Company's common stock to approximately 18%. (See Notes 1, 2 and 24.)

NOTE 17--RETIREMENT BENEFITS

The Company, through its subsidiary ARACS, sponsors non-contributory defined benefit plans covering certain employees hired prior to December 31, 1983 who were age 25 or above on January 1, 1985. ARACS also contributes to union sponsored pension plans.

Through ARACS, the Company sponsors two Voluntary Investment Savings Plans under a "qualified cash or deferred arrangement" under Section 401(k) of the Internal Revenue Code covering its union and non-union employees. For the years ended December 31, 1999, 1998 and 1997, the Company's cost of these plans was $3.0 million, $1.6 million and $1.8 million, respectively.

Included in the non-union Investment Savings Plan, ARACS makes a defined contribution for full-time employees. The contributions were determined at 2% of each covered employee's compensation through December 31, 1998 and were increased to 3% of each covered employee's compensation with effect from January 1, 1999. Employer contributions for the years ended December 31, 1999, 1998 and 1997 amounted to $5.0 million, $2.3 million and $2.1 million, respectively.

The vehicle rental defined benefit plan for its Salaried and Hourly Employees as of June 30, 1985, provides benefits based upon years of credited service, highest average compensation and social security benefits. Annual retirement benefits, at age 65, are equal to 1 1/2% of the participating employee's final average compensation (average compensation during the highest five consecutive years of employment in the ten years prior to retirement) less 1 1/2% of the Social Security benefits for each year of service up to a maximum of 35 years. In addition, the plan provides for reduced benefits before age 65 and for a joint and survivor annuity option. Effective January 1, 1999, the Company curtailed its defined benefit Retirement Plan for Employees as of June 30, 1985. The Company recognized a

NOTE 17--RETIREMENT BENEFITS (CONTINUED)

$7,500,000 pre-tax gain as a result of the curtailment during the first quarter of fiscal year ending December 31, 1999.

The Company also sponsors several foreign pension plans. The most significant of these are the United Kingdom and Canadian defined benefit pension plans.

The status of the Company's defined benefit plans at December 31, 1999 and 1998, including the plans to its Salaried and Hourly Employees as of June 1985, the Bargaining Plan, the Non-Qualified

NOTE 17--RETIREMENT BENEFITS (CONTINUED)
Defined Benefit Plan, the Motorent Plan (terminated on September 30, 1999) the United Kingdom Plan and the Canadian Defined Benefit Plan are as follows (in thousands):

	1999	1998
CHANGE IN BENEFIT OBLIGATION		
Benefit obligations at beginning of year	$125,251	$106,887
Benefit obligations assumed from acquisitions	30,820	
Service cost	1,588	2,809
Interest cost	6,611	6,922
Plan participants' contributions	562	182
Amendments	(19,395)	635
Actuarial (1oss)gain	(11,735)	11,014
Benefits paid	(15,819)	(2,798)
Foreign currency translation loss	(997)	(400)
Benefit obligations at end of year	116,886	125,251
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	101,449	89,816
Fair value of plan assets acquired from acquisitions	25,682	
Actual return on plan assets	8,107	9,060
Plan participants' contributions	562	182
Employer contributions	7,022	5,908
Benefits paid	(15,891)	(2,798)
Foreign currency translation loss	(614)	(719)
Fair value of plan assets at end of year	126,317	101,449
Funded status	9,431	(23,802)
Unrecognized net accrual gain (loss)	(6,003)	16,307
Unrecognized prior service cost	1,276	1,703
Unrecognized transition asset	(2,237)	(2,251)
Prepaid (accrued) benefit cost	$ 2,467	$ (8,043)
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION		
Prepaid benefit cost	$ 7,320	$ 1,752
Accrued benefit liability	(9,122)	(14,340)
Intangible asset	2,761	1,704
Accumulated other comprehensive income	1,508	2,841
Net amount recognized	$ 2,467	$ (8,043)

The fair value of plan assets for funded plans with accumulated benefit obligations in excess of plan assets amounted to $55.7 million as of December 31, 1999.

NOTE 17--RETIREMENT BENEFITS (CONTINUED)

Net pension costs of the non-qualified defined benefit plans for the years ended December 31, 1999, 1998 and 1997, include the following components (in thousands):

	1999	1998	1997
Service cost--benefits earned during the year	$ 1,588	$ 2,809	$ 3,446
Interest cost on projected benefit obligation	6,611	6,922	6,956
Return on assets--expected gain on plan assets	(8,664)	(7,786)	(6,804)
Recognized actuarial gain	21		
Net amortization of prior service cost	17	70	35
Contributions to union plans and other	2,910	3,894	3,021
Amortization of gain	127		
Amortization of unrecognized net assets at transition	(122)	(123)	(132)
Net pension cost	$ 2,488	$ 5,786	$ 6,522

At December 31, 1999 and 1998, the measurement of the projected benefit obligation was based upon the following assumptions weighted average interest rates:

	1999	1998
Discount rate	6.67%	6.00%
Compensation increase for continuing plans	3.85%	4.72%
Long-term return on plan assets	8.45%	8.77%

The U.S. plans' assets are invested in corporate bonds, U.S. government securities and common stock mutual funds. The Canadian plan's assets are invested in Canadian stocks, bonds, mutual funds, real estate and money market funds. The UK plan's assets are invested in equity securities, fixed interest securities and cash.

NOTE 18--EARNINGS PER SHARE ("EPS")

Basic EPS for the years ended December 31, 1999, 1998 and 1997 was calculated using 31,330,536, 34,172,249 and 30,925,000 weighted-average shares outstanding. Diluted EPS for the years ended December 31, 1999, 1998 and 1997 was calculated as follows (in thousands, except share amounts):

	1999	1998	1997
DILUTED EPS			
Earnings available to common stockholders	$ 83,475	$ 63,521	$ 27,473
Weighted average common shares outstanding	31,330,536	34,172,249	30,925,000
Plus: Dilutive effect of the assumed exercise of stock options	655,033	780,308	256,134
Adjusted weighted average shares outstanding	31,985,569	34,952,557	31,181,134
Diluted EPS	$ 2.61	$ 1.82	$ 0.88

NOTE 19--STOCK OPTION PLAN

On September 23, 1997, the Avis Group Holdings, Inc. 1997 Stock Option Plan (the "Stock Option Plan") was adopted by the Board of Directors under which 4,620,977 shares of Common Stock were reserved for issuance upon the exercise of options granted to officers, key employees, independent contractors and non-employee Directors of the Company and its designated subsidiaries. On September 23, 1997, 3,953,900 options were granted at $17.00 per share, the fair market value of the Company's common stock on the date of grant. On May 21, 1998, at the Annual Meeting of Stockholders, the shareholders approved an amendment to the Company's Stock Option Plan, increasing the maximum number of shares authorized for issuance under the Stock Option Plan to 6,000,000. On November 8, 1999, the Board of Directors increased the maximum number of shares authorized for issuance under the Stock Option Plan to 7,500,000. At December 31, 1999 and 1998, approximately 6,933,613 and 4,443,100, respectively, options are outstanding under the Stock Option Plan. The primary purpose of the Stock Option Plan is to provide additional incentive to officers, key employees, independent contractors and non-employee directors of the Company and to strengthen their commitment to the Company and its subsidiaries.

Each non-employee director of the Company received an initial automatic grant of an option to purchase 50,000 shares of Common Stock under the Stock Option Plan. Subsequently elected non-employee directors will receive a like grant under the Stock Option Plan upon election or appointment to the Board of Directors.

The exercise price of each option under the Stock Option Plan may not be less than the fair market value of a share of Common Stock on the date the option is granted. Options held by an optionee will generally become exercisable as to 20% of the shares covered by such options on the first anniversary of the date of grant and with respect to an additional 20% of the shares covered by such options on each of the four succeeding anniversaries of the date of grant if the optionee continues to be employed or retained as an independent contractor by the Company, on each such date. All options held by an optionee will become fully exercisable (to the extent not already exercisable) if a "change of control transaction" (as defined in the Stock Option Plan) occurs. Shares of Common Stock acquired upon the exercise of the options may be subject to restrictions on transfer which will be set forth in the agreement evidencing the grant of the option. Unless otherwise determined by the Compensation Committee of the Board of Directors, all options granted under the Stock Option Plan, to the extent not exercised, expire on the earliest of (i) the tenth anniversary of the date of grant, (ii) two years following the optionee's termination of employment on account of death, retirement, disability or (iii) one year following the termination of optionee's employment for any other reason. Grants of options under the Stock Option Plan are subject to an annual per-participant maximum grant of shares of Common Stock.

Generally, the Board of Directors of the Company may amend or terminate the Stock Option Plan, provided that (i) no such amendment or termination may adversely affect the rights of any participant without the consent of such participant and (ii) to the extent required by any law, regulation or stock exchange rule, no amendment shall be effective without the approval of the Company's stockholders.

The Company makes no recognition of the options in the financial statements until they are exercised. The Company applies Accounting Principles Board Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" and related Interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation plans. The Company has adopted only the

NOTE 19--STOCK OPTION PLAN (CONTINUED)
disclosure provisions of Statement of Financial Accounting Standard No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION" ("SFAS 123").

The following is a summary of stock option activity for the years ended December 31, 1999 and 1998 and for the period September 23, 1997 through December 31, 1997:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Granted September 23, 1997 (inception of the stock option plan)	3,953,900	$17.00
Forfeited	(78,200)	$17.00
Outstanding at December 31, 1997	3,875,700	$17.00
Granted	1,452,000	$23.47
Forfeited	(869,600)	$19.32
Outstanding at December 31, 1998	4,458,100	$18.65
Granted	2,799,900	$25.41
Exercised	(198,187)	$17.00
Forfeited	(126,200)	$19.92
Outstanding at December 31, 1999	6,933,613	$21.41
Exercisable Options December 31, 1999	1,493,263	$17.87

Pro forma disclosures are provided for the years ended December 31, 1999, 1998 and 1997 as if the Company adopted the cost recognition requirements under SFAS 123. The weighted average fair value of each option granted (estimated on the date of grant using the Black-Scholes option-pricing model) is $12.95, $11.73 and $9.80 for 1999, 1998 and 1997, respectively, using the following assumptions:

	1999	1998	1997
Expected volatility	40.0%	40.0%	45.0%
Risk-free interest rate	6.0	6.0	5.7
Expected option life in years	6.5	6.5	7.5

The weighted-average remaining contractual life of the stock options is 7.7 years, 7.3 and 9.6 years at December 31, 1999, 1998 and 1997, respectively. Had compensation expense been recognized for the years ended December 31, 1999 and 1998 and for the period September 23, 1997 through December 31, 1997, grants for stock-based compensation plans in accordance with provisions of SFAS 123, the

NOTE 19--STOCK OPTION PLAN (CONTINUED)
Company would have recorded net income and earnings per share as follows (in thousands, except per share data):

	1999		1998		1997	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Earnings applicable to common stockholders	$83,475	$74,563	$63,521	$58,656	$27,473	$26,436
Basic earnings per share	$ 2.66	$ 2.38	$ 1.86	$ 1.72	$ .89	$ .85
Diluted earnings per share	$ 2.61	$ 2.33	$ 1.82	$ 1.68	$ .88	$ .85

NOTE 20--LEASES, AIRPORT CONCESSION FEES AND COMMITMENTS

The Company is committed to make rental payments under noncancelable operating leases relating principally to vehicle rental facilities and equipment. Under certain leases, the Company is obligated to pay certain additional costs, such as property taxes, insurance and maintenance. Airport concession agreements usually require a guaranteed minimum amount plus contingent fees, which are generally based on a percentage of revenues.

Operating lease payments and net airport concession fees charged to expense for the years ended December 31, 1999, 1998 and 1997 are as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Minimum fees	$176,780	$147,034	$122,015
Contingent fees	93,264	89,456	87,937
	270,044	236,490	209,952
Sublease rentals	(5,881)	(4,701)	(4,741)
	$264,163	$231,789	$205,211

Future minimum rental commitments under noncancelable operating leases amounted to approximately $725.1 million at December 31, 1999. The minimum rental payments due in each of the next five years ending December 31st, and thereafter, are as follows (in thousands):

2000	$138,180
2001	116,921
2002	96,665
2003	69,351
2004	52,603
Thereafter	251,384

At December 31, 1999, future minimum rental commitments include $70.6 million due to a subsidiary of Cendant, related to the Company's corporate headquarters and Virginia Beach processing facility.

NOTE 20--LEASES, AIRPORT CONCESSION FEES AND COMMITMENTS (CONTINUED)

In addition to the Company's lease commitments, the Company has outstanding purchase commitments of approximately $2.1 billion at December 31, 1999, which relate principally to vehicle purchases.

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS

In connection with the VMS Acquisition and as part of the financing thereof, Avis Group Holdings, Inc. (the "Parent") issued and sold the Senior Subordinated Notes (see Note 10) in a transaction exempt from registration under the Securities Act. These securities were subsequently registered on September 24, 1999. The Senior Subordinated Notes are general unsecured obligations of the Parent, subordinated in right of payment to all existing and future senior indebtedness of the Company, and guaranteed by certain of the Parent's domestic subsidiaries. Accordingly, the following condensed consolidating financial information presents the condensed consolidating financial statements as of December 31, 1999 and 1998 and for the years ended December 31, 1999, 1998 and 1997, respectively, of: (a) the Parent; (b) the guarantor subsidiaries; (c) the non-guarantor subsidiaries; (d) elimination entries necessary to consolidate Parent with guarantor and non-guarantor subsidiaries; and (e) the Company on a consolidated basis (in thousands).

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

Investments in subsidiaries are accounted for using the equity method for purposes of the consolidating presentation. The principle elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements and other disclosures with respect to the subsidiary guarantors have not been made because management believes that such information is not material to holders of the Senior Subordinated Notes.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1999 (IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
Revenue		$2,329,525	$1,003,202		$3,332,727
Costs and expenses:					
Direct operating, net		843,787	113,483		957,270
Vehicle depreciation and lease charges, net		604,767	569,742		1,174,509
Selling, general and administrative		486,295	95,761		582,056
Interest, net	$85,797	186,746	109,760		382,303
Minority interest			5,890		5,890
Non-vehicle depreciation and amortization		16,586	18,014		34,600
Amortization of cost in excess of net assets acquired		26,969	3,213		30,182
	85,797	2,165,150	915,863		3,166,810
	(85,797)	164,375	87,339		165,917
Equity in earnings of subsidiaries	144,878	69,842		$(214,720)	
Income before provision for income taxes	59,081	234,217	87,339	(214,720)	165,917
Provision (benefit) for income taxes	(33,504)	89,339	17,497		73,332
Net income	$92,585	$ 144,878	$ 69,842	$(214,720)	$ 92,585

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1998 (IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
Revenue		$2,061,967	$235,615		$2,297,582
Costs and expenses:					
Direct operating, net		826,370	101,560		927,930
Vehicle depreciation and lease charges, net		531,830	61,234		593,064
Selling, general and administrative		402,917	33,358		436,275
Interest, net	$ 13,836	174,016	4,228		192,080
Non-vehicle depreciation and amortization		21,848	2,303		24,151
Amortization of cost in excess of net assets acquired		11,702	152		11,854
	13,836	1,968,683	202,835		2,185,354
	(13,836)	93,284	32,780		112,228
Equity in earnings of subsidiaries	72,514	23,700		$(96,214)	
Income before provision for income taxes	58,678	116,984	32,780	(96,214)	112,228
Provision (benefit) for income taxes	(4,843)	44,470	9,080		48,707
Net income	$ 63,521	$ 72,514	$ 23,700	$(96,214)	$ 63,521

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1997 (IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
Revenue		$1,804,477	$241,677		$2,046,154
Costs and expenses:					
Direct operating, net		744,355	109,412		853,767
Vehicle depreciation and lease charges, net		459,963	65,180		525,143
Selling, general and administrative	$ 8,073	370,635	34,583		413,291
Interest, net	5,765	169,983	4,860		180,608
Non-vehicle depreciation and amortization		13,818	2,344		16,162
Amortization of cost in excess of net assets acquired		6,728	132		6,860
	13,838	1,765,482	216,511		1,995,831
	(13,838)	38,995	25,166		50,323
Equity in earnings of subsidiaries	36,468	16,203		$(52,671)	
Income before provision for income taxes	22,630	55,198	25,166	(52,671)	50,323
Provision (benefit) for income taxes	(4,843)	18,730	8,963		22,850
Net income	$ 27,473	$ 36,468	$ 16,203	$(52,671)	$ 27,473

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1999
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 54	$ 42,184	$ 29,459		$ 71,697
Cash held on deposit with financial institution			93,530		93,530
Restricted cash			253,080		253,080
Accounts receivable, net	(9)	210,962	904,787		1,115,740
Finance lease receivables			871,034		871,034
Prepaid expenses		41,282	23,034		64,316
Vehicles, net-rental		(75,581)	3,442,943		3,367,362
Vehicles, net-leasing		55,704	3,078,305		3,134,009
Property and equipment, net		161,651	36,176		197,827
Investment in subsidiaries	2,121,275	1,272,000		$(3,393,275)	
Other assets	1,000	78,863	35,410		115,273
Cost in excess of net assets acquired, net		1,595,529	198,861		1,794,390
Total assets	$2,122,320	$3,382,594	$8,966,619	$(3,393,275)	$11,078,258
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY					
Accounts payable		$ 273,102	$ 315,275		$ 588,377
Accrued liabilities	$ 16,774	366,602	(13,923)		369,453
Due (from) to affiliates	(84,266)	(119,494)	263,156		59,396
Current income tax liabilities		17,910	316		18,226
Deferred income tax liabilities, net	(42,982)	144,893	79,345		181,256
Public liability, property damage and other insurance liabilities, net		206,111	53,645		259,756
Debt	1,562,000	10,305	6,897,500		8,469,805
Minority interest (preferred membership interest)			99,305		99,305
Preferred stock		371,000			371,000
Common stockholders' equity	670,794	2,112,165	1,272,000	$(3,393,275)	661,684
Total liabilities, preferred stock and common stockholders' equity	$2,122,320	$3,382,594	$8,966,619	$(3,393,275)	$11,078,258

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1998
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 11	$ 9,776	$ 19,964		$ 29,751
Restricted cash		2,000	131,284		133,284
Accounts receivable, net		136,112	224,462		360,574
Prepaid expenses		34,666	7,417		42,083
Vehicles, net-rental		(73,213)	3,238,029		3,164,816
Property and equipment, net		129,090	15,955		145,045
Investment in subsidiaries	533,274	422,146		$(955,420)	
Other assets		38,127	2,463		40,590
Deferred income tax assets	9,686	107,973			117,659
Cost in excess of net assets acquired, net		460,441	2,819		463,260
Total assets	$542,971	$1,267,118	$3,642,393	$(955,420)	$4,497,062
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable		$ 112,220	$ 86,261		$ 198,481
Accrued liabilities	$ 969	277,018	48,217		326,204
Due (from) to affiliates, net	(80,612)	112,605	(9,700)		22,293
Current income tax liabilities		19,413	3,632		23,045
Deferred income tax liabilities, net			28,504		28,504
Public liability, property damage and other insurance liabilities, net		210,811	50,398		261,209
Debt		1,777	3,012,935		3,014,712
Stockholders' equity	622,614	533,274	422,146	$(955,420)	622,614
Total liabilities and stockholders' equity	$542,971	$1,267,118	$3,642,393	$(955,420)	$4,497,062

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 92,585	$ 144,878	$ 69,842	$(214,720)	$ 92,585
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	(151,326)	686,838	469,846		1,005,358
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(58,741)	831,716	539,688	(214,720)	1,097,943
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for vehicle additions		87,291	(5,692,785)		(5,605,494)
Vehicle deletions		(465,991)	4,671,212		4,205,221
Increase in finance lease receivables		(117,407)	94,744		(22,663)
Payments for additions to property and equipment		(38,798)	(9,442)		(48,240)
Retirements of property and equipment		(20,478)	14,059		(6,419)
Investment in subsidiaries	(141,241)	(69,840)		211,081	
Payment for purchase of rental car franchise licensees, net of cash acquired		(44,934)	(258)		(45,192)
Payment for purchase of PHH Holdings, net of cash acquired	(1,325,781)				(1,325,781)
Proceeds from sale and leaseback of UK office building			32,156		32,156
NET CASH USED IN INVESTING ACTIVITIES	(1,467,022)	(670,157)	(890,314)	211,081	(2,816,412)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchases of treasury stock	(53,868)				(53,868)
Net increase in (repayment of) debt	1,562,000	(117,759)	368,767		1,813,008
Payments for debt issuance costs	21,313	(16,453)	(11,403)		(6,543)
Increase in minority interest (preferred membership interest)			99,305		99,305
Cash dividends		5,926	(5,926)		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,529,445	(128,286)	450,743		1,851,902
Effect of exchange rate changes on cash	(3,639)	(865)	2,908	3,639	2,043
Net increase in cash and cash equivalents and cash held on deposit with financial institutions	43	32,408	103,025		135,476
Cash and cash equivalents and cash held on deposit with financial institutions at beginning of year	11	9,776	19,964		29,751
CASH AND CASH EQUIVALENTS AND CASH HELD ON DEPOSIT WITH FINANCIAL INSTITUTIONS AT END OF YEAR	$ 54	$ 42,184	$ 122,989	$	$ 165,227
Supplemental disclosure of cash flow information:					
Cash paid during the year for:					
Interest					$ 370,247
Income taxes					$ 28,877
BUSINESSES ACQUIRED:					
Fair value of assets acquired, net of cash acquired					$ 6,004,777
Liabilities assumed					4,271,804
Net assets acquired					1,732,973
Less issuance of Series A and Series C Preferred Stock					362,000
NET CASH PAID FOR ACQUISITIONS					$ 1,370,973

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 1998 (IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 63,521	$ 72,514	$ 23,700	$ (96,214)	$ 63,521
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	(101,241)	593,335	96,973		589,067
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(37,720)	665,849	120,673	(96,214)	652,588
CASH FLOWS FORM INVESTING ACTIVITIES:					
Payments for vehicle additions		49,363	(4,352,411)		(4,303,048)
Vehicle deletions		(218,228)	3,828,949		3,610,721
Payments for additions to property and equipment		(39,691)	(3,242)		(42,933)
Retirements of property and equipment		4,965	638		5,603
Investment in subsidiaries	(72,514)	(131,677)		204,191	
Payment for purchase of rental car franchise licensees, net of cash acquired		(227,213)	(9,969)		(237,182)
NET CASH USED IN INVESTING ACTIVITIES	(72,514)	(562,481)	(536,035)	204,191	(966,839)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from pubic offerings net	161,194				161,194
Purchases of treasury stock	(50,960)				(50,960)
Net (decrease) increase in debt		(116,137)	309,994		193,857
Payments for debt issuance costs		(4,654)			(4,654)
Capital contribution in Argentina			1,000	(1,000)	
Investment in AESOP Leasing LP			110,000	(110,000)	
Cash dividends			(3,023)	3,023	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	110,234	(120,791)	417,971	(107,977)	299,437
Effect of exchange rate changes on cash			(334)		(334)
Net (decrease) increase in cash and cash equivalents		(17,423)	2,275		(15,148)
Cash and cash equivalents at beginning of year	11	27,199	17,689		44,899
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11	$ 9,776	$ 19,964	$	$ 29,751
Supplemental disclosure of cash flow information:					
Cash paid during the year for:					
Interest					$ 209,977
Income taxes					$ 13,338
BUSINESSES ACQUIRED:					
Fair value of assets acquired, net of cash acquired					$ 244,501
Liabilities assumed					7,319
NET CASH PAID FOR ACQUISITIONS					$ 237,182

NOTE 21--GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 1997 (IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 27,473	$ 36,468	$ 16,203	$ (52,671)	$ 27,473
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	(350,310)	909,073	(170,637)		388,126
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(322,837)	945,541	(154,434)	(52,671)	415,599
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for vehicle additions		(73,731)	(4,167,078)		(4,240,809)
Vehicle deletions		(287,267)	3,669,444		3,382,177
Payments for additions to property and equipment		(19,588)	(5,145)		(24,733)
Retirements of property and equipment		3,814	157		3,971
Investment in subsidiaries	(36,468)	(207,603)		244,071	
Payment for purchase of rental car franchise licensees, net of cash acquired		(199,381)			(199,381)
NET CASH USED IN INVESTING ACTIVITIES	(36,468)	(783,756)	(502,622)	244,071	(1,078,775)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from public offerings, net	359,316				359,316
Net (decrease) increase in debt		(116,231)	465,519		349,288
Payments for debt issuance costs		(29,302)			(29,302)
Investment in AESOP Leasing LP			191,400	(191,400)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	359,316	(145,533)	656,919	(191,400)	679,302
Effect of exchange rate changes on cash			(945)		(945)
Net increase (decrease) in cash and cash equivalents	11	16,252	(1,082)		15,181
Cash and cash equivalents at beginning of year		10,947	18,771		29,718
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11	$ 27,199	$ 17,689	$	$ 44,899
Supplemental disclosure of cash flow information:					
Cash paid during the year for:					
Interest					$ 189,086
Income taxes					$ 8,899
BUSINESSES ACQUIRED:					
Fair value of assets acquired, net of cash acquired					$ 519,650
Liabilities assumed					320,269
NET CASH PAID FOR ACQUISITIONS					$ 199,381

NOTE 22--SEGMENT INFORMATION

Prior to the purchase of VMS on June 30, 1999 (see Note 2), the Company operated in one industry segment; the rental car business. As of July 1, 1999, the Company began operating in two business segments as follows:

Vehicle rental.................	The Company rents vehicles to business and leisure customers
Vehicle leasing and other fee based services...............	The Company leases vehicles to customers under closed-end and open-end leases. Fee based services include fuel and maintenance cards, accident management and various other vehicle services which enable customers to effectively manage costs and enhance productivity

Prior to the purchase of VMS on June 30, 1999, the Company operated in four geographic areas: the United States, Australia/New Zealand, Canada and Other Foreign Operations. As a result of the VMS acquisition, the Company added an additional geographic area; the United Kingdom. Revenue generated from each of the Company's business segments is recorded in the country in which rental, vehicle leasing and other fee based services are provided. The accounting policies of each segment and geographic area are the same as those described in the summary of significant accounting policies (see Note 1). EBITDA represents net income, plus non-vehicle interest expense (acquisition interest), non-vehicle depreciation and amortization, and income taxes. Corporate represents primarily acquisition related interest, amortization of net assets acquired and amortization of deferred financing fees related to the VMS acquisition. The operations within major business segments and major geographic areas for the years ended December 31, 1999, 1998 and 1997, are summarized as follows (in thousands):

NOTE 22--SEGMENT INFORMATION (CONTINUED)
BUSINESS SEGMENTS

	YEAR ENDED DECEMBER 31, 1999				YEARS ENDED DECEMBER 31,	
					1998	1997
	VEHICLE RENTAL	VEHICLE LEASING AND OTHER FEE BASED SERVICES	CORPORATE	CONSOLIDATED	VEHICLE RENTAL	VEHICLE RENTAL
Revenue	$2,500,746	$ 831,981		$ 3,332,727	$2,297,582	$2,046,154
Interest expense, net	$ 210,579	$ 99,763	$ 71,961	$ 382,303	$ 192,080	$ 180,608
EBITDA	$ 201,648	$ 99,961	$ 1,051	$ 302,660	$ 148,233	$ 73,345
Non-vehicle depreciation and amortization	$ 39,190	$ 11,141	$ 14,451	$ 64,782	$ 36,005	$ 23,022
Income (loss) before provision for income taxes	$ 162,458	$ 88,820	$ (85,361)	$ 165,917	$ 112,228	$ 50,323
Income tax expense	$ 50,536	$ 22,367	$ 429	$ 73,332	$ 48,707	$ 22,850
Finance lease receivables		$ 871,034		$ 871,034		
Vehicles, net	$3,367,362	$3,134,009		$ 6,501,371	$3,164,816	$3,018,856
Debt and minority interest (preferred membership interest)	$3,393,422	$3,613,688	$1,562,000	$ 8,569,110	$3,014,712	$2,826,422
Total assets	$4,885,928	$6,107,019	$ 85,311	$11,078,258	$4,497,062	$4,274,657
Capital expenditures for vehicles and property and equipment	$4,814,597	$ 839,137		$ 5,653,734	$4,345,981	$4,265,542

NOTE 22--SEGMENT INFORMATION (CONTINUED)
GEOGRAPHIC AREAS

	YEAR ENDED DECEMBER 31, 1999					
	UNITED STATES	UNITED KINGDOM	AUSTRALIA/ NEW ZEALAND	CANADA	OTHER FOREIGN OPERATIONS	CONSOLIDATED
Revenue	$2,910,712	$ 130,298	$124,263	$127,619	$39,835	$ 3,332,727
Interest expense, net	$ 342,320	$ 27,343	$ 655	$ 8,778	$ 3,207	$ 382,303
EBITDA	$ 219,333	$ 46,927	$ 25,450	$ 18,670	$(7,720)	$ 302,660
Non-vehicle depreciation and amortization	$ 43,465	$ 17,805	$ 1,303	$ 1,528	$ 681	$ 64,782
Income (loss) before provision for income taxes	$ 104,170	$ 29,122	$ 24,147	$ 17,142	$(8,664)	$ 165,917
Income tax expense	$ 57,224	$ 4,259	$ 5,652	$ 4,939	$ 1,258	$ 73,332
Finance lease receivables	$ 129,188	$ 725,740		$ 16,106		$ 871,034
Vehicles, net	$5,937,503	$ 168,476	$ 75,238	$224,704	$95,450	$ 6,501,371
Debt and minority interest (preferred membership interest)	$7,545,835	$ 850,443	$ 5,433	$148,022	$19,377	$ 8,569,110
Total assets	$9,159,879	$1,416,598	$107,341	$317,298	$77,142	$11,078,258
Capital expenditures for vehicles and property and equipment	$5,040,195	$ 42,668	$ 88,429	$436,065	$46,377	$ 5,653,734

NOTE 22--SEGMENT INFORMATION (CONTINUED)
GEOGRAPHIC AREAS

	YEAR ENDED DECEMBER 31, 1998				
	UNITED STATES	AUSTRALIA/ NEW ZEALAND	CANADA	OTHER FOREIGN OPERATIONS	CONSOLIDATED
Revenue	$2,061,967	$115,790	$ 92,402	$27,423	$2,297,582
Interest expense, net	$ 184,869	$ 633	$ 5,587	$ 991	$ 192,080
EBITDA	$ 121,803	$ 20,118	$ 5,984	$ 328	$ 148,233
Non-vehicle depreciation and amortization	$ 33,186	$ 1,210	$ 909	$ 700	$ 36,005
Income (loss) before provision for income taxes	$ 88,617	$ 18,908	$ 5,075	$ (372)	$ 112,228
Income tax expense	$ 38,395	$ 5,925	$ 3,641	$ 746	$ 48,707
Vehicles, net	$2,942,760	$ 72,609	$118,078	$31,369	$3,164,816
Debt	$2,930,154	$ 15,881	$ 56,977	$11,700	$3,014,712
Total assets	$4,192,961	$ 98,361	$148,230	$57,510	$4,497,062
Capital expenditures for vehicles and property and equipment	$3,988,072	$ 87,310	$244,891	$25,708	$4,345,981

	YEAR ENDED DECEMBER 31, 1997				
	UNITED STATES	AUSTRALIA/ NEW ZEALAND	CANADA	OTHER FOREIGN OPERATIONS	CONSOLIDATED
Revenue	$1,801,278	$132,309	$ 85,021	$27,546	$2,046,154
Interest expense, net	$ 173,269	$ 1,192	$ 5,343	$ 804	$ 180,608
EBITDA	$ 37,331	$ 25,551	$ 8,150	$ 2,313	$ 73,345
Non-vehicle depreciation and amortization	$ 20,186	$ 1,457	$ 931	$ 448	$ 23,022
Income before provision for income taxes	$ 16,601	$ 24,094	$ 7,219	$ 2,409	$ 50,323
Income tax expense	$ 11,957	$ 6,088	$ 3,902	$ 903	$ 22,850
Vehicles, net	$2,821,297	$ 67,818	$100,985	$28,756	$3,018,856
Debt	$2,744,714	$ 19,637	$ 50,741	$11,330	$2,826,422
Total assets	$3,988,117	$ 99,001	$133,178	$54,361	$4,274,657
Capital expenditures for vehicles and property and equipment	$3,915,299	$ 85,748	$239,276	$25,219	$4,265,542

NOTE 23--SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTERS ENDED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)			
	MARCH 31, 1999	JUNE 30, 1999	SEPTEMBER 30, 1999	DECEMBER 31, 1999
Revenue	$ 566,917	$ 637,457	$1,122,818	$1,005,535
Cost and expenses	540,087	589,913	1,051,044	985,766
Income before provision for income taxes	26,830	47,544	71,774	19,769
Provision for income taxes	11,644	20,262	32,399	9,027
Net income	15,186	27,282	39,375	10,742
Preferred dividends			4,555	4,555
Earnings applicable to common stockholders	$ 15,186	$ 27,282	$ 34,820	$ 6,187
Earnings per share:				
Basic	$ .48	$ .87	$ 1.12	$ .20
Diluted	$ .47	$ .85	$ 1.10	$ .20
Shares of common stock used in computing earnings per share:				
Basic	31,873,031	31,188,977	31,129,164	31,130,973
Diluted	32,517,570	32,237,810	31,760,213	31,426,681

	QUARTERS ENDED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)			
	MARCH 31, 1998	JUNE 30, 1998	SEPTEMBER 30, 1998	DECEMBER 31, 1998
Revenue	$511,390	$575,280	$652,385	$558,527
Cost and expenses	498,161	535,370	599,679	552,144
Income before provision for income taxes	13,229	39,910	52,706	6,383
Provision for income taxes	5,821	17,560	22,568	2,758
Net income	$ 7,408	$ 22,350	$ 30,138	$ 3,625
Earnings per share:				
Basic	$ .24	$ .62	$ .85	$ .11
Diluted	$ .23	$ .61	$ .83	$ .11
Shares of Common Stock used in computing earnings per share:				
Basic	31,425,000	35,925,000	35,608,000	33,690,798
Diluted	32,561,483	36,730,233	36,180,000	34,068,603

NOTE 24--RELATED PARTY TRANSACTIONS

The Company and Avis Europe, plc cooperate jointly in marketing and promotional activities, the exchange of reservations, the honoring of charge cards and vouchers, and the transfer of the related billings. Two members of the Company's board of directors are executive officers of Cendant and one of these two Cendant executive officers also serves on the board of Avis Europe Limited, the parent company of Avis Europe, plc.

The Company is affiliated with Cendant, which at January 1, 2000, owned approximately 18% of the common stockholders' equity of the Company, excluding potential conversion of Preferred Stock (see Notes 14 and 16). For the years ended December 31, 1999, 1998 and 1997, the Company earned vehicle rental revenues of approximately $63.6 million $62.1 million and $2.2 million, respectively, from Cendant and its subsidiary companies, of which approximately $1.1 million and $745 thousand was outstanding and is included in accounts receivable on the accompanying consolidated statements of financial position at December 31, 1999 and 1998, respectively. The Company purchased approximately $106.4 million, $90.4 million and $90.1 million in 1999, 1998 and 1997, respectively, of goods and services from these affiliated companies.

NOTE 25--LITIGATION

From time to time, the Company is subject to routine litigation incidental to its business. The Company maintains insurance policies that cover most of the actions brought against the Company. The Company is not currently involved in any legal proceeding which it believes would have a material adverse effect upon its financial position or results of operations.

AVIS GROUP HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Revenue:				
Vehicle rental	$ 733,694	$ 709,555	$1,989,167	$1,913,929
Vehicle leasing and other fee based	396,581	413,263	1,250,609	413,263
	1,130,275	1,122,818	3,239,776	2,327,192
Costs and expenses:				
Direct operating, net	259,573	263,123	715,581	724,843
Vehicle depreciation and lease charges, net	446,464	442,458	1,273,966	760,929
Selling, general and administrative	171,478	177,119	537,753	408,301
Interest, net	146,776	145,348	452,770	245,273
Non-vehicle depreciation and amortization	10,873	11,019	37,332	23,370
Amortization of cost in excess of net assets acquired	10,203	11,977	33,797	18,328
	1,045,367	1,051,044	3,051,199	2,181,044
Income before provision for income taxes	84,908	71,774	188,577	146,148
Provision for income taxes	36,511	32,399	83,162	64,305
Net income	48,397	39,375	105,415	81,843
Preferred stock dividend	4,783	4,555	14,118	4,555
Earnings applicable to common stockholders	$ 43,614	$ 34,820	$ 91,297	$ 77,288
Earnings per share:				
Basic	$ 1.40	$ 1.12	$ 2.93	$ 2.46
Diluted	$ 1.36	$ 1.10	$ 2.89	$ 2.40

See notes to the condensed consolidated financial statements.

AVIS GROUP HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(IN THOUSANDS)

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Cash and cash equivalents	$ 57,911	$ 71,697
Cash held on deposit with financial institution	48,046	93,530
Restricted cash	235,799	253,080
Accounts receivable, net	884,087	1,115,740
Prepaid expenses	66,550	64,316
Finance lease receivables	177,379	871,034
Vehicles, net-rental	4,009,732	3,367,362
Vehicles, net-leasing	3,013,687	3,134,009
Property and equipment, net	188,307	197,827
Investment in PHH/Arval joint venture	181,204	
Other assets	108,633	115,273
Cost in excess of net assets acquired, net	1,299,124	1,794,390
Total assets	$ 10,270,459	$ 11,078,258
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY		
Accounts payable	$ 550,179	$ 588,377
Accrued liabilities	378,077	369,453
Due to affiliates, net	32,718	59,396
Current income tax liabilities	25,807	18,226
Deferred income tax liabilities, net	444,984	181,256
Public liability, property damage and other insurance liabilities, net	256,435	259,756
Vehicle debt	6,854,158	6,969,805
Acquisition debt	500,000	1,500,000
Minority interest (preferred membership interest)	99,305	99,305
Total liabilities	9,141,663	10,045,574
Commitments and contingencies		
Preferred Stock of a subsidiary:		
Class A Preferred stock	360,000	360,000
Class B Preferred stock	22,953	9,000
Class C Preferred stock	2,000	2,000
Total preferred stock of a subsidiary	384,953	371,000
Common stockholders' equity:		
Class A Common stock	359	359
Additional paid-in capital	593,151	593,106
Retained earnings	266,987	175,690
Accumulated other comprehensive loss	(13,157)	(3,639)
Treasury stock	(103,497)	(103,832)
Total common stockholders' equity	743,843	661,684
Total liabilities, preferred stock and common stockholders' equity	$ 10,270,459	$ 11,078,258

See notes to the condensed consolidated financial statements.

AVIS GROUP HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 105,415	$ 81,843
Adjustments to reconcile net income to net cash provided by operating activities	1,260,561	581,623
Net cash provided by operating activities	1,365,976	663,466
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for vehicle additions	(5,692,115)	(3,650,923)
Vehicle deletions	3,677,112	2,669,166
Increase in finance lease receivables	(50,631)	(85,569)
Payments for property and equipment	(41,011)	(35,022)
Retirements of property and equipment	9,378	3,742
Proceeds from the sale of 80% of PHH Europe, net of cash disposed of $104,765	695,684	
Settlement of PHH Europe intercompany accounts	225,819	
Dividend from the PHH/Arval Joint Venture	32,426	
Payments for purchase of rental car franchise licensees, net of cash acquired of $14,208 in 1999		(45,192)
Payment for purchase of PHH Holdings, net of cash acquired of $170,568 in 1999		(1,348,530)
Net cash used in investing activities	(1,143,338)	(2,492,328)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in debt:		
Proceeds	2,442,104	2,538,000
Repayment of acquisition and other debt from the proceeds of the sale of 80% of PHH Europe	(1,054,437)	
Repayments	(1,652,067)	(479,452)
Net (decrease) increase in debt	(264,400)	2,058,548
Payments for debt issuance costs	(17,280)	(1,640)
Purchases of treasury stock		(57,237)
Other	162	3,349
Net cash (used in) provided by financing activities	(281,518)	2,003,020
Effect of exchange rate changes on cash	(390)	2,612
Net (decrease) increase in cash and cash equivalents	(59,270)	176,770
Cash and cash equivalents and cash held on deposit with financial institution at beginning of period	165,227	29,751
Cash and cash equivalents and cash held on deposit with financial institution at end of period	$ 105,957	$ 206,521
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash interest paid	$ 431,369	$ 173,600
Cash income taxes paid	$ 30,499	$ 14,835
Business disposed in August 2000:		
Assets disposed	$ 1,731,488	
Liabilities disposed	1,035,804	
Proceeds received from the sale of 80% of PHH Europe, net of cash disposed of $104,765	$ 695,684	
Businesses acquired in 1999:		
Fair value of assets acquired, net of cash acquired of $184,776		$ 6,127,678
Liabilities assumed		4,371,956
Net assets acquired		1,755,722
Less: issuance of Series A and Series C Preferred Stocks		(362,000)
Net cash paid for acquisitions		$ 1,393,722

See notes to the condensed consolidated inancial statements.

AVIS GROUP HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include Avis Group Holdings, Inc. and its subsidiaries (the "Company" or "Avis Group."). These consolidated financial statements reflect, in the opinion of management, all material adjustments (which include normal recurring adjustments only) necessary to fairly state the financial position, the results of operations and cash flows for the periods presented. The consolidated statements of financial position include all of the assets and liabilities of the Company, including the Company's vehicle lease and vehicle management businesses in the United States and Canada ("PHH North America"), and in Europe ("PHH Europe") through August 9, 2000 (see Note 6), and of Wright Express LLC (collectively "VMS") which were acquired on June 30, 1999. The consolidated statements of financial position also include all of the assets and liabilities of Rent A Car Incorporated ("Rent-A-Car, Inc.") and Motorent, Inc. ("Motorent"), rental car franchisees which were purchased on March 19, 1999 and June 30, 1999, respectively. The consolidated statements of operations include the results of these operations, subsequent to their dates of acquisition. Operating results for interim periods are not indicative of the results that can be expected for a full year. These consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and notes thereto, included in the Company's annual report on Form 10-K for the year ended December 31, 1999, and the current report on Form 8-K, dated August 24, 2000, filed with the Securities and Exchange Commission. Certain amounts in the prior period have been reclassified to conform to current period presentation. All amounts are in thousands except share data.

NOTE 2 - CASH HELD ON DEPOSIT WITH FINANCIAL INSTITUTION

Cash held on deposit with financial institution represents lease payments collected from the Company's vehicle leasing customers by one of the Company's lenders in connection with the Company's domestic vehicle leasing Asset Backed Financing Structure (see Note 8). Cash collected during the month by the lender net of vehicle purchases is settled with the Company in the early part of the following month.

NOTE 3 - CLASS B COMMON STOCK

At the Company's meeting of shareholders on May 6, 2000, the Company's shareholders approved a revision to the Company's charter to issue 15,000,000 shares of non-voting Class B Common Stock. The Class B Common Shares will be issued upon the conversion of Series A Preferred Stock or Series B Preferred Stock of PHH Leasing and Management, Inc., a subsidiary of the Company. Holders of Series A and B Preferred Stock may convert their shares into Class B Common Stock of the Company if certain financial goals are attained or upon the occurrence of certain events.

The Class B Common Stock ranks (1) junior to any class or series of preferred stock of the Company and (2) PARI PASSU with the Class A Common Stock in right of payment of dividends and upon liquidation.

NOTE 4- EARNINGS PER SHARE

Basic earnings per share is computed by dividing earnings applicable to common stockholders for the three months ended September 30, 2000 and 1999 by 31,138,079 and 31,129,164 weighted average shares outstanding, respectively, and for the nine months ended September 30, 2000 and 1999 by 31,133,834 and 31,394,335 weighted average shares outstanding, respectively. Diluted earnings per share is computed by dividing earnings applicable to common stockholders for the three months ended September 30, 2000 and 1999 by 32,150,494 and 31,760,213 weighted average shares outstanding, respectively, and for the nine months ended September 30, 2000 and 1999 by 31,609,275 and 32,172,196 weighted average shares outstanding, respectively. Shares used in calculating diluted earnings per share include the effects of the assumed exercise of stock options.

NOTE 5 - ACQUISITIONS

On June 30, 1999, the Company acquired VMS for $1.8 billion and refinanced VMS indebtedness of approximately $3.5 billion (the "VMS Acquisition"). The acquisition financing included borrowings by the Company of $1.0 billion of term loans, the issuance by the Company of $500 million of senior subordinated notes, and the issuance by the acquisition subsidiary of $362 million of preferred stock. The $1.0 billion of term loans were repaid in August 2000 in connection with the sale of 80% of PHH Europe (Note 6).

On March 19, 1999 and June 30, 1999, the Company purchased Rent-A-Car, Inc. and Motorent, respectively, using internally generated funds for approximately $59.4 million.

The combined purchase cost allocation for the Company's acquisitions of VMS, Rent-A-Car, Inc. and Motorent are as follows (in thousands):

Purchase cost	$1,917,949
Fair value of:	
Assets acquired	4,806,414
Liabilities assumed	4,281,177
Net assets	525,237
Cost in excess of net assets acquired	$1,392,712

The above mentioned acquisitions have been accounted for by the purchase method. The financial statements include the operating results of these acquisitions subsequent to their dates of acquisition.

The following unaudited pro forma information presents the results of operations of the Company as if the acquisition of VMS for $1.8 billion (including the issuance of Series A and Series C Preferred Stock) and the refinancing of VMS indebtedness and related adjustments had taken place on January 1, 1999 (in thousands, except share data):

	Three months ended September 30, 1999	Nine months ended September 30, 1999
Revenue	$ 1,055,174	$2,945,609
Income before provision for income taxes .	$ 71,774	$ 121,616
Net income	$ 39,375	$ 62,413
Preferred stock dividends	$ 4,555	$ 13,665
Earnings applicable to common stockholders	$ 34,820	$ 48,748
Earnings per share:		
Basic	$ 1.12	$ 1.55
Diluted	$ 1.10	$ 1.52

If the acquisitions of Rent-A-Car, Inc. and Motorent had occurred on January 1, 1999, they would not have had a material impact on the results of operations for the three and nine months ended September 30, 1999.

NOTE 6 - FORMATION OF JOINT VENTURE

On August 9, 2000, the Company announced that it had completed its transaction with BNP Paribas ("BNP") to form a joint venture company that owns PHH Europe and, within one year, will merge with BNP's vehicle management subsidiary, Arval Service Lease S.A. ("Arval"). As part of the transaction, BNP acquired an 80% interest in the joint venture, with the Company retaining a 20% interest. The Company received $800 million in cash and had its intercompany indebtedness with PHH Europe repaid. PHH Europe, with operations in the United Kingdom and Germany, is engaged in the business of leasing vehicles and providing fee based services, including fuel and maintenance cards, accident management and other vehicle services to its customers. Accordingly, the Company's 20% investment in the joint venture is reported as Investment in PHH/Arval Joint Venture in the accompanying statement of financial position at September 30, 2000 and earnings of the joint venture are included in the statement of operations on the equity method. The difference between the carrying value of the net assets of PHH Europe and the proceeds from the sale have been accounted for as a reduction of cost in excess of net assets acquired relating to the VMS Acquisition. The revenue and net income of PHH Europe included in the statement of operations for the nine months ended September 30, 2000 and 1999 are (in thousands):

	Nine Months ended September 30, 2000	Nine Months ended September 30, 1999
Revenue	$158,939	$ 67,644
Net Income	$ 27,589	$ 9,866

The revenue and net income of PHH Europe for the periods presented above includes the results of operations of PHH Europe from the date of acquisition (June 30, 1999) through July 31, 2000 (formation of Joint Venture).

PHH/Arval is an unlimited liability company organized under the laws of the United Kingdom. A subsidiary of the Company which owns 20% of PHH/Arval, is liable under the laws of the United Kingdom for all the obligations of PHH/Arval upon its liquidation which remain after the assets of PHH/Arval are sold. PHH/Arval incurred a loan of approximately $800 million to complete the BNP Paribas transaction. The Company's subsidiary is liable for the loan to the extent PHH/Arval does not have sufficient assets to repay the loan upon its liquidation. A newly formed subsidiary of the Company has guaranteed its subsidiary's liability under the loan.

NOTE 7- COMPREHENSIVE INCOME

Comprehensive income is comprised of the following (in thousands):

	Three months ended September 30, 2000	Three months ended September 30, 1999	Nine months ended September 30, 2000	Nine months ended September 30, 1999
Net income	$ 48,397	$ 39,375	$ 105,415	$ 81,843
Foreign currency translation adjustment, net of income taxes	204	7,351	(27,616)	10,031
Reversal of the accumulated foreign currency translation adjustment, net of tax, related to the sale of 80% of PHH Europe (see Note 6)	18,098		18,098	
Comprehensive income	$ 66,699	$ 46,726	$ 95,897	$ 91,874

NOTE 8- FINANCING AND DEBT

Debt outstanding at September 30, 2000 and December 31, 1999 consist of the following (in thousands):

	September 30, 2000	December 31, 1999
VEHICLE RENTAL		
Commercial Paper Notes	$ 872,474	$1,026,261
Short-term notes-foreign	207,969	111,259
Series 1997-1A asset-backed Medium Term Notes due May through October 2000 at 6.22%	133,333	800,000
Series 1997-1B asset-backed Medium Term Notes due May through October 2002 at 6.40%	850,000	850,000
Series 1998-1 asset-backed Medium Term Notes due December 2004 through May 2005 at 6.14%	600,000	600,000
Series 2000-1 floating rate Rental Car Asset-Backed Notes due February 2003 through July 2003	250,000	
Series 2000-2 floating rate Rental Car Asset-Backed Notes due March 2007 through August 2007	300,000	
Series 2000-3 floating rate Rental Car Asset-Backed Notes due May 2003 through October 2003	200,000	
Series 2000-4 floating rate Rental Car Asset-Backed Notes due June 2005 through November 2005	500,000	
Revolving credit facility due June 2005	105,000	62,000
Other	5,574	5,902
TOTAL VEHICLE RENTAL DEBT	4,024,350	3,455,422
VEHICLE LEASING AND OTHER FEE BASED		
Commercial Paper Notes	1,663,688	1,521,498
Canadian short term borrowings	29,793	44,563
Series 1999-2 floating rate asset-backed notes, Class A-1	550,000	550,000
Series 1999-2 floating rate asset-backed notes, Class A-2	450,000	450,000
Foreign Asset Backed Securities - UK Advances (see Note 6)	850,443	
Self-fund notes	27,435	30,397
Wright Express Certificates of Deposit	108,892	67,482
TOTAL VEHICLE LEASING AND OTHER FEE BASED DEBT	2,829,808	3,514,383
TOTAL VEHICLE DEBT	6,854,158	6,969,805
ACQUISITION FINANCING		
Term A Loan Notes due June 2005		250,000
Term B Loan Notes due June 2006		375,000
Term C Loan Notes due June 2007		375,000
Senior Subordinated Notes due May 2009 at 11.00%	500,000	500,000
TOTAL ACQUISITION FINANCING	500,000	1,500,000
TOTAL DEBT	$7,354,158	$8,469,805

NOTE 9 - GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS

In connection with the VMS Acquisition and as part of the financing thereof, Avis Group Holdings, Inc. (the "Parent") issued and sold the Senior Subordinated Notes (see Note 8) in a transaction exempt from registration under the Securities Act. The Senior Subordinated Notes are general unsecured obligations of the Parent, subordinated in right of payment to all existing and future senior indebtedness of the Company, and guaranteed by certain of the Parent's domestic subsidiaries. Accordingly, the following condensed consolidating financial information presents the condensed consolidating financial statements as of September 30, 2000 and December 31, 1999 and for the three and nine months ended September 30, 2000 and 1999, respectively, of: (a) the Parent (b) the guarantor subsidiaries (c) the non-guarantor subsidiaries (d) elimination entries necessary to consolidate Parent with guarantor and non-guarantor subsidiaries and (e) the Company on a consolidated basis.

Investments in subsidiaries are accounted for using the equity method for purposes of the consolidating presentation. The principle elimination entries eliminate investments in subsidiaries and intercompany balances and transactions (in thousands):

Separate financial statements and other disclosures with respect to the subsidiary guarantors have not been made because management believes that such information is not material to holders of the Senior Subordinated Notes.

CONDENSED
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
Revenue		$ 1,868,530	$ 1,371,246		$ 3,239,776
Costs and expenses:					
Direct operating, net		631,687	83,894		715,581
Vehicle depreciation and lease charges, net		432,631	841,335		1,273,966
Selling, general and administrative		394,090	143,663		537,753
Interest, net	$ 105,499	162,150	185,121		452,770
Non-vehicle depreciation and amortization		25,780	11,552		37,332
Amortization of cost in excess of net assets acquired		30,222	3,575		33,797
	105,499	1,676,560	1,269,140		3,051,199
	(105,499)	191,970	102,106		188,577
Equity in earnings of subsidiaries	171,726	82,010		$ (253,736)	
Income before provision for income taxes	66,227	273,980	102,106	(253,736)	188,577
Provision (benefit) for income taxes	(39,188)	102,254	20,096		83,162
Net income	$ 105,415	$ 171,726	$ 82,010	$ (253,736)	$ 105,415

NOTE 9 - GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
Revenue		$ 1,759,631	$ 567,561		$ 2,327,192
Costs and expenses:					
Direct operating, net		638,371	86,472		724,843
Vehicle depreciation and lease charges, net		457,863	303,066		760,929
Selling, general and administrative	$ (464)	361,640	47,125		408,301
Interest, net	10,376	161,704	73,193		245,273
Non-vehicle depreciation and amortization		17,871	5,499		23,370
Amortization of cost in excess of net assets acquired		13,210	5,118		18,328
	9,912	1,650,659	520,473		2,181,044
	(9,912)	108,972	47,088		146,148
Equity in earnings of subsidiaries	88,387	40,300		$ (128,687)	
Income before provision for income taxes	78,475	149,272	47,088	(128,687)	146,148
Provision (benefit) for income taxes	(3,368)	60,885	6,788		64,305
Net income	$ 81,843	$ 88,387	$ 40,300	$ (128,687)	$ 81,843

CONDENSED
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
Revenue		$ 688,604	$ 441,671		$ 1,130,275
Costs and expenses:					
Direct operating, net		229,974	29,599		259,573
Vehicle depreciation and lease charges, net		167,571	278,893		446,464
Selling, general and administrative		123,807	47,671		171,478
Interest, net	$ 25,250	61,728	59,798		146,776
Non-vehicle depreciation and amortization		8,466	2,407		10,873
Amortization of cost in excess of net assets acquired		9,686	517		10,203
	25,250	601,232	418,885		1,045,367
	(25,250)	87,372	22,786		84,908
Equity in earnings of subsidiaries	64,268	19,983		$ (84,251)	
Income before provision for income taxes	39,018	107,355	22,786	(84,251)	84,908
Provision (benefit) for income taxes	(9,379)	43,087	2,803		36,511
Net income	$ 48,397	$ 64,268	$ 19,983	$ (84,251)	$ 48,397

NOTE 9 - GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
Revenue		$ 673,194	$ 449,624		$ 1,122,818
Costs and expenses:					
Direct operating, net		231,267	31,856		263,123
Vehicle depreciation and lease charges, net		168,938	273,520		442,458
Selling, general and administrative	$ (464)	147,190	30,393		177,119
Interest, net	3,458	70,585	71,305		145,348
Non-vehicle depreciation and amortization .	6,780	4,239	11,019		
Amortization of cost in excess of net assets acquired		6,955	5,022		11,977
	2,994	631,715	416,335		1,051,044
	(2,994)	41,479	33,289		71,774
Equity in earnings of subsidiaries	41,422	30,926		$ (72,348)	
Income before provision for income taxes ..	38,428	72,405	33,289	(72,348)	71,774
Provision (benefit) for income taxes	(947)	30,983	2,363		32,399
Net income	$ 39,375	$ 41,422	$ 30,926	$ (72,348)	$ 39,375

AVIS GROUP HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

NOTE 9 - GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
ASSETS			
Cash and cash equivalents	$ 72	$ 32,676	$ 25,163
Cash held on deposit with financial institution			48,046
Restricted cash			235,799
Accounts receivable, net	57	252,848	631,182
Prepaid expenses		52,920	13,630
Finance lease receivables			177,379
Vehicles, net-rental		(65,275)	4,075,007
Vehicles, net-leasing		(712)	3,014,399
Property and equipment, net		173,567	14,740
Investment in subsidiaries	2,262,144	1,038,669	
Investment in PHH/Arval joint venture		181,204	
Other assets	1,000	51,646	55,987
Cost in excess of net assets acquired, net		1,295,773	3,351
Total assets	$ 2,263,273	$ 3,013,316	$ 8,294,683
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY			
Accounts payable		$ 250,552	$ 299,627
Accrued liabilities	$ 18,629	315,562	43,886
Due (from) to affiliates, net	984,364	(925,326)	(26,320)
Current income tax liabilities	25,807	25,807	
Deferred income tax liabilities, net	(88,563)	492,063	41,484
Public liability, property damage and other insurance liabilities, net		201,758	54,677
Debt	605,000	5,803	6,743,355
Minority interest (preferred membership interest)	99,305		99,305
Preferred stock		384,953	
Common stockholders' equity	743,843	2,262,144	1,038,669
Total liabilities, preferred stock and common stockholders' equity	$ 2,263,273	$ 3,013,316	$ 8,294,683

	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
ASSETS		
Cash and cash equivalents		$ 57,911
Cash held on deposit with financial institution		48,046
Restricted cash		235,799
Accounts receivable, net		884,087
Prepaid expenses		66,550
Finance lease receivables		177,379
Vehicles, net-rental		4,009,732
Vehicles, net-leasing		3,013,687
Property and equipment, net		188,307
Investment in subsidiaries	$(3,300,813)	
Investment in PHH/Arval joint venture		181,204
Other assets		108,633
Cost in excess of net assets acquired, net		1,299,124
Total assets	$(3,300,813	$10,270,459
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY		
Accounts payable		$ 550,179
Accrued liabilities		378,077
Due (from) to affiliates, net		32,718
Current income tax liabilities		
Deferred income tax liabilities, net		444,984
Public liability, property damage and other insurance liabilities, net		256,435
Debt		7,354,158
Minority interest (preferred membership interest)		
Preferred stock		384,953
Common stockholders' equity	$(3,300,813)	743,843
Total liabilities, preferred stock and common stockholders' equity	$(3,300,813)	$10,270,459

NOTE 9 - GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1999
(IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 54	$ 42,184	$ 29,459		$ 71,697
Cash held on deposit with financial institution			93,530		93,530
Restricted cash			253,080		253,080
Accounts receivable, net	(9)	210,962	904,787		1,115,740
Prepaid expenses		41,282	23,034		64,316
Finance lease receivables			871,034		871,034
Vehicles, net-rental		(75,581)	3,442,943		3,367,362
Vehicles, net-leasing		55,704	3,078,305		3,134,009
Property and equipment, net		161,651	36,176		197,827
Investment in subsidiaries	2,121,275	1,272,000		$(3,393,275)	
Other assets	1,000	78,863	35,410		115,273
Cost in excess of net assets acquired, net		1,595,529	198,861		1,794,390
Total assets	$ 2,122,320	$ 3,382,594	$ 8,966,619	$(3,393,275)	$11,078,258
LIABILITIES, PREFERRED STOCK AND COMMONSTOCKHOLDERS' EQUITY					
Accounts payable		$ 273,102	$ 315,275		$ 588,377
Accrued liabilities	$ 16,774	366,602	(13,923)		369,453
Due (from) to affiliates, net	(84,266)	(119,494)	263,156		59,396
Current income tax liabilities		17,910	316		18,226
Deferred income tax liabilities, net	(42,982)	144,893	79,345		181,256
Public liability, property damage and other insurance liabilities, net		206,111	53,645		259,756
Debt	1,562,000	10,305	6,897,500		8,469,805
Minority interest (preferred membership interest)			99,305		99,305
Preferred stock			371,000		371,000
Common stockholders' equity	670,794	2,112,165	1,272,000	$(3,393,275)	661,684
Total liabilities, preferred stock and common stockholders' equity	$ 2,122,320	$ 3,382,594	$ 8,966,619	$(3,393,275)	$11,078,258

NOTE 9 - GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 (IN THOUSANDS)

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 105,415	$ 171,726	$ 82,010	$ (253,736)	$ 105,415
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	1,023,167	(619,384)	856,778		1,260,561
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,128,582	(447,658)	938,788	(253,736)	1,365,976
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for vehicle additions		(68,238)	(5,623,877)		(5,692,115)
Vehicle deletions		(422,647)	4,099,759		3,677,112
Increase in finance lease receivables			(50,631)		(50,631)
Payments for property and equipment		(34,142)	(6,869)		(41,011)
Retirements of property and equipment		6,188	3,190		9,378
Proceeds from the sale of 80% of PHH Europe, net of cash disposed of $104,765		800,960	(105,276)		695,684
Settlement of PHH Europe intercompany accounts		225,819			225,819
Dividend from the PHH/Arval joint venture		32,426			32,426
Investment in subsidiaries	(171,726)	(82,010)		253,736	
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(171,726)	458,356	(1,683,704)	253,736	(1,143,338)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net increase in (repayment of) debt	97,437	(4,502)	697,102		790,037
Repayment of acquisition and other debt from the proceeds of the sale of 80% of PHH Europe	(1,054,437)				(1,054,437)
Payments for debt issuance costs		(15,704)	(1,576)		(17,280)
Other	162				162
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(956,838)	(20,206)	695,526		(281,518)
Effect of exchange rate changes on cash			(390)		(390)
Net (decrease) increase in cash and cash equivalents	18	(9,508)	(49,780)		(59,270)
Cash and cash equivalents at beginning of period	54	42,184	122,989		165,227
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 72	$ 32,676	$ 73,209	$	$ 105,957
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash interest paid					$ 431,369
Cash income taxes paid					$ 30,499
BUSINESS DISPOSED:					
Assets disposed					$ 1,731,488
Liabilities disposed					1,035,804
Proceeds received from the sale of 80% of PHH Europe, net of cash disposed of $104,765					$ 695,684

NOTE 9 - GUARANTOR AND NON-GUARANTOR CONDENSED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	AVIS GROUP HOLDINGS, INC. CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 81,843	$ 88,387	$ 40,300	$ (128,687)	$ 81,843
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	(225,193)	502,204	304,612		581,623
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(143,350)	590,591	344,912	(128,687)	663,466
CASH FLOWS FORM INVESTING ACTIVITIES:					
Payments for vehicle additions		104,735	(3,755,658)		(3,650,923)
Vehicle deletions		(428,000)	3,097,166		2,669,166
Decrease in finance lease receivables		(46,226)	(39,343)		(85,569)
Payments for property and equipment		(29,476)	(5,546)		(35,022)
Retirements of property and equipment		2,248	1,494		3,742
Investment in subsidiaries	(98,418)	(40,300)		138,718	
Payment for purchase of rental car franchise licensees, net of cash acquired of $14,208		(44,934)	(258)		(45,192)
Payment for purchase of PHH Holdings, net of cash acquired of $170,568	(1,348,530)				(1,348,530)
NET CASH USED IN INVESTING ACTIVITIES	(1,446,948)	(481,953)	(702,145)	138,718	(2,492,328)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net increase in (repayment of) debt	1,615,000	(98,356)	541,904		2,058,548
Payments for debt issuance costs	19,522	(14,662)	(6,500)		(1,640)
Purchases of treasury stock	(57,237)				(57,237)
Other	3,349				3,349
Cash dividends		5,926	(5,926)		--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,580,634	(107,092)	529,478		2,003,020
Effect of exchange rate changes on cash	10,031	11	2,601	(10,031)	2,612
Net increase in cash and cash equivalents	367	1,557	174,846		176,770
Cash and cash equivalents at beginning of period	11	9,776	19,964		29,751
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 378	$ 11,333	$ 194,810	$ --	$ 206,521
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash interest paid					$ 173,600
Cash income taxes paid					$ 14,835
BUSINESS ACQUIRED:					
Fair value of assets acquired, net of cash acquired of $184,776					$ 6,127,678
Liabilities assumed					$ 4,371,956
Net assets acquired					1,755,722
Less: issuance of Series A and Series C Preferred Stocks					(362,000)
NET CASH PAID FOR ACQUISITIONS					$ 1,393,722

NOTE 10 - SEGMENT INFORMATION

Prior to the purchase of VMS on June 30, 1999 (Note 5), the Company operated in one industry segment; the rental car business. As of July 1, 1999, the Company began operating in two business segments as follows:

Vehicle Rental	The Company rents vehicles to business and leisure customers
Vehicle Leasing and other fee based services	The Company leases vehicles to customers under closed-end and open-end leases. Fee based services include fuel and maintenance cards, accident management and various other vehicle services which enable customers to effectively manage costs and enhance productivity.

Prior to the purchase of VMS on June 30, 1999, the Company operated in four geographic areas: the United States, Australia/New Zealand, Canada and Other Foreign Operations principally in Puerto Rico, the U.S. Virgin Islands and Argentina. As a result of the VMS acquisition, and the subsequent sale of 80% of PHH Europe on August 9, 2000 (Note 6) the Company added an additional geographic area; the United Kingdom (see Note 5). Revenue generated from each of the Company's business segments is recorded in the country in which vehicle rental, vehicle leasing and other fee based services are provided.

The accounting policies of each geographic area are the same as those described in the summary of significant accounting policies (see Note 1 of the notes to the audited annual 1999 consolidated financial statements).

EBITDA represents net income, plus non-vehicle interest expense (acquisition interest), non-vehicle depreciation and amortization, amortization of cost in excess of net assets acquired and income taxes. Corporate represents primarily acquisition interest, amortization of cost in excess of net assets acquired and amortization of deferred financing fees.

The operations within major business segments and major geographic areas for the three and nine months ended September 30, 2000 and 1999 are summarized as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 2000			
BUSINESS SEGMENTS	VEHICLE RENTAL	VEHICLE LEASING AND OTHER FEE BASED SERVICES	CORPORATE	CONSOLIDATED
Revenue	$ 1,989,167	$ 1,250,609		$ 3,239,776
EBITDA	$ 221,887	$ 127,175	$ 3,516	$ 352,578
Income (loss) before provision for income taxes	$ 190,213	$ 109,821	$ (111,457)	$ 188,577
Total assets	$ 4,693,064	$ 5,577,395		$10,270,459

	NINE MONTHS ENDED SEPTEMBER 30, 1999			
	VEHICLE RENTAL	VEHICLE LEASING AND OTHER FEE BASED SERVICES	CORPORATE	CONSOLIDATED
BUSINESS SEGMENTS				
Revenue	$ 1,913,929	$ 413,263		$ 2,327,192
EBITDA	$ 175,052	$ 47,875	$ 464	$ 223,391
Income (loss) before provision for income taxes	$ 146,095	$ 42,512	$ (42,459)	$ 146,148
Total assets	$ 5,299,525	$ 5,884,054		$11,183,579

NOTE 10 - SEGMENT INFORMATION (CONTINUED)

	THREE MONTHS ENDED SEPTEMBER 30, 2000			
BUSINESS SEGMENTS	VEHICLE RENTAL	VEHICLE LEASING AND OTHER FEE BASED SERVICES	CORPORATE	CONSOLIDATED
Revenue	$ 733,694	$ 396,581		$ 1,130,275
EBITDA	$ 89,929	$ 35,038	$ 2,058	$ 127,025
Income (loss) before provision for income taxes	$ 79,473	$ 31,228	$ (25,793)	$ 84,908
Total assets	$ 4,693,064	$ 5,577,395		$10,270,459

	THREE MONTHS ENDED SEPTEMBER 30, 1999			
BUSINESS SEGMENTS	VEHICLE RENTAL	VEHICLE LEASING AND OTHER FEE BASED SERVICES	CORPORATE	CONSOLIDATED
Revenue	$ 709,555	$ 413,263		$ 1,122,818
EBITDA	$ 81,976	$ 47,875	$ 464	$ 130,315
Income (loss) before provision for income taxes	$ 71,721	$ 42,512	$ (42,459)	$ 71,774
Total assets	$ 5,299,525	$ 5,884,054		$11,183,579

	NINE MONTHS ENDED SEPTEMBER 30, 2000					
GEOGRAPHIC AREAS	UNITED STATES	UNITED KINGDOM	AUSTRALIA/ NEW ZEALAND	CANADA	OTHER FOREIGN OPERATIONS	CONSOLIDATED
Revenue	$ 2,838,165	$ 154,714	$ 87,978	$ 129,698	$ 29,221	$ 3,239,776
EBITDA	$ 266,427	$ 42,177	$ 17,033	$ 23,150	$ 3,791	$ 352,578
Income before provision for income taxes	$ 116,475	$ 30,810	$ 16,122	$ 21,938	$ 3,232	$ 188,577
Total assets	$ 9,545,417	$ 181,204	$ 107,446	$ 376,922	$ 59,470	$10,270,459

	NINE MONTHS ENDED SEPTEMBER 30, 1999					
GEOGRAPHIC AREAS	UNITED STATES	UNITED KINGDOM	AUSTRALIA/ NEW ZEALAND	CANADA	OTHER FOREIGN OPERATIONS	CONSOLIDATED
Revenue	$ 2,052,908	$ 64,592	$ 91,079	$ 92,093	$ 26,520	$ 2,327,192
EBITDA	$ 175,367	$ 19,651	$ 18,566	$ 14,607	$ (4,800)	$ 223,391
Income (loss) before provision for income taxes	$ 105,483	$ 14,986	$ 17,588	$ 13,677	$ (5,586)	$ 146,148
Total assets	$ 9,374,964	$ 1,328,108	$ 99,610	$ 317,679	$ 63,218	$11,183,579

NOTE 10 - SEGMENT INFORMATION (CONTINUED)

	THREE MONTHS ENDED SEPTEMBER 30, 2000					
GEOGRAPHIC AREAS	UNITED STATES	UNITED KINGDOM	AUSTRALIA/ NEW ZEALAND	CANADA	OTHER FOREIGN OPERATIONS	CONSOLIDATED
Revenue	$ 1,016,168	$ 22,458	$ 27,419	$ 55,207	$ 9,023	$ 1,130,275
EBITDA	$ 101,454	$ 5,067	$ 4,632	$ 14,266	$ 1,606	$ 127,025
Income before provision for income taxes	$ 61,786	$ 3,473	$ 4,341	$ 13,864	$ 1,444	$ 84,908
Total assets	$ 9,545,417	$ 181,204	$ 107,446	$ 376,922	$ 59,470	$10,270,459

	THREE MONTHS ENDED SEPTEMBER 30, 1999					
GEOGRAPHIC AREAS	UNITED STATES	UNITED KINGDOM	AUSTRALIA/ NEW ZEALAND	CANADA	OTHER FOREIGN OPERATIONS	CONSOLIDATED
Revenue	$ 965,691	$ 64,592	$ 30,016	$ 50,796	$ 11,723	$ 1,122,818
EBITDA	$ 94,405	$ 19,651	$ 5,664	$ 11,531	$ (936)	$ 130,315
Income (loss) before provision for income taxes	$ 41,685	$ 14,986	$ 5,330	$ 11,084	$ (1,311)	$ 71,774
Total assets	$ 9,374,964	$ 1,328,108	$ 99,610	$ 317,679	$ 63,218	$11,183,579

NOTE 11 - RETIREMENT BENEFITS

Effective January 1, 1999, the Company curtailed its defined benefit plans to its eligible salaried and hourly employees as of June 30, 1985. The Company recognized a non-recurring $7.5 million pre-tax gain as a result of the curtailment which was recorded in January 1999 and is included in Direct Operating Expenses on the accompanying Statement of Operations for the nine months ended September 30, 1999.

NOTE 12 - CENDANT PURCHASE OFFER

Cendant Corporation ("Cendant") and Avis Group Holdings, Inc., on November 13, 2000 announced that they have entered into a definitive agreement for Cendant to acquire all of the outstanding shares of Avis Group that are not currently owned by Cendant at a price of $33.00 per share in cash. Approximately 25.6 million outstanding shares of Avis Group Class A Common Stock, and options to purchase an additional approximately 7.9 million Avis Group shares, are not owned by Cendant. Accordingly, the transaction has an equity value of approximately, $935 million, net of option proceeds.

The shares will be acquired at a price of $33.00 per share in a cash merger pursuant to which Avis Group will be merged with an indirect wholly owned subsidiary of Cendant. Upon completion of the transaction, Avis Group will become a subsidiary of Cendant. The merger is conditioned upon, among other things, approval of a majority of the votes cast by Avis Group stockholders who are unaffilitated with Cendant and customary regulatory approvals. The transaction is expected to close in the first quarter of 2001.

EXHIBIT 99.2

PRO FORMA FINANCIAL INFORMATION

The following Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2000 and the Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 1999 and for the nine months ended September 30, 2000 give effect to the planned acquisition of Avis Group Holdings, Inc. (Avis) (the Acquisition) to be accounted for under the purchase method of accounting. The Unaudited Pro Forma Condensed Combined Financial Statements are based on the historical Consolidated Financial Statements of Cendant Corporation (Cendant) and Avis under the assumptions and adjustments set forth in the accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements. The Unaudited Pro Forma Condensed Combined Balance Sheet assumes that the Acquisition was consummated on September 30, 2000 and the Unaudited Pro Forma Condensed Combined Statements of Operations assumes the Acquisition was consummated on January 1, 1999. Pro forma adjustments to Cendant's historical results of operations for the year ended December 31, 1999 have been included to reflect its October 2000 plan to spin-off its individual membership business as it has not yet been reflected in Cendant's historical financial statements. This spin-off has been treated as a discontinued operation in accordance with generally accepted accounting principles. Avis currently pays Cendant for services Cendant provides related to call centers and information technology and for the use of Cendant trademarks. All intercompany transactions have been eliminated on a pro forma basis.

Cendant currently retains an equity investment from its 18% ownership in Avis common stock (5.5 million shares) and we also own over 99% ($383 million) of the preferred stock of Avis. In addition, Cendant has recorded a deferred gain liability, proportionate to our common ownership percentage of Avis, relating to a sale of our PHH Fleet business to Avis on June 30, 1999. Accordingly, the historical statement of operations for the year ended December 31, 1999 includes the results of operations for the PHH Fleet business as follows: January 1, 1999-June 30, 1999 is reflected as part of Cendant historical and July 1, 1999-December 31, 1999 as part of Avis Historical. In August, 2000, Avis contributed its European vehicle management and leasing business (PHH Europe) to a newly formed a joint venture in exchange for cash, settlement of intercompany debt and a 20% interest in the venture (the PHH Europe Transaction). The accompanying Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 1999 for Avis and Cendant have been adjusted to reflect the PHH Europe Transaction assuming it occurred (including accounting for the retained interest as an equity investment) at July 1, 1999 for Avis and January 1, 1999 for Cendant. The accompanying Avis statement of operations for the nine months ended September 30, 2000 has also been adjusted to reflect the PHH Europe Transaction.

The Pro Forma adjustments are based on the Agreement and Plan of Merger which provides for Avis stockholders to receive $33 in cash for each share of Avis common stock. Cendant, through its wholly-owned subsidiary PHH Corporation (PHH), will make payments totaling $967 million, including payments to Avis shareholders ($937 million), inclusive of the net cash obligation related to Avis stock options expected to be cancelled prior to the consummation, and estimated expenses of the transaction ($30 million). The Pro Forma Condensed Combined Financial Statements reflect $690 million of the purchase price will be financed from new borrowings available to Cendant through its wholly-owned subsidiary, PHH, and $277 million will be provided from Cendant's available cash. The actual funding for the Acquisition and the corresponding interest rate for the debt will be determined subsequent to the filing of this Form 8-K but before the expected closing date of the proposed acquisition. In addition, actual funding could include proceeds from the potential issuance of Cendant's CD common stock. The amount of borrowings and the related interest rates will be determined based upon the then market conditions and may differ from the amounts reflected in the accompanying pro forma financial statements. In addition, Cendant will assume approximately $7.3 billion of net debt of Avis ($6.7 billion of which relates to vehicle financing).

For purposes of developing the Unaudited Pro Forma Condensed Combined Balance Sheet, Avis' assets and liabilities have been recorded at their estimated fair market values and the excess purchase price has been assigned to goodwill. These fair market values are based on preliminary estimates. Cendant has not performed appraisals, evaluations or other studies of the fair value of Avis' assets and liabilities. Accordingly, the pro forma adjustments may be subject to revision once the appraisals, evaluations and other studies of the fair value of Avis' assets and liabilities are complete. Subsequent to the Acquisition, Cendant intends to implement a plan to realign and reorganize certain ARAC operations. The costs of implementing the plan, which may be substantial, have not been reflected in the accompanying pro forma financial statements. The impact of this realignment could increase or decrease the amount of goodwill and intangible assets, net, and related amortization of goodwill in the accompanying pro forma financial statements. The Unaudited Pro Forma Condensed Combined Statements of Operations exclude any benefits that may result from the Acquisition due to synergies that may be derived or from the elimination of duplicate efforts.

Management believes that the assumptions used provide a reasonable basis on which to present the unaudited pro forma condensed combined results. Cendant has completed or announced other acquisitions and dispositions which are not significant and accordingly have not been included in the accompanying pro forma financial statements. The Unaudited Pro Forma Condensed Combined Financial Statements may not be indicative of the results that would have occurred if the Acquisition had been in effect on the dates indicated or which may be obtained in the future. The Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with the historical Consolidated Financial Statements and accompanying notes for Cendant and Avis.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
SEPTEMBER 30, 2000
(IN MILLIONS)

	HISTORICAL CENDANT	HISTORICAL AVIS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,215	$ 106	$ (277)(a)	$ 1,044
Deferred income taxes	1,293	--	36 (b)	1,329
Receivables and other current assets	1,397	1,179	(33)(f)	2,543
Total current assets	3,905	1,285	(274)	4,916
Vehicles, net-rental	--	4,010	--	4,010
Property and equipment, net	1,242	188	--	1,430
Goodwill, net	3,000	1,299	201(c)	4,500
Other assets	3,421	475	(514)(c)	3,382
Total assets exclusive of assets under programs	11,568	7,257	(587)	18,238
Assets under management and mortgage programs	3,018	3,014	--	6,032
TOTAL ASSETS	$ 14,586	$ 10,271	$ (587)	$ 24,270
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and other current liabilities	$ 1,532	$ 1,365	$ (33)(f)	$ 2,864
Stockholder litigation settlement and related costs	2,886	--	--	2,886
Total current liabilities	4,418	1,365	(33)	5,750
Vehicle debt	--	3,920	--	3,920
Long-term debt	2,074	605	--	2,679
Deferred income and other noncurrent liabilities	884	323	(115)(c)	1,092
Total liabilities exclusive of liabilities under management and mortgage programs	7,376	6,213	(148)	13,441
Liabilities under management and mortgage programs				
Debt	2,143	2,830	690(d)	5,663
Deferred income taxes	321	--	--	321
	2,464	2,830	690	5,984
Preferred membership interest	--	99	--	99
Mandatorily redeemable preferred interest in a subsidiary holding debt	1,681	--	--	1,681
Mandatorily redeemable preferred interest in a subsidiary	375	--	--	375
Commitments and contingencies				
Stockholders' equity				
Preferred stock	--	385	(385)(e)	--
Common stock	9	--	--	9
Move.com common stock	--	--	--	--
Additional paid-in capital	4,571	593	(593)(e)	4,571
Retained earnings	1,883	267	(267)(e)	1,883
Accumulated other comprehensive loss	(204)	(13)	13 (e)	(204)
Treasury stock	(3,569)	(103)	103 (e)	(3,569)
Total stockholders' equity	2,690	1,129	(1,129)	2,690
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,586	$ 10,271	$ (587)	$ 24,270

Note: Certain reclassifications have been made to the historical results of Avis to conform with Cendant's classifications.

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

The accompanying Unaudited Pro Forma Condensed Combined Balance Sheet was prepared to reflect the planned Acquisition of Avis, which will be accounted for under the purchase method of accounting, as if it occurred on September 30, 2000. The purchase price of $967 (including expenses directly attributable to the Acquisition of $30) was based on acquiring 100 percent of the Avis common and preferred shares outstanding, which were not already owned by Cendant as of the assumed acquisition date, and the purchase price as set forth in the Agreement and Plan of Merger dated as of November 11, 2000 of $33 per share.

The following is a summary of estimated adjustments in the Unaudited Pro Forma Condensed Combined Balance Sheet:

(a) Represents available cash expected to be used to fund the Acquisition.

(b) Represents the estimated tax benefit from the exercise of Avis stock options ($24) and deferred tax asset ($12) resulting from the difference between book and tax basis for transaction costs associated with the Acquisition.

(c) Estimated adjustments to goodwill representing the excess of the cost over the fair value of the net assets acquired:

Calculation of acquisition goodwill:	
Cash consideration	$ 967
Fair value of identifiable net assets acquired:	
Book value of Avis	1,129
Tax benefit related to the estimated payment of the net cash obligation from the cancellation of Avis stock options	24
Elimination of Avis goodwill	(1,299)
Deferred income tax assets	12
Fair value of identifiable net assets acquired	(134)
Cendant's basis in its current ownership of Avis (common and preferred equity investment of $514 net of deferred gain of $115)	399
Acquisition goodwill	$ 1,500
Calculation of goodwill acquisition adjustment:	
Acquisition goodwill	$ 1,500
Avis goodwill	(1,299)
Goodwill acquisition adjustment	$ 201

(d) Represents estimated acquisition borrowings for the purchase of outstanding shares.

(e) The elimination of the equity balances of Avis.

(f) Elimination of balances between Cendant and Avis related to current business relationships.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL CENDANT	ADJUSTED AVIS(1)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES				
Service fees, net	$ 2,852	$ 113	$ (207)(a)	$ 2,758
Vehicle rental	--	1,989	--	1,989
Vehicle leasing and other fees	--	111	--	111
Other	110	5	(31)(b)	84
Net revenues	2,962	2,218	(238)	4,942
EXPENSES				
Direct operating	994	716	(166)(a)	1,544
Vehicle depreciation and lease charges	--	511	--	511
Selling, general, and administrative	804	482	--	1,286
Interest, net	85	229	10(c)	324
Depreciation and amortization	244	56	4(d)	304
Other charges				
Restructuring and unusual	89	--	--	89
Litigation settlement	(21)	--	--	(21)
Investigation related	15	--	--	15
Total expenses	2,210	1,994	(152)	4,052
Net loss on disposition of businesses	(7)	--	(35)(e)	(42)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	745	224	(121)	848
Provision (benefit) for income taxes	234	105	(31)(f)	308
Minority interest	61	--	--	61
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 450	$ 119	$ (90)	$ 479
CENDANT COMMON STOCK INCOME PER SHARE				
INCOME PER SHARE FROM CONTINUING OPERATIONS:				
Basic	$ 0.63	--	--	$ 0.67
Diluted	$ 0.61	--	--	$ 0.64
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	722	--	--	722
Diluted	763	--	--	763
MOVE.COM COMMON STOCK LOSS PER SHARE				
LOSS PER SHARE FROM CONTINUING OPERATIONS:				
Basic	$ (1.22)	--	--	$ (1.22)
Diluted	$ (1.22)	--	--	$ (1.22)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	4	--	--	4
Diluted	4	--	--	4

(1) See Supplemental Unaudited Pro Forma Condensed Statement of Operations of Avis, included elsewhere herein.

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

The following is a summary of the estimated adjustments in the Unaudited Pro Forma Condensed Combined Statement of Operations:

(a) Elimination of amounts paid by Avis to Cendant ($166) for services related to call centers and information technology and for the use of trademarks and interest cost ($41) on the acquisition financing computed based on PHH's estimated cost of debt of 8% (rates which are currently available), based upon varying financing vehicles for the total borrowings of $690. For every 1/8% (0.125 basis points) change in the assumed interest rate for the borrowings, there would be a corresponding effect of approximately $.5 (less than $.001 per share) on the pro forma combined net earnings.

(b) Elimination of Cendant's earnings attributable to its investment in Avis.

(c) The reduction of interest income ($10) from the use of existing cash to fund a portion of the transaction. Interest income is based on Cendant's current rate for cash investments of 5 percent. For every 1/8% change in the assumed interest rate on invested cash, there would be a corresponding effect of approximately $.2 (less than $.001 per share) on the pro forma combined net earnings.

(d) Amortization of goodwill generated on the excess of fair value over the net assets acquired on a straight line basis over 40 years, net of reversal of Avis' amortization of pre-acquisition goodwill.

(e) Reversal of a $35 gain recorded by Cendant, which represents the recognition of a portion of its previously recorded deferred gain from the sale of its fleet business due to the PHH Europe Transaction.

(f) Represents the income tax effect of the pro forma adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill), except item e, where the tax effect was approximately 2% (the rate at which taxes were provided on the related gain).

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL CENDANT	ADJUSTED AVIS(1)	PRO FORMA ADJUSTMENTS: DISCONTINUED OPERATIONS(2)	PRO FORMA ADJUSTMENTS: PHH EUROPE TRANSACTION(3)	PRO FORMA ADJUSTMENTS: ACQUISITION	PRO FORMA COMBINED
REVENUES						
Service fees, net	$ 5,183	$ 63	$ (895)	$ (79)	$ (263)(a)	$ 4,009
Vehicle rental	--	2,501	--	--	--	2,501
Vehicle leasing and other fees	30	76	--	(1)	--	105
Other	189	7	--	8 (g)	(41)(b)	163
Net revenues	5,402	2,647	(895)	(72)	(304)	6,778
EXPENSES						
Direct operating	1,795	957	(208)	(26)	(208)(a)	2,310
Vehicle depreciation and lease charges	--	667	--	--	--	667
Selling, general, and administrative	1,688	540	(552)	(22)	--	1,654
Interest, net	199	241	(2)	(41)(h)	14(c)	411
Depreciation and amortization	371	54	(24)	(10)	5(d)	396
Other charges:						
Litigation settlement	2,894	--	--	--	--	2,894
Investigation related	21	--	--	--	--	21
Merger-related costs and other unusual	110	--	(85)	--	--	25
Termination of proposed acquisition	7	--	--	--	--	7
Total expenses	7,085	2,459	(871)	(99)	(189)	8,385
Net gain on dispositions of businesses	1,109	--	(142)	--	(881)(e)	86
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	(574)	188	(166)	27	(996)	(1,521)
Provision (benefit) for income taxes	(406)	90	(62)	11	(56)(f)	(423)
Minority interest	61	--	--	--	--	61
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ (229)	$ 98	$ (104)	$ 16	$ (940)	$(1,159)
INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS:						
Basic	$ (0.30)					$ (1.54)
Diluted	$ (0.30)					$ (1.54)
WEIGHTED AVERAGE SHARES OUTSTANDING:						
Basic	751					751
Diluted	751					751

(1) See Supplemental Unaudited Pro Forma Condensed Statement of Operations of Avis, included elsewhere herein.
(2) Represents the adjustment required to reflect Cendant's individual membership business as discontinued operations.
(3) Reflects the results of PHH Europe operations for the period from January 1, 1999 to the date of disposition by Cendant (June 30, 1999) as adjusted for equity in earnings from the retained investment, net of amortization of the excess cost over assets acquired and the reduction in interest expense resulting from the $1,053 in proceeds from the PHH Europe Transaction for the period from January 1, 1999 to June 30, 1999 (see notes g and h in the notes to Unaudited Pro Forma Condensed Combined Financial Statements)

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

The following is a summary of estimated adjustments in the Unaudited Pro Forma Condensed Combined Statement of Operations:

(a) Elimination of amounts paid by Avis to Cendant ($208) for services related to call centers and information technology and for the use of trademarks and interest cost ($55) on the acquisition financing computed based on PHH's estimated cost of debt of 8% (rates which are currently available), based upon varying financing vehicles for the total borrowings of $690. For every 1/8% (0.125 basis points) change in the assumed interest rate for the borrowings, there would be a corresponding effect of approximately $1 (less than $.001 per share) on the pro forma combined net earnings.

(b) Elimination of Cendant's earnings attributable to its investment in Avis.

(c) The reduction of interest income ($14) from the use of existing cash to fund a portion of the transaction. Interest income is based on Cendant's current rate for cash investments of 5 percent. For every 1/8% change in the assumed interest rate on invested cash, there would be a corresponding effect of approximately $.2 (less than $.001 per share) on the pro forma combined net earnings.

(d) Amortization of goodwill generated on the excess of cost over fair value of the net assets acquired on a straight line basis over 40 years, net of reversal of Avis' amortization of pre-acquisition goodwill.

(e) Reversal of an $881 gain recorded by Cendant on the sale of PHH Fleet Leasing business to Avis on June 30, 1999.

(f) Represents the income tax effect of the pro forma adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill), except item (e), where the tax effect was approximately 2% (the rate at which taxes were provided on the related gain)

(g) Represents the fleet management technology fee income and the equity in the earnings of the joint venture formed pursuant to the PHH Europe Transaction for the period January 1, 1999 to June 30, 1999.

(h) Interest reduction as a result of the retirement of 7 3/4% term loans related to the application of proceeds of $1,053 from the PHH Europe Transaction.

AVIS SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION

The accompanying Unaudited Pro Forma Condensed Statements of Operations were prepared to reflect the historical consolidated financial statements of Avis adjusted to reflect the PHH Europe Transaction as set forth in the accompanying Notes to the Avis Supplemental Unaudited Pro Forma Condensed Statements of Operations. Avis will receive an annual license fee in connection with the PHH Europe Transaction for the license of the PHH fleet management technology, PHH interactive. Avis utilized the proceeds of the PHH Europe Transaction to reduce Avis' indebtedness and pay transaction costs.

SUPPLEMENTAL UNAUDITED PRO FORMA CONDENSED
STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN MILLIONS)

	HISTORICAL AVIS	PHH EUROPE TRANSACTION(a)	PRO FORMA ADJUSTMENTS	ADJUSTED AVIS
REVENUES				
Service fees, net	$ 199	$ (86)	$ --	$ 113
Vehicle rental	1,989	--	--	1,989
Vehicle leasing and other fees	123	(12)	--	111
Other	--	--	5(b)	5
Net revenues	2,311	(98)	5	2,218
EXPENSES				
Direct operating	716	--	--	716
Vehicle depreciation and lease charges	511	--	--	511
Selling, general, and administrative	538	(56)	--	482
Interest, net	287	--	(58)(c)	229
Depreciation and amortization	71	(12)	(3)(d)	56
Other charges				
Restructuring and unusual	--	--	--	--
Litigation settlement	--	--	--	--
Investigation related	--	--	--	--
Total expenses	2,123	(68)	(61)	1,994
Net gain on disposition of businesses	--	--	--	--
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	188	(30)	66	224
Provision (benefit) for income taxes	83	(3)	25(e)	105
Minority interest	--	--	--	--
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 105	$ (27)	$ 41	$ 119

Note: Certain reclassifications have been made to the historical results of Avis to conform with Cendant's classifications.

See accompanying Notes to Supplemental Unaudited Pro Forma Condensed Financial Statements.

SUPPLEMENTAL UNAUDITED PRO FORMA CONDENSED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999
(IN MILLIONS)

	HISTORICAL AVIS	PHH EUROPE TRANSACTION(a)	PRO FORMA ADJUSTMENTS	ADJUSTED AVIS
REVENUES				
Service fees, net	$ 139	$ (76)	$ --	$ 63
Vehicle rental	2,501	--	--	2,501
Vehicle leasing and other fees	85	(9)	--	76
Other	--	--	7(b)	7
Net revenues	2,725	(85)	7	2,647
EXPENSES				
Direct operating	957	--	--	957
Vehicle depreciation and lease charges	667	--	--	667
Selling, general, and administrative	582	(42)	--	540
Interest, net	288	--	(47)(c)	241
Depreciation and amortization	65	(8)	(3)(d)	54
Other charges				
Litigation settlement	--	--	--	--
Investigation related	--	--	--	--
Merger-related costs and other unusual	--	--	--	--
Termination of proposed acquisition	--	--	--	--
Total expenses	2,559	(50)	(50)	2,459
Net gain on disposition of businesses	--	--	--	--
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	166	(35)	57	188
Provision (benefit) for income taxes	73	(4)	21(e)	90
Minority interest	--	--	--	--
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 93	$ (31)	$ 36	$ 98

Note: Certain reclassifications have been made to the historical results of Avis to conform with Cendant's classifications.

See accompanying Notes to Supplemental Unaudited Pro Forma Condensed Financial Statements.

NOTES TO SUPPLEMENTAL UNAUDITED PRO FORMA
CONDENSED FINANCIAL STATEMENTS
(IN MILLIONS)

The following is a summary of estimated adjustments to the Avis Pro Forma Financial Statements:

(a) Represents the adjustment to remove the results of operations of PHH Europe for the period July 1, 1999 to December 31, 1999 and for the nine months ended September 30, 2000.

(b) Fleet management technology fee income and the equity in the earnings of the joint venture formed pursuant to the PHH Europe Transaction for the period July 1, 1999 to December 31, 1999 and for the nine months ended September 30, 2000, net of amortization of the excess of cost over the assets acquired.

(c) Interest reduction as a result of the retirement of acquisition debt and revolving credit facilities related to the application of proceeds of $1,053 from the PHH Europe Transaction.

(d) Decrease in amortization expense relating to goodwill generated from the PHH Europe Transaction, net of reversal of PHH Europe goodwill.

(e) Represents the income tax effect of the pro forma adjustments at an estimated statutory rate of 39% (not including adjustments for non-deductible goodwill).

CENDANT CORPORATION TO ACQUIRE OUTSTANDING
AVIS GROUP SHARES FOR $33.00 PER SHARE IN CASH

NEW YORK AND GARDEN CITY, NY, NOVEMBER 13, 2000- Cendant Corporation (NYSE: CD) and Avis Group Holdings, Inc. (NYSE: AVI) today announced that they have entered into a definitive agreement for Cendant to acquire all of the outstanding shares of Avis Group that are not currently owned by Cendant at a price of $33.00 per share in cash. Approximately 25.6 million outstanding shares of Avis Group common stock, and options to purchase an additional approximately 7.9 million Avis Group shares, are not owned by Cendant. Accordingly, the transaction has an equity value of approximately $935 million, net of option proceeds.

The shares will be acquired at a price of $33.00 per share in a cash merger pursuant to which Avis Group will be merged with an indirect wholly owned subsidiary of Cendant. Upon completion of the transaction, Avis Group will become a subsidiary of Cendant. The merger is conditioned upon, among other things, approval of a majority of the votes cast by Avis Group stockholders who are unaffiliated with Cendant and customary regulatory approvals.
The transaction is expected to close in the first quarter of 2001.

"We expect this transaction to be immediately accretive to Cendant's earnings," said Cendant Chairman, President and Chief Executive Officer, Henry R. Silverman. "Additionally we look forward to the combination with Avis Group to enhance both our off-line and online travel strategies."

"We're very pleased that our successful business strategy has now resulted in a substantial increase in shareholder value - approximately 74% over the past year," said Avis Group Chairman and Chief Executive Officer A. Barry Rand. "Over the past 12 months, we have successfully transformed Avis Group into the leading comprehensive vehicle management solutions provider with award-winning technology. We have substantially strengthened our balance sheet and significantly improved our free cash flow, while attaining our 13th consecutive quarter of EPS growth above 20%. Now, we look forward to combining with Cendant, a company with significant financial strength and broad travel industry assets."

ABOUT AVIS GROUP HOLDINGS, INC.
Avis Group Holdings, Inc. is one of the world's leading service and information providers for comprehensive automotive transportation and vehicle management solutions. Avis Group operates Avis Rent A Car, the world's second largest general-use car rental business, with locations in the United States, Canada, Australia, New Zealand and the Latin American Caribbean region; PHH Arval, one of the world's leading vehicle management companies; and Wright Express, the world's largest fleet card provider. For additional information and news concerning Avis Group, please log onto the Avis web site at www.avis.com or call Company News on Call (800-758-5804, access code #078975).

ABOUT CENDANT CORPORATION

Cendant Corporation is a global provider of real estate, travel and direct marketing related consumer and business services. The Company's core competencies include building franchise systems, providing outsourcing solutions and direct marketing. As a franchiser, Cendant is among the world's leading franchisers of real estate brokerage offices, hotels, rental car agencies, and tax preparation services. As a provider of outsourcing solutions, Cendant is a major provider of mortgage services to consumers, the global leader in employee relocation, and the world's largest vacation exchange service. In direct marketing, Cendant provides access to insurance, travel, shopping, auto, and other services primarily to customers of its affinity partners. Other business units include NCP, the UK's largest private car park operator, and WizCom, an information technology services provider. Headquartered in New York, NY, the Company has approximately 28,000 employees and operates in over 100 countries. More information about Cendant, its companies, brands and current SEC filings may be obtained by visiting the Company's Web site at www.cendant.com or by calling877-4INFO-CD (877-446-3623).

STATEMENTS ABOUT FUTURE RESULTS MADE IN THIS RELEASE MAY CONSTITUTE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE BASED ON CURRENT EXPECTATIONS AND THE CURRENT ECONOMIC ENVIRONMENT. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS. IMPORTANT ASSUMPTIONS AND OTHER IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN THE FORWARD-LOOKING STATEMENTS ARE SPECIFIED IN FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999 FOR AVIS GROUP AND IN FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2000 FOR CENDANT.

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