

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CENDANT CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

06-0918165
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

6 SYLVAN WAY
PARSIPPANY, NEW JERSEY 07054
(973) 428-9700
FAX: (973) 496-5331
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JAMES E. BUCKMAN, ESQ.
SENIOR EXECUTIVE VICE PRESIDENT
AND GENERAL COUNSEL
CENDANT CORPORATION
6 SYLVAN WAY
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INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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ERIC J. BOCK, ESQ.
VICE PRESIDENT - LEGAL
CENDANT CORPORATION
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AT SUCH TIME
OR TIMES AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT AS THE SELLING
STOCKHOLDER SHALL DETERMINE.

IF THE ONLY SECURITIES BEING REGISTERED ON THIS FORM ARE BEING OFFERED PURSUANT
TO DIVIDEND OR INTEREST REINVESTMENT PLANS, PLEASE CHECK THE FOLLOWING BOX. []

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A
DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415

UNDER THE SECURITIES ACT OF 1933, OTHER THAN SECURITIES OFFERED ONLY IN CONNECTION WITH DIVIDEND OR INTEREST REINVESTMENT PLANS, CHECK THE FOLLOWING BOX. [X]

IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. []

IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. []

IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. []

CALCULATION OF REGISTRATION FEE

Title of Shares to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, \$.01.. par value(1)	2,401,899	\$34.32	\$82,433,174	\$24,318

(1) These Shares are being offered by the Selling Stockholder and no proceeds will be received by the Company from the sale of such Shares.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c). The average of the high and low prices reported on the New York Stock Exchange on January 26, 1998.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

2,401,899 SHARES
CENDANT CORPORATION
COMMON STOCK

This Prospectus relates to the offering from time to time of 2,401,899 Shares (the "Shares") of common stock, \$.01 par value per share (the "Common Stock"), of Cendant Corporation, a Delaware corporation (the "Company"), to be offered from time to time by Christel DeHaan (the "Selling Stockholder") who received the Shares in connection with the acquisition by HFS Incorporated ("HFS"), a predecessor corporation of the Company, of Resort Condominiums International, Inc. and its affiliated companies ("RCI") pursuant to a Stock Purchase Agreement (the "Stock Purchase Agreement"), dated as of October 6, 1996, by and among HFS, RCI and the Selling Stockholder. See "Selling Stockholder" and "Plan of Distribution" herein. The Company will not receive any of the proceeds from the sale of the Shares offered hereby.

The distribution and sale of the shares of Common Stock offered hereby is subject to the provisions of a Registration Rights Agreement dated November 12, 1996, by and between HFS and the Selling Stockholder (the "Registration Rights Agreement"). The Registration Rights Agreement sets forth certain restrictions with respect to the transfer of shares of Common Stock offered hereby, including a restriction on the sale of shares for designated periods prior to and after the sale of equity securities by the Company, or securities convertible into or exchangeable or exercisable for equity securities of the Company, pursuant to a registration statement filed by the Company under the Securities Act of 1933, as amended, respecting an underwritten offering that is declared effective by the Securities and Exchange Commission. Subject to the limitations contained in the Registration Rights Agreement, the Selling Stockholder may sell all or portions of the Common Stock through agents or broker-dealers on terms to be determined at the time of sale. The Selling Stockholder may sell the Common Stock offered hereby from time to time on the New York Stock Exchange or such other national securities exchange, automated interdealer quotation system on which the shares of Common Stock are then listed, through negotiated transactions or otherwise at market prices prevailing at the time of the sale or at negotiated prices. The number of such shares proposed to be so offered and the terms of such offering, and the number of such shares owned prior to and after the completion of any such offering shall be set forth in an accompanying Prospectus Supplement, to the extent necessary. The aggregate proceeds to the Selling Stockholder from the sale of any Shares will be the purchase price of such Shares less the aggregate agents' or broker-dealers' commission, if any, and other expenses of distribution not borne by the Company. See "Selling Stockholder" and "Plan of Distribution."

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "CD." On January 28, 1998, the last reported sale price of the Common Stock on the New York Stock Exchange was \$33.3125 per share.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is January 29, 1998

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS OR INCORPORATED HEREIN BY REFERENCE IN CONNECTION WITH THE OFFERING DESCRIBED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDER OR ANY UNDERWRITER, DEALER OR AGENT INVOLVED IN THE OFFERING DESCRIBED HEREIN. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THOSE SPECIFICALLY OFFERED HEREBY OR OF ANY SECURITIES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy and information statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661 and 7 World Trade Center, 13th Floor, New York, New York 10048. The Commission also maintains a website that contains reports, proxy and information statements and other information. The website address is <http://www.sec.gov>. In addition, such material can be inspected at the offices of the New York Stock Exchange (the "NYSE"), 20 Broad Street, New York, New York 10005.

The Company has filed a registration statement (the "Registration Statement") on Form S-3 with respect to the Common Stock offered hereby with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus, which constitutes a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, certain items of which are contained in schedules and exhibits to the Registration Statement as permitted by the rules and regulations of the Commission. Statements contained in this Prospectus as to the contents of any agreement, instrument or other document referred to herein are not necessarily complete. With respect to each such agreement, instrument or other document filed as an exhibit to the Registration Statement, reference is made to such exhibit for a more complete description of the matter involved, and each such statement is qualified in its entirety by reference to such agreement, instrument or document.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the Commission pursuant to the Exchange Act are incorporated herein by reference: (i) Annual Report on Form 10-K for the fiscal year ended January 31, 1997; (ii) Quarterly Reports on Form 10-Q for the fiscal quarters ended April 30, 1997, July 31, 1997 and October 31, 1997; (iii) Current Reports on Form 8-K dated January 22, 1997, February 4, 1997, February 13, 1997, February 26, 1997, March 17, 1997, May 29, 1997, August 15, 1997, October 31, 1997, November 4, 1997, December 18, 1997, January 14, 1998, January 22, 1998, January 27, 1998 and January 29, 1998; (iv) Current Report on Form 8-K dated July 16, 1997 of HFS Incorporated (File No. 1-11902) and (v) description of the common stock of the Company which is contained in the Registration Statements on Form 8-A of the Company dated July 27, 1984 and August 15, 1989.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Securities shall be deemed to be incorporated herein by reference and to be a part hereof from the date of filing of such documents. Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated herein by reference or in any Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom a copy of this Prospectus has been delivered, upon the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference

in such documents). Requests for such copies should be directed to James E. Buckman, Esq., Senior Executive Vice President and General Counsel, Cendant Corporation, 6 Sylvan Way, Parsippany, New Jersey 07054, (973) 428-9700.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES OFFERED HEREBY, INCLUDING STABILIZING TRANSACTIONS, THE PURCHASE OF SHARES TO COVER SYNDICATE SHORT POSITIONS AND THE IMPOSITION OF PENALTY BIDS.

THE COMPANY

The Company is one of the foremost consumer and business services companies in the world. The Company was created through the merger of CUC International, Inc. ("CUC") and HFS in December 1997 and provides all of the services formerly provided by each of CUC and HFS, including technology-driven, membership-based consumer services, travel services and real estate services.

Membership Services. The Company's membership-based consumer services provide more than 70 million members with access to a variety of goods and services worldwide. These memberships include such components as shopping, travel, auto, dining, home improvement, lifestyle, vacation exchange, credit card and checking account enhancement packages, financial products and discount programs. The Company also administers insurance package programs which are generally combined with discount shopping and travel for credit union members, distributes welcoming packages which provide new homeowners with discounts for local merchants, and provides travelers with value-added tax refunds. The Company believes that it is the leading provider of membership-based consumer services of these types in the United States. The Company's membership activities are conducted principally through its Comp-U-Card division and certain of the Company's wholly-owned subsidiaries, FISIMadison Financial Corporation, Benefit Consultants, Inc., Entertainment Publications, Inc. and SafeCard Services, Inc.

Travel Services. The Company also provides services to consumers through intermediaries in the travel and real estate industries. In the travel industry, the Company, through certain of its subsidiaries, franchises hotels primarily in the mid-priced and economy markets. It is the world's largest hotel franchisor, operating the Days Inn(R), Ramada(R) (in the United States), Howard Johnson(R), Super 8(R), Travelodge(R) (in North America), Villager Lodge(R), Knights Inn(R) and Wingate Inn(R) franchise systems. Additionally, the Company owns the Avis worldwide vehicle rental system, which is operated through its franchisees and is the second-largest car rental system in the world (based on total revenues and volume of rental transactions). The Company currently owns approximately 27.5% of the capital stock of the world's largest Avis franchisee, Avis Rent A Car, Inc. The Company also owns Resort Condominiums International, Inc., a leading timeshare exchange organization. As a result of the April 1997 merger between HFS and PHH Corporation, the Company now operates the second largest provider in North America of comprehensive vehicle management services and is the market leader in the United Kingdom among the four nationwide providers of fuel card services and the six nationwide providers of vehicle management services.

Real Estate Services. In the residential real estate industry, the Company, through certain of its subsidiaries, franchises real estate brokerage offices under the Century 21(R), Coldwell Banker(R) and Electronic Realty Associates(R) (ERA(R)) real estate brokerage franchise systems and is the world's largest real estate brokerage franchisor. Additionally, the Company, through Cendant Mobility Services Corporation, is the largest provider of corporate relocation services in the United States, offering relocation clients a variety of services in connection with the transfer of a client's employees. Through PHH Mortgage Services Corporation, the Company originates, sells and services residential mortgage loans in the United States, marketing such services to consumers through relationships with corporations, affinity groups, financial institutions, real estate brokerage firms and other mortgage banks.

As a franchisor of hotels, residential real estate brokerage offices and car rental operations, the Company licenses the owners and operators of independent businesses to use the Company's brand names. The Company does not own or operate hotels or real estate brokerage offices. Instead, the Company provides its franchisee customers with services designed to increase their revenue and profitability.

Other. The Company also offers consumer software in various multimedia forms. During 1996, the Company acquired Davidson & Associates, Inc., Sierra On-Line, Inc. and Knowledge Adventure, Inc. These companies develop, publish, manufacture and distribute educational, entertainment and personal productivity interactive multimedia products for home and school use.

The Company from time to time explores and conducts discussions with regard to acquisitions and other strategic corporate transactions in its industries and in other businesses. Historically, the Company has been involved in numerous transactions of various magnitudes, for consideration which included cash or securities (including Common Stock) or combinations thereof. The Company will evaluate and pursue appropriate acquisition and combination opportunities as they arise. No assurance can be given with respect to the timing, likelihood or financial or business effect of any possible transaction. In the past, acquisitions by the Company have involved both relatively small acquisitions and acquisitions which have been significant.

As part of its regular on-going evaluation of acquisition opportunities, the Company is currently engaged in a number of separate and

unrelated preliminary discussions concerning possible acquisitions. The Company is in the early stages of such

discussions and has not entered into any agreement in principle with respect to any of these possible acquisitions. The purchase price for the possible acquisitions may be paid in cash, through the issuance of Common Stock (which would increase the number of shares of Common Stock outstanding) or other securities of the Company, borrowings, or a combination thereof. Prior to consummating any such possible acquisitions, the Company, among other things, will have to initiate and satisfactorily complete its due diligence investigation; negotiate the financial and other terms (including price) and conditions of such acquisitions; obtain appropriate Board of Directors, regulatory and other necessary consents and approvals; and secure financing. The Company cannot predict whether any such acquisitions will be consummated or, if consummated, will result in a financial or other benefit to the Company.

The Company's principal executive offices are located at 6 Sylvan Way, Parsippany, New Jersey 07054 (telephone number: (973) 428-9700).

RECENT DEVELOPMENTS

Proposed Acquisition of American Bankers. On January 27, 1998, the Company made a proposal to acquire American Bankers Insurance Group Inc. ("American Bankers") for \$58 per share in cash and stock, for an aggregate purchase price of approximately \$2.7 billion on a fully diluted basis. On January 28, 1998, the Company commenced a tender offer to purchase approximately 23.5 million of American Bankers' common shares at a price of \$58 per share in cash, which together with shares the Company owns will equal approximately 51% of the fully diluted shares of American Bankers. The Company proposes to exchange, on a tax free basis, shares of its common stock with a fixed value of \$58 per share for the balance of American Bankers' common stock. The tender offer is subject to customary conditions and there can be no assurance that the Company will be successful in its proposal to acquire American Bankers.

In connection with the Company's proposal to acquire American Bankers, the Company entered into a commitment letter, dated January 23, 1998, with The Chase Manhattan Bank and Chase Securities Inc. to provide a \$1.5 billion 364-Day revolving credit facility (the "New Facility") which will mature 364 days after the execution of the definitive documentation relating thereto. The New Facility will bear interest, at the option of the Company, at rates based on competitive bids of lenders participating in such facilities at a prime rate or at LIBOR plus an applicable variable margin based on the Company's senior unsecured long-term debt rating.

Harpur Acquisition. On January 20, 1998, the Company completed the acquisition of Harpur Group, Ltd., a leading fuel card and vehicle management company in the United Kingdom, from H-G Holdings, Inc. for approximately \$186 million in cash plus future contingent payments of up to \$20 million over the next two years.

Jackson Hewitt Acquisition. On January 7, 1998, the Company completed the acquisition of Jackson Hewitt Inc. ("Jackson Hewitt"), for approximately \$480 million in cash, or \$68 per share of common stock of Jackson Hewitt. Jackson Hewitt is the second largest tax preparation service system in the United States with locations in 41 states. Jackson Hewitt franchises a system of approximately 2,050 offices that specialize in computerized preparation of federal and state individual income tax returns.

Interval Divestiture. On December 17, 1997, in connection with the merger with HFS, the Company completed the divestiture of its timeshare exchange subsidiary, Interval International Inc., as contemplated by the consent decree with the Federal Trade Commission.

Providian Acquisition. On December 10, 1997, the Company announced that it had entered into a definitive agreement to acquire Providian Auto and Home Insurance Company ("Providian") and its subsidiaries from an Aegon N.V. subsidiary for approximately \$219 million in cash. Providian sells automobile insurance to consumers through direct response marketing in 45 states and the District of Columbia. The closing of this transaction is subject to customary conditions, including regulatory approval and is anticipated to occur in the spring of 1998.

Hebdo Mag Acquisition. On October 3, 1997, the Company completed the acquisition of all of the outstanding capital stock of Hebdo Mag International Inc. in exchange for the issuance of shares of preferred stock of Getting to Know You of Canada Ltd., an indirect wholly-owned subsidiary of the Company, exchangeable for shares of Common Stock (the "Hebdo Acquisition Shares") and the assumption of certain options of Hebdo Mag exchanged for options to acquire shares of Common Stock, such Hebdo Acquisition Shares or options having an aggregate value of approximately \$440 million. Based in Paris, France, Hebdo Mag is an international publisher of over 150 titles and distributor of classified advertising information with operations in twelve countries, including Canada, France, Sweden, Hungary, the United States, Italy, Russia and Holland. The Hebdo Mag Acquisition was accounted for in accordance with the

pooling-of-interests method of accounting.

SELLING STOCKHOLDER

General. The Selling Stockholder received all of her Shares in exchange for the transfer to HFS of all of the outstanding capital stock of RCI pursuant to the Stock Purchase Agreement. See "Plan of Distribution." All of the Shares which may be offered hereby are for the account of the Selling Stockholder. The number and percentage of Shares beneficially owned before the offering by the Selling Stockholder, the number of Shares to be sold and the number of Shares beneficially owned after the offering will be set forth in an accompanying Prospectus Supplement, to the extent necessary.

Registration Rights Agreement. Pursuant to the Registration Rights Agreement, for which the Company has assumed all of HFS's obligations, upon the request of the Company, the Selling Stockholder has agreed not to effect any public sale or distribution (including sales pursuant to Rule 144 under the Securities Act) of the Shares of Common Stock, during the ten day period prior to the date on which the Company has notified the Selling Stockholder that the Company intends to commence a sale of equity securities of the Company, or securities convertible into or exchangeable or exercisable for equity securities of the Company through the filing of a registration statement with the Commission (a "Company Offering") through the one hundred twenty day period immediately following the closing date of such Company Offering; provided, however, that the Selling Stockholder shall not be obligated to comply with the foregoing on more than one occasion in any twelve month period.

Pursuant to the Registration Rights Agreement, the Company has agreed to use its reasonable best efforts to keep the Registration Statement of which this prospectus is a part continuously effective under the Securities Act until the date that is the earliest to occur of (i) the date by which all Shares of Common Stock have been sold, (ii) the third anniversary of the date of the closing of the Stock Purchase and (iii) when, in the written opinion of counsel to the Company, all outstanding Shares held by persons who are not affiliates of the Company may be resold without registration under the Securities Act pursuant to Rule 144(k) under the Securities Act or any successor provision thereto. Pursuant to the Registration Rights Agreement, the Company shall be deemed not to have used its reasonable best efforts to keep the Registration Statement of which this prospectus is a part effective during the requisite period if the Company voluntarily takes any action that would result in the Selling Stockholder not being able to offer and sell any Shares during that period, unless (i) such action is required by applicable law, (ii) the Company notifies the Selling Stockholder, at any time when a prospectus relating to the Registration Statement is required to be delivered under the Securities Act, upon the discovery that, or of the happening of any event as a result of which, the Registration Statement, as then in effect, contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or any fact necessary to make the statements therein not misleading or (iii) the continued effectiveness of the Registration Statement would require, on the advice of counsel to the Company, the Company to disclose a material financing, acquisition or other corporate development, and the proper officers of the Company shall have determined in good faith that such disclosure is not in the best interests of the Company and its stockholders, and, in the case of clause (ii) above, the Company thereafter promptly complies with the requirements of the Registration Rights Agreement to promptly prepare and furnish to the Selling Stockholder a supplement or amendment to the prospectus which is a part of the Registration Statement.

Stock Purchase Agreement. Pursuant to the Stock Purchase Agreement, on November 12, 1996, the Selling Stockholder was appointed as a member of the Board of Directors of HFS. In connection with the merger of HFS and CUC, the Selling Stockholder was appointed as a member of the Board of Directors of the Company. On January 22, 1998, the Selling Stockholder resigned from the Board of Directors of the Company.

USE OF PROCEEDS

The Company will not receive any of the proceeds from the sale of the Shares offered hereby. All the proceeds will be received by the Selling Stockholder.

DESCRIPTION OF COMMON STOCK

GENERAL

Subject to the rights of the holders of any shares of the Company's Preferred Stock which may at the time be outstanding, holders of Common Stock are entitled to such dividends as the Board of Directors may declare out of funds legally available therefor. The holders of Common Stock will possess exclusive voting rights in the Company, except to the extent the Board of Directors specifies voting power with respect to any Preferred Stock issued. Except as hereinafter described, holders of Common Stock are entitled to one vote for each share of Common Stock, but will not have any right to cumulate votes in the election of directors. In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to receive,

after payment of all of the Company's debts and liabilities and of all sums to which holders of any Preferred Stock may be entitled, the distribution of any remaining assets of the Company. Holders of the Common Stock will not be entitled to preemptive rights with

respect to any shares which may be issued. Any shares of Common Stock sold hereunder will be fully paid and non-assessable upon issuance against full payment of the purchase price therefor. The Common Stock is listed on the New York Stock Exchange under the symbol "CD." As of January 15, 1998, there were 839,992,974 shares of Common Stock outstanding.

CERTAIN PROVISIONS

The provisions of the Company's Certificate and By-Laws which are summarized below may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in such stockholder's best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

CLASSIFIED BOARD

The Board of Directors is divided into three classes that are elected for staggered three-year terms. A director may be removed by the stockholders without cause only by the affirmative vote of the holders, voting as a single class, of 80% or more of the total number of votes entitled to be cast by all holders of the voting stock, which shall include all capital stock of the Company which by its terms may vote on all matters submitted to stockholders of the Company generally. The size of the Board of Directors was set by resolution at 30 and pursuant to the By-Laws (i) until the third anniversary of the consummation of the merger of HFS and CUC (the "Effective Time"), an affirmative vote of 80% of the entire Board of Directors will be required in order to change the number of directors, and (ii) a quorum, at any meeting of the Board of Directors, shall consist of a majority of the entire Board of Directors.

COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to the Certificate, the Board of Director's authority to designate committees shall be subject to the provisions of the By-Laws. Pursuant to the By-Laws, the Board of Directors shall have the following committees: (i) an Executive Committee consisting of four CUC Directors (as defined below) and four HFS Directors (as defined below) and whose Chairman shall be the Chairman of the Board; (ii) a Compensation Committee consisting of two CUC Directors and two HFS Directors and whose Chairman shall be an HFS Director; and (iii) an Audit Committee consisting of two CUC Directors and two HFS Directors and whose Chairman shall be a CUC Director. The Board of Directors may designate one or more directors as alternate members of any committee to fill any vacancy on a committee and to fill a vacant chairmanship of a committee occurring as a result of a member or chairman leaving the committee, whether through death, resignation, removal or otherwise. Until the third anniversary of the Effective Time, the affirmative vote of 80% of the entire Board of Directors will be required in order to remove a director from a committee, change the chairmanship of a committee, designate an alternate member to any committee, designate any additional committee, or amend, modify or repeal or adopt any provision inconsistent with the provisions described herein.

The term "HFS Director" means (A) any person serving as a Director of HFS on May 27, 1997 (or any person appointed by the Board of Directors of HFS after May 27, 1997 to fill a vacancy on the HFS Board of Directors created other than due to an increase in the size of the Board of Directors of HFS) who continues as a Director of the Company at the Effective Time and (B) any person who becomes a Director of the Company and who was designated as such by the remaining HFS Directors prior to his or her election; and the term "CUC Director" means (A) any person serving as a Director of the Company on May 27, 1997 (or any person appointed by the Board of Directors of the Company after May 27, 1997 but prior to the Effective Time to fill a vacancy on the Board of Directors created other than due to an increase in the size of the Board of Directors) who continues as a Director of the Company at the Effective Time, (B) any of the four persons designated by the CUC Directors to become a Director of the Company at the Effective Time and (C) any person who becomes Director of the Company and who was designated as such by the remaining CUC Directors prior to his or her election.

NEWLY CREATED DIRECTORSHIPS AND VACANCIES

Pursuant to the By-Laws, until the third anniversary of the Effective Time, the Board of Directors will delegate to the Executive Committee the full and exclusive power and authority to nominate directors for election to the Board of Directors at the next stockholders' meetings at which directors are to be elected, elect directors to fill vacancies on the Board of Directors between stockholders' meetings and fill vacancies on any committee of the Board of Directors to the extent an alternate member has not been previously designated. Such nominations and elections of directors and members of committees shall be undertaken by the Executive Committee such that (i) the number of HFS Directors and CUC Directors on the Board of Directors or any committee of the Board of Directors shall be equal and (ii) the remaining HFS Directors (if the number of

HFS Directors is less than the number of CUC

Directors) or the remaining CUC Directors (if the number of CUC Directors is less than the number of HFS Directors) shall designate the person to be nominated or elected. Any resolution regarding such election or nomination as described above in a manner that (a) is consistent with the two preceding sentences will require the approval by only three members of the Executive Committee (or only two members if there are then two vacancies on the Executive Committee) or (b) is inconsistent with the two preceding sentences will require approval by at least seven members of the Executive Committee. Until the third anniversary of the Effective Time, the affirmative vote of at least 80% of the entire Board of Directors shall be required in order for the Board of Directors to amend, modify or repeal, or adopt any provision inconsistent with, the provisions of the By-Laws described herein.

OFFICERS

Pursuant to the By-Laws, Walter A. Forbes shall be the Chairman of the Board from and after the Effective Time and until January 1, 2000, at which time Henry R. Silverman will be the Chairman of the Board. If, for any reason Mr. Forbes ceases to serve as Chairman of the Board prior to January 1, 2000 and at such time Mr. Silverman is President and Chief Executive Officer, Mr. Silverman shall become Chairman of the Board. Mr. Silverman will be President and Chief Executive Officer from and after the Effective Time and until January 1, 2000, at which time Mr. Forbes will be President and Chief Executive Officer. If, for any reason Mr. Silverman ceases to serve as President and Chief Executive Officer prior to January 1, 2000 and at such time Mr. Forbes is Chairman of the Board, Mr. Forbes shall become President and Chief Executive Officer. Until January 1, 2002, the affirmative vote of 80% of the entire Board of Directors shall be required in order for the Board to (i) amend, modify, repeal or adopt any provision inconsistent with the provisions described herein, (ii) remove Mr. Forbes or Mr. Silverman from the positions specifically provided for in their employment agreements with the Company and HFS, respectively, (iii) modify either of the respective roles, duties or authority of Messrs. Forbes and Silverman.

SPECIAL MEETINGS OF STOCKHOLDERS

A special meeting of stockholders may be called only by the Chairman of the Board of Directors, the President or the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors.

QUORUM AT STOCKHOLDER MEETINGS

The holders of one-third of the shares entitled to vote at any meeting of the stockholders, present in person or by proxy, shall constitute a quorum at all stockholder meetings.

STOCKHOLDER ACTION BY WRITTEN CONSENT

Stockholder action by written consent in lieu of a meeting is prohibited under the Certificate. As a result, stockholder action can be taken only at an annual or special meeting of stockholders. This prevents the holders of a majority of the outstanding voting stock of the Company from using the written consent procedure to take stockholder action without giving all the stockholders of the Company entitled to vote on a proposed action the opportunity to participate in determining the proposed action.

ADVANCE NOTICE OF STOCKHOLDER--PROPOSED BUSINESS AT ANNUAL MEETINGS

The By-Laws provide that for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting; (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and address, as they appear on the Company's books, of the stockholder proposing such business, (iii) the class and number of shares of the Company which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

In addition, the By-Laws provide that for a stockholder to properly nominate a director at a meeting of stockholders, the stockholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company (i) in the case of an annual meeting, at least 90 days prior to the date of the last annual meeting of the

Company stockholders and (ii) with respect to a special meeting of

stockholders, the close of business on the 10th day following the date on which notice of such meeting is first given to stockholders. Such stockholder's notice to the Secretary must set forth: (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated, (ii) a representation that the stockholder is holder of record of Common Stock and intends to appear in person or by proxy at the meeting to nominate each such nominee, (iii) a description of all arrangements between such stockholder and each nominee, (iv) such other information with respect to each nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Commission, and (v) the consent of each nominee to serve as director of the Company if so elected.

AMENDMENT OF GOVERNING DOCUMENTS

In addition to the provisions of the Certificate which require a super-majority of stockholders to approve certain amendments to the Certificate and the By-Laws, the By-Laws require the affirmative vote of 80% of the entire Board of Directors in order for the Board of Directors to adopt certain amendments to the By-Laws as described under "--Board of Directors," "--Committees of the Board of Directors," "Newly Created Directorships and Vacancies" and "--Officers."

FAIR PRICE PROVISIONS

Under the Delaware General Corporation Law and the Certificate, an agreement of merger, sale, lease or exchange of all or substantially all of the Company's assets must be approved by the Board of Directors and adopted by the holders of a majority of the outstanding shares of stock entitled to vote thereon. However, the Certificate includes what generally is referred to as a "fair price provision," which requires the affirmative vote of the holders of at least 80% of the outstanding shares of capital stock entitled to vote generally in the election of the Company's directors, voting together as a single class, to approve certain business combination transactions (including certain mergers, recapitalization and the issuance or transfer of securities of the Company or a subsidiary having an aggregate fair market value of \$10 million or more) involving the Company or a subsidiary and an owner or any affiliate of an owner of 5% or more of the outstanding shares of capital stock entitled to vote, unless either (i) such business combination is approved by a majority of disinterested directors, or (ii) the shareholders receive a "fair price" for their securities and certain other procedural requirements are met. The Certificate provides that this provision may not be repealed or amended in any respect except by the affirmative vote of the holders of not less than 80% of the outstanding shares of capital stock entitled to vote generally in the election of directors.

PLAN OF DISTRIBUTION

The distribution and sale of the Shares is subject to the provisions of the Registration Rights Agreement described above under the heading "Selling Stockholder -- Registration Rights Agreement." Subject to the Selling Stockholder's compliance with the provisions of the Registration Rights Agreement, as the case may be, the distribution of the Shares by the Selling Stockholder may be effected from time to time, in one or more transactions on the New York Stock Exchange or otherwise, in secondary distributions pursuant to, and in accordance with, the rules of the New York Stock Exchange, in the over-the-counter market, in negotiated transactions, or a combination of such methods of sale, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Selling Stockholder may effect such transactions by selling Shares to or through broker-dealers, and such broker-dealers may receive compensation in the form of underwriting discounts, concessions, or commissions from the Selling Stockholder and/or purchasers of shares for whom they may act as agent (which compensation may be in excess of customary commissions). The Selling Stockholder and broker-dealers that participate with the Selling Stockholder in the distribution of shares may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act of 1933, and any commissions received by them and any profit on the resale of shares may be deemed to be underwriting compensation. The Company will bear the costs relating to the registration of the Shares.

LEGAL OPINION

The validity of the Shares of Common Stock offered hereby will be passed on for the Company by Eric J. Bock, Esq., Vice President-Legal of the Company. Mr. Bock holds shares of Common Stock and options to acquire shares of Common Stock.

EXPERTS

The supplemental consolidated financial statements of the Company and its consolidated subsidiaries, except PHH Corporation ("PHH"), as of December 31, 1996 and January 31, 1995 and for the years ended December 31, 1996, January 31, 1996 and 1995 and CUC International Inc. ("CUC") as of January 31, 1997 and 1996 and for each of the three years in the period ended January 31, 1997 incorporated in this Prospectus by reference from the Company Form 8-K dated January 29, 1998, have been audited by Deloitte & Touche LLP, as stated in their reports which are incorporated herein by reference. The financial statements of PHH (consolidated with those of the Company) have been audited by KPMG Peat Marwick LLP, as stated in their report incorporated herein by reference. Their report contains an explanatory paragraph that states that PHH adopted the provisions of Statement of Financial Standards No. 122 "Accounting for Mortgage Service Rights" in the year ended January 31, 1996. The consolidated financial statements of CUC (consolidated with those of the Company) have been audited by Ernst & Young LLP, as stated in their report incorporated herein by reference, which, as to the years ended January 31, 1996 and 1995, is based in part on the reports of Deloitte & Touche LLP, independent auditors of Sierra On-Line, Inc., KPMG Peat Marwick LLP, independent auditors of Davidson & Associates, Inc., and Price Waterhouse LLP, independent accountants of Ideon Group, Inc. Such supplement consolidated financial statements of the Company and its consolidated subsidiaries are incorporated by reference herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing. All of the foregoing firms are independent auditors.

The consolidated financial statements and schedule of CUC appearing in CUC's Annual Report on Form 10-K for the fiscal year ended January 31, 1997 incorporated by reference in this Prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference which, as to the years ended January 31, 1996 and 1995, is based in part on the reports of Deloitte & Touche LLP, independent auditors of Sierra On-Line, Inc., KPMG Peat Marwick LLP, independent auditors of Davidson & Associates, Inc., and Price Waterhouse LLP, independent accountants of Ideon Group, Inc. The financial statements and schedule referred to above are included in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

With respect to the unaudited condensed consolidated interim financial information of CUC for the three-month periods ended April 30, 1997 and 1996, incorporated by reference in this Prospectus, Ernst & Young LLP have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report, included in CUC's Form 10-Q for the period ended April 30, 1997, incorporated herein by reference, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted considering the limited nature of the review procedures applied. The independent auditors are not subject to the liability provisions of Section 11 of the Securities Act for their report on the unaudited interim financial information because the report is not a "report" or a "part" of the Registration Statement prepared or certified by the auditors within the meaning of Sections 7 and 11 of the Securities Act.

The consolidated financial statements of HFS and its consolidated subsidiaries, except PHH Corporation ("PHH"), as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, incorporated in this Prospectus by reference from the Current Report on Form 8-K filed by HFS on July 16, 1997 have been audited by Deloitte & Touche LLP, as stated in their reports which are incorporated herein by reference. The financial statements of PHH (consolidated with those of HFS) as of December 31, 1996 and January 31, 1996 and for the year ended December 31, 1996 and each of the years in the two-year period ended January 31, 1996 have been audited by KPMG Peat Marwick LLP, as stated in their report incorporated herein by reference. Their report contains an explanatory paragraph that states that PHH adopted the provisions of Statement of Financial Standards No. 122 "Accounting for Mortgage Service Rights" in the year ended January 31, 1996. Such financial statements of HFS and its consolidated subsidiaries are incorporated by reference herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing. All of the foregoing firms are independent auditors.

The consolidated financial statements incorporated in this prospectus by reference from the Avis Rent A Car, Inc. Registration Statement on Form S-1, as amended, dated September 23, 1997 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Securities and Exchange Commission	
Registration Fee.....	\$24,318
*Accounting Fees and Expenses.....	36,000
*Legal Fees and Expenses.....	5,000
*Miscellaneous.....	10,000

Total Expenses.....	\$75,318

* Estimated for purposes of completing the information required pursuant to Item 14.

The Company will pay all fees and expenses associated with filing the Registration Statement. The Selling Stockholder is to pay all of her costs and expenses (including fees and expenses of counsel, financial advisors or any other advisors or agents retained by such holder and excluding all reasonable fees and expenses associated with filing the Registration Statement) associated with the sale of the Shares.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interest of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. A Delaware corporation may indemnify directors, officers, employees and other agents of such corporation in an action by or in the right of a corporation under the same conditions, except that no indemnification is permitted without judicial approval if the person to be indemnified has been adjudged to be liable to the corporation. Where a director, officer, employee or agent of the corporation is successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above or in defense of any claim, issue or matter therein, the corporation must indemnify such person against the expenses (including attorneys' fees) which he or she actually and reasonably incurred in connection therewith.

The Registrant's By-Laws contain provisions that provide for indemnification of officers and directors and their heirs and distributees to the full extent permitted by, and in the manner permissible under, the General Corporation Law of the State of Delaware.

As permitted by Section 102(b)(7) of the General Corporation Law of the state of Delaware, the Registrant's Amended and Restated Certificate of Incorporation contains a provision eliminating the personal liability of a director to the registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, subject to certain exceptions.

The Company maintains, at its expense, a policy of insurance which insures its directors and officers, subject to certain exclusions and deductions as are usual in such insurance policies, against certain liabilities which may be incurred in those capacities.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

Exhibit No. Description

- 2.1 Stock Purchase Agreement, dated as of October 6, 1996, by and among HFS Incorporated, Resort Condominiums International, Inc. and Ms. Christel DeHaan (incorporated by reference to the Registration Statement on Form S-3 of HFS Incorporated, Registration No. 333-17371, Exhibit 2.1).
- 2.2 Registration Rights Agreement, dated as of November 12, 1996, by and between HFS Incorporated and Ms. Christel DeHaan (incorporated by reference to the Registration Statement on Form S-3 of HFS Incorporated, Registration No. 333-17371, Exhibit 2.2).
- 2.3 Agreement and Plan of Merger dated as of November 10, 1996, by and among HFS Incorporated, PHH Corporation and Mercury Acquisition Corp. (incorporated by reference to the Form 8-K of HFS Incorporated dated November 14, 1996).
- 3.1 Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Appendix B to the Joint Proxy Statement/Prospectus included as part of the Registration Statement on Form S-4 of the Registrant, Registration No. 333-34517).
- 3.2 Amended and Restated By-Laws of the Registrant (incorporated by reference to Appendix C of the Registrant's Proxy Statement/Prospectus included as part of the Registration Statement on Form S-4 of the Registrant, Registration No. 333-34517).
- 4.1 Form of Certificate for the Company's Common Stock, par value \$.01 per share.
- 5.1 Opinion of Eric J. Bock, Esq. regarding the legality of the Securities being registered hereby.
- 15.1 Letter of Ernst & Young LLP re: unaudited interim financial information of CUC International Inc.
- 23.1 Consent of Deloitte & Touche LLP related to the financial statements of Cendant Corporation.
- 23.2 Consent of Ernst & Young LLP relating to the financial statements of CUC International Inc.
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- 23.6 Consent of Deloitte & Touche LLP related to the financial statements of Avis Rent A Car, Inc.
- 23.7 Consent of KPMG Peat Marwick LLP relating to the financial statements of Davidson & Associates, Inc.

- 23.8 Consent of Price Waterhouse LLP relating to the financial statements of Ideon Group, Inc.
- 23.9 Consent of Eric J. Bock (included in Exhibit 5.1).
- 24.1 Power of attorney (included in the signature page to the Registration Statement).
- 99.1 Consolidated Financial Statements of Avis Rent A Car, Inc.

ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement, to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT, TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF PARSIPPANY, STATE OF NEW JERSEY, ON JANUARY 29, 1998.

CENDANT CORPORATION

By: /s/ James E. Buckman

 James E. Buckman
 Senior Executive Vice President,
 General Counsel and Director

POWER OF ATTORNEY

KNOW ALL THOSE BY THESE PRESENTS, THAT EACH PERSON WHOSE SIGNATURE APPEARS BELOW CONSTITUTES AND APPOINTS EACH OF STEPHEN P. HOLMES, JAMES E. BUCKMAN AND ERIC J. BOCK OR ANY OF THEM, EACH ACTING ALONE, HIS TRUE AND LAWFUL ATTORNEY-IN-FACT AND AGENT, WITH FULL POWER OF SUBSTITUTION AND RESUBSTITUTION, FOR SUCH PERSON AND IN HIS NAME, PLACE AND STEAD, IN ANY AND ALL CAPACITIES, IN CONNECTION WITH THE REGISTRANT'S REGISTRATION STATEMENT ON FORM S-3 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, TO SIGN THE REGISTRATION STATEMENT IN THE NAME AND ON BEHALF OF THE REGISTRANT OR ON BEHALF OF THE UNDERSIGNED AS A DIRECTOR OR OFFICER OF THE REGISTRANT, AND ANY AND ALL AMENDMENTS OR SUPPLEMENTS TO THE REGISTRATION STATEMENT, INCLUDING ANY AND ALL STICKERS AND POST-EFFECTIVE AMENDMENTS TO THE REGISTRATION STATEMENT, AND TO SIGN ANY AND ALL ADDITIONAL REGISTRATION STATEMENTS RELATING TO THE SAME OFFERING OF SECURITIES AS THE REGISTRATION STATEMENT THAT ARE FILED PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND TO FILE THE SAME, WITH ALL EXHIBITS THERETO, AND OTHER DOCUMENTS IN CONNECTION THEREWITH, WITH THE SECURITIES AND EXCHANGE COMMISSION AND ANY APPLICABLE SECURITIES EXCHANGE OR SECURITIES SELF-REGULATORY BODY, GRANTING UNTO SAID ATTORNEYS-IN-FACT AND AGENTS, EACH ACTING ALONE, FULL POWER AND AUTHORITY TO DO AND PERFORM EACH AND EVERY ACT AND THING REQUISITE AND NECESSARY TO BE DONE IN AND ABOUT THE PREMISES, AS FULLY TO ALL INTENTS AND PURPOSES AS HE MIGHT OR COULD DO IN PERSON, HEREBY RATIFYING AND CONFIRMING ALL THAT SAID ATTORNEYS-IN-FACT AND AGENTS, OR THEIR SUBSTITUTES OR SUBSTITUTE, MAY LAWFULLY DO OR CAUSE TO BE DONE BY VIRTUE HEREOF.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

Signature -----	Title -----	Date ----
/s/ Walter A. Forbes ----- (Walter A. Forbes)	Chairman of the Board	January 29, 1998
/s/ Henry R. Silverman ----- (Henry R. Silverman)	President, Chief Executive Officer and Director	January 29, 1998
/s/ Michael P. Monaco ----- (Michael P. Monaco)	Vice Chairman, Chief Financial Officer and Director	January 29, 1998
/s/ Scott E. Forbes ----- (Scott E. Forbes)	Senior Vice President-Finance (Chief Accounting Officer)	January 29, 1998
/s/ Stephen P. Holmes ----- (Stephen P. Holmes)	Vice Chairman and Director	January 29, 1998
/s/ Robert D. Kunisch	Vice Chairman and Director	January 29, 1998

(Robert D. Kunisch)

/s/ Christopher K. McLeod Vice Chairman and Director January 29, 1998

(Christopher K. McLeod)

/s/ E. Kirk Shelton Vice Chairman and Director January 29, 1998

(E. Kirk Shelton)

/s/ Robert T. Tucker Vice Chairman, Director January 29, 1998
----- and Secretary

(Robert T. Tucker)

/s/ James E. Buckman Senior Executive Vice President, January 29, 1998
----- General Counsel and Director

(James E. Buckman)

/s/ John D. Snodgrass Director January 29, 1998

(John D. Snodgrass)

/s/ Bartlett Burnap Director January 29, 1998

(Bartlett Burnap)

/s/ Leonard S. Coleman Director January 29, 1998

(Leonard S. Coleman)

/s/ T. Barnes Donnelley Director January 29, 1998

(T. Barnes Donnelley)

/s/ Martin L. Edelman Director January 29, 1998

(Martin L. Edelman)

/s/ Frederick D. Green Director January 29, 1998

(Frederick D. Green)

/s/ Stephen A. Greyser Director January 29, 1998

(Stephen A. Greyser)

/s/ Dr. Carole G. Hankin Director January 29, 1998

(Dr. Carole G. Hankin)

/s/ The Rt. Hon. Brian Director January 29, 1998
 Mulroney, P.C., LL.D.

(The Rt. Hon. Brian
Mulroney, P.C., LL.D.)

/s/ Robert E. Nederlander	Director	January 29, 1998

(Robert E. Nederlander)		
/s/ Burton C. Perfit	Director	January 29, 1998

(Burton C. Perfit)		
/s/ Anthony G. Petrello	Director	January 29, 1998

(Anthony G. Petrello)		
/s/ Robert W. Pittman	Director	January 29, 1998

(Robert W. Pittman)		
/s/ E. John Rosenwald, Jr.	Director	January 29, 1998

(E. John Rosenwald, Jr.)		
/s/ Robert P. Rittereiser	Director	January 29, 1998

(Robert P. Rittereiser)		
/s/ Stanley M. Rumbough, Jr.	Director	January 29, 1998

(Stanley M. Rumbough, Jr.)		
/s/ Leonard Schutzman	Director	January 29, 1998

(Leonard Schutzman)		
/s/ Robert F. Smith	Director	January 29, 1998

(Robert F. Smith)		
/s/ Craig R. Stapleton	Director	January 29, 1998

(Craig R. Stapleton)		

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NUMBER
FBU 44306

CENDANT CORPORATION

CORPORATE SEAL
1974
DELAWARE

AMERICAN BANK NOTE COMPANY

COMMON STOCK
Par Value \$.01

COMMON STOCK
Par Value \$.01

INCORPORATED UNDER THE
LAWS OF THE STATE OF DELAWARE

THIS CERTIFICATE IS TRANSFERABLE
IN NEW YORK, NEW YORK
AND RIDGEFIELD PARK, NEW JERSEY

SHARES

CUSIP 151313 10 3

SEE REVERSE FOR CERTAIN DEFINITIONS

[LOGO] CENDANT CORPORATION

THIS CERTIFIES THAT

SPECIMEN

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Cendant Corporation transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the Certificate of Incorporation and By-laws of the Corporation and all amendments thereto. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

COUNTERSIGNED AND REGISTERED

ChaseMellon Shareholder Services, L.L.C.
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

Secretary

Chairman of the Board

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -as tenants in common UNIF GIFT MIN ACT -- Custodian.....
(Cust) (Minor)
TEN ENT -as tenants by the entireties under Uniform Gifts to Minors
JT TEN -as joint tenants with right of survivorship and not as tenants in common Act.....
(State)
Additional abbreviations may also be used though not in the above list

For value received,.....hereby sell, assign and transfer unto.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFICATION NUMBER OF ASSIGNEE

.....
.....

Please print or typewrite name and address including postal zip code of assignee

.....
.....

.....Shares of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint.....

..... Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated,

.....

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the Certificate, in every particular, without alteration or enlargement, or any change whatever.

..... NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

..... SIGNATURE(S) GUARANTEED: THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKHOLDERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

CENDANT CORPORATION
6 Sylvan Way
Parsippany, New Jersey 07054

January 29, 1998

Cendant Corporation
6 Sylvan Way
Parsippany, New Jersey 07054

Re: Cendant Corporation Registration
Statement On Form S-3

Ladies and Gentlemen:

I am a Vice President, Legal of Cendant Corporation, a Delaware corporation (the "Company"), and am rendering this opinion in connection with the Company's filing of a Registration Statement on Form S-3 (the "Registration Statement") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), on the date hereof with the Securities and Exchange Commission (the "Commission"). The Company is filing this Registration Statement in order to register up to 2,401,899 shares (the "Shares"), of the common stock, par value \$.01 per share, of the Company ("Common Stock"), to be offered and sold from time to time by Ms. Christel DeHaan (the "Selling Stockholder") who received the Shares in exchange for all the outstanding capital stock of Resort Condominiums International, Inc. ("RCI"), pursuant to the terms of a Stock Purchase Agreement, dated as of October 6, 1996, by and among the Company, RCI and the Selling Stockholder (the "Stock Purchase Agreement").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

In connection with rendering this opinion, I have examined and am familiar with originals or copies, certified or otherwise identified to my satisfaction, of the following

documents: (i) the Registration Statement; (ii) the Amended and Restated Certificate of Incorporation of the Company, as amended to the date hereof; (iii) the By-Laws of the Company, as currently in effect (the "By-Laws"); (iv) the Stock Purchase Agreement; (v) resolutions of the Board of Directors of the Company relating to the transactions contemplated by the Stock Purchase Agreement; and (vi) such other certificates, instruments and documents as I considered necessary or appropriate for the purposes of this opinion.

In my examination, I have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified, conformed or photostatic copies and the authenticity of the originals of such copies. In making my examination of documents executed by parties other than the Company, I have assumed that such parties had the power, corporate or other, to enter into and perform all obligations thereunder and also have assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and the validity and binding effect thereof on such parties. As to any facts material to the opinion expressed herein which we have not independently established or verified, I have relied upon statements and representations of officers and other representatives of the Company and others.

My opinion is subject to the assumption and qualification that each of the representations and warranties made by RCI and the Selling Stockholder that are contained in the Stock Purchase Agreement was true and correct as of the date of the Stock Purchase Agreement and the date of the closing thereunder.

I am admitted to the Bars of the State of New York and New Jersey, and I do not express any opinion as to the law of any jurisdiction except for the General Corporation Law of the State of Delaware. The Shares may be offered from time to time on a delayed or continuous basis and this opinion is limited to the laws specified above as in effect on the date hereof.

Based upon and subject to the foregoing, I am of the opinion that the shares are fully authorized, validly issued, fully paid and non-assessable.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, however, I do not thereby admit that I am within the category of persons whose consent is required under Section 7 of the Securities Act and the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Eric J. Bock
Eric J. Bock

CENDANT CORPORATION

EXHIBIT 15.1--LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION

January 28, 1998

Shareholders and Board of Directors
Cendant Corporation (formerly "CUC International Inc.")

We are aware of the incorporation by reference in the Registration Statement (Form S-3) and related Prospectus of Cendant Corporation (formerly "CUC International Inc.") for the registration of 2,401,899 shares of its common stock of our report dated June 13, 1997 relating to the unaudited condensed consolidated interim financial statements of CUC International Inc. that was included in its Quarterly Report on Form 10-Q for the quarter ended April 30, 1997.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

/s/ ERNST & YOUNG LLP

Stamford, Connecticut

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Cendant Corporation on Form S-3 of our report dated December 17, 1997, appearing in the Current Report of Form 8-K of Cendant Corporation expected to be filed on January 29, 1998, and to the reference to us under the heading "Experts" in the Prospectus, which is a part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
January 28, 1998

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 10, 1997, with respect to the consolidated financial statements and schedule of CUC International Inc. incorporated by reference in the Registration Statement (Form S-3) and related Prospectus of Cendant Corporation (formerly "CUC International Inc.") for the registration of 2,401,899 shares of its common stock.

/s/ ERNST & YOUNG LLP

Stamford, Connecticut
January 28, 1998

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Cendant Corporation on Form S-3 of our report dated March 31, 1997 (May 27, 1997 as to Note 2a, and April 30, 1997 as to Note 2b), appearing in the Current Report of Form 8-K of HFS Incorporated dated July 15, 1997, and to the reference to us under the heading "Experts" in the Prospectus, which is a part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
January 28, 1998

The Board of Directors
PHH Corporation:

We consent to the incorporation by reference in the Registration Statement of Cendant Corporation on Form S-3, of our report dated April 30, 1997, with respect to the consolidated balance sheets of PHH Corporation and subsidiaries (the "Company") at December 31, 1996 and January 31, 1996 and the related consolidated statements of income, stockholders' equity, and cash flows for the year ended December 31, 1996 and each of the years in the two year period ended January 31, 1996, which report appears in the Form 8-K of Cendant Corporation dated January 29, 1998, incorporated by reference in the Registration Statement. We also consent to the reference to our firm under the heading "Experts" in the Registration Statement.

Our report contains an explanatory paragraph that states that the Company adopted the provisions of Statement of Financial Accounting Standards No. 122, "Accounting for Mortgage Servicing Rights," in the year ended January 31, 1996.

/s/ KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Baltimore, Maryland
January 29, 1998

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Cendant Corporation on Form S-3 of our report dated June 24, 1996, appearing in the Current Report of Form 8-K of Cendant Corporation expected to be filed on January 29, 1998, and to the reference to us under the heading "Experts" in the Prospectus, which is a part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington
January 28, 1998

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Cendant Corporation on Form S-3 of our report dated May 12, 1997 (August 20, 1997 as to Note 15), appearing in the Registration Statement on Form S-1, as amended, of Avis Rent A Car, Inc. dated September 23, 1997, and to the reference to us under the heading "Experts" in the Prospectus, which is a part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

New York, New York
January 28, 1998

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Cendant Corporation

We consent to the use of our report incorporated herein by reference with respect to the consolidated balance sheet of Davidson & Associates, Inc. and subsidiaries as of December 31, 1995 and the related consolidated statements of earnings, shareholders' equity, and cash flows and related schedule for each of the years in the two-year period ended December 31, 1995, and to the reference to our firm under the heading "Experts" in the prospectus. Our report appears in the annual report on Form 10-k of CUC International Inc. for the year ended January 31, 1997.

/s/ KPMG Peat Marwick LLP

Long Beach, California
January 27, 1998

Exhibit 23.8

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 of Cendant Corporation (formerly known as CUC International Inc.) of our report dated February 2, 1996, relating to the consolidated financial statements of Ideon Group, Inc., which appears in the Annual Report on Form 10-K of CUC International Inc. for the year ended January 31, 1997. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ PRICE WATERHOUSE LLP
Tampa, Florida
January 28, 1998

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder of
Avis Rent A Car, Inc.
Garden City, New York

We have audited the accompanying consolidated statements of financial position of Avis Rent A Car, Inc. and subsidiaries (successor to Avis Rent A Car Systems Holdings, Inc. and subsidiaries, Avis International, Ltd. and subsidiaries, Avis Enterprises, Inc. and subsidiaries, Pathfinder Insurance Company and Global Excess & Reinsurance, Ltd., all previously wholly-owned by Avis, Inc., collectively the "Predecessor Companies"), (collectively referred to as "Avis Rent A Car, Inc." or the "Company") as of December 31, 1996 and as to the Predecessor Companies as of December 31, 1995, and the related consolidated statements of operations, stockholder's equity and cash flows for the period October 17, 1996 (Date of Acquisition) to December 31, 1996 and as to the Predecessor Companies the related consolidated statements of operations, stockholder's equity and cash flows for each of the two years in the period ended December 31, 1995 and the period January 1, 1996 to October 16, 1996. 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 consolidated financial position of the Company at December 31, 1996, and the results of its operations and its cash flows for the period October 17, 1996 to December 31, 1996 (period after the change in control referred to in Note 1 to the consolidated financial statements), and with respect to the Predecessor Companies as of December 31, 1995, and for each of the two years in the period ended December 31, 1995 and the period January 1, 1996 to October 16, 1996 (period up to the change in control referred to in Note 1 to the consolidated financial statements) in conformity with generally accepted accounting principles.

As more fully discussed in Note 1 to the consolidated financial statements, the Predecessor Companies were acquired in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial statements for the period subsequent to the acquisition are presented on a different basis of accounting than those for the periods prior to the acquisition and, therefore, are not directly comparable.

Deloitte & Touche LLP

New York, New York
May 12, 1997
(August 20, 1997 as to Note 15)

AVIS RENT A CAR, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(IN THOUSANDS)

	PREDECESSOR COMPANIES DECEMBER 31, 1995	DECEMBER 31, 1996
	-----	-----
ASSETS		
Cash and cash equivalents.....	\$ 39,081	\$ 50,886
Accounts receivable, net.....	194,971	311,179
Due from affiliates, net.....		61,807
Prepaid expenses.....	35,053	40,155
Vehicles, net.....	2,167,167	2,243,492
Property and equipment, net.....	140,992	98,887
Other assets.....	20,882	14,526
Deferred income tax assets.....	81,974	113,660
Cost in excess of net assets acquired, net.....	144,778	196,765
	-----	-----
Total assets.....	\$2,824,898	\$3,131,357
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
Accounts payable.....	\$ 228,146	\$ 175,535
Accrued liabilities.....	183,595	329,245
Due to affiliates, net.....	385,687	
Current income tax liabilities.....	6,696	4,790
Deferred income tax liabilities.....	27,990	35,988
Public liability, property damage and other insurance liabilities.....	194,677	213,785
Debt.....	1,109,747	2,295,474
	-----	-----
Total liabilities.....	2,136,538	3,054,817
	-----	-----
Commitments and contingencies		
Stockholder's equity:		
Common stock (\$.01 par value, 1,000 shares authorized; 100 shares outstanding at December 31, 1996).....	2,977	--
Additional paid-in capital.....	344,531	75,000
Retained earnings.....	340,596	1,184
Foreign currency translation adjustment.....	256	356
	-----	-----
Total stockholder's equity.....	688,360	76,540
	-----	-----
Total liabilities and stockholder's equity.....	\$2,824,898	\$3,131,357
	=====	=====

See accompanying notes to the consolidated financial statements.

AVIS RENT A CAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	PREDECESSOR COMPANIES			OCTOBER 17, 1996
	YEAR ENDED DECEMBER 31,		JANUARY 1, 1996	(DATE OF
	1994	1995	TO OCTOBER 16, 1996	ACQUISITION) TO DECEMBER 31, 1996
Revenue.....	\$1,412,400	\$1,615,951	\$1,504,673	\$362,844
Cost and expenses:				
Direct operating.....	664,993	724,759	650,750	167,682
Vehicle depreciation, net	266,637	324,186	275,867	66,790
Vehicle lease charges.....	42,778	86,916	100,318	22,658
Selling, general and administrative.....	252,024	269,434	283,180	68,215
Interest, net.....	128,898	145,199	120,977	34,212
Amortization of cost in excess of net assets acquired	4,754	4,757	3,782	1,026
	1,360,084	1,555,251	1,434,874	360,583
Income before provision for income taxes.....	52,316	60,700	69,799	2,261
Provision for income taxes	30,213	34,635	31,198	1,040
Net income.....	\$ 22,103	\$ 26,065	\$ 38,601	\$ 1,221

See accompanying notes to the consolidated financial statements.

AVIS RENT A CAR, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
Balance, January 1, 1994.....	\$2,827	\$318,125	\$309,902	\$(2,598)	\$628,256
Net income for the year ended December 31, 1994.....			22,103		22,103
Tax benefit of ESOP income tax deductions ...		13,104			13,104
Foreign currency translation adjustment				3,466	3,466
Cash dividends.....			(8,578)		(8,578)
Stock dividends.....	150		(150)		
Balance, December 31, 1994.....	2,977	331,229	323,277	868	658,351
Net income for the year ended December 31, 1995.....			26,065		26,065
Tax benefit of ESOP income tax deductions ...		13,302			13,302
Foreign currency translation adjustment				(612)	(612)
Cash dividends.....			(8,746)		(8,746)
Balance, December 31, 1995.....	2,977	344,531	340,596	256	688,360
Net income for the period ended October 16, 1996.....			38,601		38,601
Tax benefit of ESOP income tax deductions ...		12,939			12,939
Foreign currency translation adjustment				2,805	2,805
Cash dividends.....			(1,398)		(1,398)
Balance, October 16, 1996.....	\$2,977	\$357,470	\$377,799	\$ 3,061	\$741,307
Avis Rent A Car, Inc. (\$.01 par value, 1,000 shares authorized; 100 shares outstanding at October 17, 1996 (Date of Acquisition)) .	\$--	\$ 75,000			\$ 75,000
Net income for the period from October 17, 1996 to December 31, 1996			\$ 1,221		1,221
Foreign currency translation adjustment for the period October 17, 1996 to December 31, 1996.....				\$ 356	356
Additional minimum pension liability for the period October 17, 1996 to December 31, 1996.....			(37)		(37)
Balance, December 31, 1996.....	\$--	\$ 75,000	\$ 1,184	\$ 356	\$ 76,540

See accompanying notes to the consolidated financial statements.

AVIS RENT A CAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	PREDECESSOR COMPANIES			OCTOBER 17, 1996
	YEARS ENDED DECEMBER 31,		JANUARY 1, 1996	(DATE OF
	1994	1995	TO OCTOBER 16, 1996	ACQUISITION) TO DECEMBER 31, 1996
Cash flows from operating activities:				
Net income.....	\$ 22,103	\$ 26,065	\$ 38,601	\$ 1,221
Adjustments to reconcile net income to net cash provided by operating activities:				
Vehicle depreciation.....	291,360	342,048	306,159	71,343
Depreciation and amortization of property and equipment.....	12,782	13,387	12,333	2,212
Amortization of cost in excess of net assets acquired.....	4,754	4,757	3,782	1,026
Amortization of debt issuance costs	3,454	2,660	2,423	
Deferred income tax provision.....	19,384	25,852	22,342	33
Undistributed earnings of associated companies .	(65)	(376)	(232)	
Provision for (benefit from) losses on accounts receivable.....	305	(48)	1,238	227
Provision for public liability, property damage and other insurance liabilities.....	73,900	81,800	74,109	17,355
Change in operating assets and liabilities:				
Decrease (increase) in accounts receivable	53	(22,644)	(204,137)	10,327
Decrease (increase) in prepaid expenses	4,640	(863)	(2,125)	(2,664)
(Increase) decrease in other assets.....	(595)	1,988	3,266	(3,459)
(Decrease) increase in accounts payable	(44,087)	(5,733)	82,354	(18,712)
Increase (decrease) in accrued liabilities	26,399	42,176	101,069	(24,718)
Decrease in public liability, property damage and other insurance liabilities.....	(72,363)	(71,159)	(56,364)	(16,015)
Net cash provided by operating activities	342,024	439,910	384,818	38,176
Cash flows from investing activities:				
Payments for vehicle additions.....	(3,218,613)	(2,553,324)	(2,325,460)	(561,117)
Vehicle deletions.....	2,680,535	2,028,474	1,795,562	565,896
Payments for additions to property and equipment.....	(24,487)	(36,939)	(25,953)	(3,484)
Sales of property and equipment.....	2,898	3,715	1,849	361
Investment in associated companies.....	(100)			
Investment in Canadian Licensees.....			(3,134)	
Net cash (used in) provided by investing activities.....	(559,767)	(558,074)	(557,136)	1,656
Cash flows from financing activities:				
Changes in debt:				
Proceeds.....	423,502	320,940	519,167	63,903
Repayments.....	(161,523)	(287,271)	(267,317)	(133,457)
Net increase (decrease) in debt.....	261,979	33,669	251,850	(69,554)
Deferred debt issuance costs.....	(4,637)	(5,515)	(2,604)	
(Payments on) proceeds from intercompany loans .	(29,090)	104,209	(27,696)	(6,661)
Cash dividends.....	(8,578)	(8,746)	(1,398)	
Net cash provided by (used in) financing activities.....	219,674	123,617	220,152	(76,215)
Effect of exchange rate changes on cash	119	(197)	260	94
Net increase (decrease) in cash and cash equivalents.....	2,050	5,256	48,094	(36,289)
Cash and cash equivalents at beginning of period.....	31,775	33,825	39,081	87,175
Cash and cash equivalents at end of period	\$ 33,825	\$ 39,081	\$ 87,175	\$ 50,886
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest.....	\$ 131,877	\$ 149,885	\$ 135,733	\$ 28,170
Income taxes.....	\$ 7,576	\$ 8,688	\$ 6,220	\$ 827
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTION -- Recapitalization at				

Date of Acquisition	\$	--	\$	--	\$	--	\$ 666,307
	=====		=====		=====		=====

See accompanying notes to the consolidated financial statements.

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements include Avis Rent A Car, Inc. (name changed from and formerly known as Rental Car System Holdings, Inc. which was incorporated on October 17, 1996) and subsidiaries (including the carved out corporate operations of HFS Car Rental, Inc. (name changed from and formerly known as, and hereinafter referred to as, Avis, Inc.), which is the holding company of Rental Car System Holdings, Inc., and Prime Vehicles Trust (the "Vehicle Trust")), Avis International, Ltd. and subsidiaries, Avis Enterprises, Inc. and subsidiaries, Pathfinder Insurance Company and Global Excess & Reinsurance, Ltd. (collectively referred to as "Avis Rent A Car, Inc."). All of the foregoing companies are ultimately wholly-owned subsidiaries of Avis, Inc., which was acquired by HFS Incorporated ("HFS") on October 17, 1996 (the "Date of Acquisition") for approximately \$806.5 million. The purchase price was comprised of approximately \$367.2 million in cash, \$100.9 million of indebtedness and \$338.4 million of HFS common stock. Prior to October 16, 1996, the above-named entities were wholly-owned by Avis, Inc. and are referred to collectively as the "Predecessor Companies". Avis Rent A Car, Inc. and the Predecessor Companies are referred to throughout the notes as the "Company". The major shareholder of Avis, Inc. was an Employee Stock Ownership Plan ("ESOP") and the minority shareholder was General Motors Corporation ("General Motors"). The Company purchases a significant portion of its vehicles, obtains financing, and receives certain financial incentives and allowances from General Motors (see Notes 2, 4, 7 and 14). As a result of the acquisition, the consolidated financial statements for the period subsequent to the acquisition are presented on a different basis of accounting than those for the periods prior to the acquisition and, therefore, are not directly comparable. On January 1, 1997, Avis, Inc. contributed the net assets of its corporate operations and all of its common stock ownership in Avis International, Ltd., Avis Enterprises, Inc., Pathfinder Insurance Company and Global Excess & Reinsurance, Ltd. to the Company. After the transfer, the remaining operations of Avis, Inc. consist of an investment in a wholly-owned subsidiary which owns the Avis trade names and trademarks. Pursuant to a plan developed by HFS prior to the Date of Acquisition, HFS will cause the Company to undertake an initial public offering ("IPO") within one year of the Date of Acquisition, which will reduce HFS' equity interest in the Company to 25%. HFS 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. HFS will charge a fee for such services (see Note 3). In addition, HFS will retain the Avis trade name and charge the Company a royalty fee for the use of the Avis name.

The acquisition was accounted for under the purchase method and includes the operations of the Company subsequent to the Date of Acquisition. A portion of this purchase price has been allocated to the estimated fair value of the Company. This estimate is calculated assuming that the Company is an independent franchisee of Avis, Inc. and is required to pay certain fees for use of the Avis trade name, reservation services and other franchise related services. HFS and its advisors have estimated that the value of the Company at the Date of Acquisition was \$75 million. The value of the Company is expected to increase to approximately \$300 million upon completion of the IPO (with the IPO proceeds retained by the Company) with HFS's equity interest to be reduced to 25% equal to \$75 million. If the results of the IPO do not confirm the preliminary value as of the Date of Acquisition, then the allocated purchase price will be adjusted with a corresponding adjustment to cost in excess of net assets acquired. The estimated fair value of the Company has been allocated to individual assets and liabilities based on their estimated fair value at the Date of Acquisition. The final asset and liability fair values may differ from those set forth in the accompanying consolidated statement of financial position on December 31, 1996; however, the changes are not expected to have a material effect on the consolidated financial position of the Company.

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The preliminary purchase cost allocation at the Date of Acquisition has been allocated to the Company as follows (in thousands):

Allocated purchase cost	\$	75,000

Fair Value of:		
Liabilities assumed		3,145,395
Assets acquired		3,022,712

Net Liabilities		122,683

Excess of purchase price over net assets acquired	\$	197,683
		=====

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 determining public liability, property damage and other insurance liabilities, and the realization of deferred income tax assets. Management has exercised reasonableness at deriving these estimates. However, actual results may differ.

REVENUE RECOGNITION

Revenue is recognized over the period the vehicle is rented.

CASH AND CASH EQUIVALENTS

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

VEHICLES

Vehicles are stated at cost net of accumulated depreciation. 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 period of the vehicles.

PROPERTY AND EQUIPMENT

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. Estimated useful lives range from five to ten years for furniture and office 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 statement of operations.

COST IN EXCESS OF NET ASSETS ACQUIRED

Cost in excess of net assets acquired is amortized over a 40 year period and is shown net of accumulated amortization of \$37.5 million and \$1.0 million at December 31, 1995 and 1996, respectively.

IMPAIRMENT ACCOUNTING

In 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". 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 future 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 statement of operations. It is at least reasonably possible that future events or circumstances could cause these estimates to change. The adoption of this statement had no material effect on the consolidated financial statements of the Company.

PUBLIC LIABILITY, PROPERTY DAMAGE AND OTHER INSURANCE LIABILITIES

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 and 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 operations as they occur.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign companies are translated at the year-end exchange rates. The resultant translation adjustment is included as a component of consolidated stockholder's equity. Results of operations are translated at the average rates of exchange in effect during the year.

INCOME TAXES

The Company is included in the consolidated federal income tax return of HFS. Pursuant to the regulations under the Internal Revenue Code, the Company's pro rata share of the consolidated federal income tax liability of HFS is allocated to the Company on a separate return basis. The Predecessor Companies were included in the consolidated federal income tax return of Avis, Inc. The Company files separate income tax returns in states where a consolidated return is not permitted. 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 bases 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 \$60.4 million, \$48.4 million, \$66.1 million and \$10.3 million for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996, respectively.

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 adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries from insurance companies and other reimbursements are generally not significant. In October 1996, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 96-1 Environmental Remediation Liabilities ("SOP 96-1"). SOP 96-1 provides guidance on the timing and measurement of liabilities associated with environmental remediation. The statement is effective for fiscal years beginning after December 15, 1996. The adoption of this statement is not expected to have a material effect on the results of operations or financial position of the Company.

NOTE 2 -- ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 1995 and 1996 consist of the following (in thousands):

	1995	1996
	-----	-----
Vehicle rentals.....	\$ 90,290	\$ 94,480
Due from vehicle manufacturers	11,308	14,758
Due from General Motors	69,504	168,546
Damage claims	5,969	10,697
Due from licensees	3,297	3,903
Other	17,349	19,022
	-----	-----
	197,717	311,406
Less allowance for doubtful accounts	(2,746)	(227)
	-----	-----
	\$194,971	\$311,179
	=====	=====

Amounts due from vehicle manufacturers include receivables for vehicles sold under guaranteed repurchase contracts and amounts due for incentives and allowances. Incentives and allowances are based on the volume of vehicles to be purchased for a model year, or from the manufacturers' willingness to encourage the Company to retain vehicles rather than return the vehicles back to the manufacturer or arise from the purchase of particular models not subject to repurchase under "buyback" arrangements. Incentives and allowances are amortized to income over the holding period of the vehicles (see Notes 4 and 14).

NOTE 3 -- DUE (TO) FROM AFFILIATES, NET

Due (to) from affiliates, net at December 31, 1995 and 1996 consist of the following balances due to or from HFS or its consolidated subsidiaries which will be settled on or before the previously mentioned IPO (in thousands):

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	1995	1996
	-----	-----
Note receivable from Wizard Co., Inc. (a) ..		\$ 196,965
Subordinated vehicle financing notes (b)	\$ (180,000)	(247,500)
Due to Avis, Inc. for tax advantaged vehicle financing (c)	(1,000,000)	
Non-interest bearing advances (d)	794,313	112,342
	-----	-----
	\$ (385,687)	\$ 61,807
	=====	=====

NOTES:

- (a) Consists of a \$194.1 million note receivable from Wizard Co., Inc., an indirect wholly-owned subsidiary of HFS, plus accrued interest. The note bears interest at 7.13% and is due on October 1, 2006 and is guaranteed by HFS.
- (b) Represents loans from Avis, Inc. to the Vehicle Trust, as described in Note 7, to provide additional subordinated financing. The amounts provided reduce, within certain limits, the amount of subordinated financing required from other lenders. The loans are made under terms of a credit agreement which terminates on October 29, 2003. At December 31, 1995 and 1996, the weighted average interest rate under these loans was 11.16% and 10.75%, respectively.
- (c) Represents a \$1 billion ESOP related tax advantaged vehicle trust financing consisting of loans under various agreements with banks, insurance companies and vehicle manufacturer finance companies. The tax advantaged notes were issued in September 1987 with a final maturity of 25 years and annual principal reductions commencing in 1998. At December 31, 1995, the weighted average interest rate under these loans was 6.0%. Included within the \$1 billion ESOP related vehicle trust financing is \$118 million that is ultimately due to General Motors. This loan was retired as of the Date of Acquisition.
- (d) Primarily represents the transfer of assets from the Company to HFS and subsidiaries, recorded in connection with the October 17, 1996 acquisition of Avis, Inc. by HFS, as well as intercompany transactions relating to management, service and administrative fees since the Date of Acquisition. The amounts due to or from HFS and subsidiaries are interest free and are guaranteed by HFS.

Expense and (income) items of the Company include the following charges from (to) Avis, Inc. and subsidiaries prior to the Date of Acquisition for the period ended December 31, 1994, December 31, 1995 and October 16, 1996 (in thousands).

	FOR THE YEARS ENDED		
	DECEMBER 31,	JANUARY 1, 1996	
	-----	-----	TO
	1994	1995	OCTOBER 16, 1996
	-----	-----	-----
Vehicle related costs		\$(3,954)	\$(25,134)
Data processing	\$28,671	29,833	30,209
Employee benefits allocation	(2,975)	(3,385)	(2,776)
Rent	(1,730)	(2,188)	(2,459)

These charges seek to reimburse the affiliated company for the actual costs incurred. These amounts reflect the effect of various intercompany agreements, which are subject to renegotiation from time to time, and certain allocations which are based upon such factors as square footage, employee salaries, computer usage time, etc.

AVIS RENT A CAR, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Expense items of the Company include the following charges from HFS and affiliates of HFS for the period October 17, 1996 (Date of Acquisition) to December 31, 1996 (in thousands):

Reservations	\$10,900
Data processing	8,772
Management, service and administrative fees	8,568
Interest on intercompany debt, net	2,561
Rent	950

	\$31,751
	=====

Reservations and data processing services are charged to the Company based on actual cost. Effective January 1, 1997, HFS will charge the Company a royalty fee of 4.0% of revenue for the use of the Avis trade name. On an unaudited pro forma basis, had the royalty fee been charged to the Company beginning on October 17, 1996, net income for the period October 17, 1996 to December 31, 1996 would have been reduced by \$4.3 million resulting in a pro forma net loss of \$3.1 million.

NOTE 4 -- VEHICLES

Vehicles at December 31, 1995 and 1996 consist of the following (in thousands):

	1995	1996
	-----	-----
Vehicles	\$2,283,003	\$2,250,309
Vehicles acquired under long-term capital lease (Note 7)	95,084	19,324
Buses and support vehicles	42,075	45,868
Vehicles held for sale	42,332	36,378
	-----	-----
	2,462,494	2,351,879
Less accumulated depreciation	(295,327)	(108,387)
	-----	-----
	\$2,167,167	\$2,243,492
	=====	=====

Depreciation expense recorded for vehicles was \$266.6 million, \$324.2 million, \$275.9 million and \$66.8 million, for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996, respectively. Depreciation expense reflects a net gain on the disposal of vehicles of \$24.8 million, \$17.8 million, \$30.3 million and \$4.5 million for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996, respectively. It also reflects the amortization of certain incentives and allowances from various vehicle manufacturers (the most significant of which was received from General Motors) of approximately \$74 million, \$77 million, \$61 million and \$14 million for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996, respectively.

During the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996, the Company purchased from General Motors \$2.7 billion, \$2.0 billion, \$1.8 billion and \$0.4 billion of vehicles, net of incentives and allowances, respectively (see Notes 1 and 14).

In November 1988 and April 1990, the Company entered into seven year operating leases under which an original amount of \$324.3 million of vehicles were leased, with the ability to exchange such leased vehicles for newly manufactured vehicles with the same value to the lessor. The leases are cancelable at the Company's option, however, additional costs may be incurred upon termination based upon the fair value of the vehicles at the time the option is exercised. At the termination of the leases, the Company may purchase the vehicles at the agreed upon fair market value or return them to the lessor.

AVIS RENT A CAR, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In December 1994, the Company entered into a financing arrangement whereby it may lease up to \$503 million of vehicles. This arrangement was amended on October 17, 1996 to increase the amount to \$650 million. Under this arrangement, at December 31, 1995 and 1996, there were \$219 million and \$322 million of vehicles under operating leases. The vehicles leased under this arrangement may be leased for periods of up to 18 months. The lease cost charged to the Company varies with the number of vehicles leased and the repurchase agreement offered by the vehicle manufacturer to the lessor and includes all expenses including the interest costs of the financing company.

The rental payments due in each of the years ending December 31 for the operating leases as described above are as follows (in thousands):

1997 ...	\$69,444
1998 ...	15,388

Rental expense for those vehicles under operating leases as described above was \$59.2 million, \$106.1 million, \$93.0 million and \$16.1 million for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996, respectively.

NOTE 5 -- PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1995 and 1996 consist of the following (in thousands):

	1995	1996
	-----	-----
Land	\$ 19,702	\$ 19,523
Buildings	13,321	11,862
Leasehold improvements	139,938	48,898
Furniture, fixtures and equipment	30,779	10,997
Construction-in-progress	15,813	9,946
	-----	-----
	219,553	101,226
Less accumulated depreciation and amortization.....	(78,561)	(2,339)
	-----	-----
	\$140,992	\$ 98,887
	=====	=====

NOTE 6 -- ACCRUED LIABILITIES

Accrued liabilities at December 31, 1995 and 1996 consist of the following (in thousands):

	1995	1996
	-----	-----
Payroll and related costs	\$ 54,706	\$ 73,142
Taxes, other than income taxes	10,740	29,522
Rents and property related	10,594	30,889
Interest	12,081	18,531
Sales and marketing	20,567	20,395
Vehicle related	24,492	18,784
Other various	50,415	137,982
	-----	-----
	\$183,595	\$329,245
	=====	=====

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 -- FINANCING AND DEBT

Debt outstanding at December 31, 1996 is not guaranteed by HFS and debt outstanding at December 31, 1995 and 1996 is comprised of the following (in thousands):

	1995	1996
VEHICLE TRUST FINANCING		
Commercial paper.....	\$ 3,000	
Short-term vehicle trust financing--revolving credit facilities		\$1,970,000
Current portion of long-term debt	56,000	
	59,000	1,970,000
Total current portion of vehicle trust financing		
	59,000	1,970,000
Long-term vehicle trust revolving credit facilities		
Vehicle manufacturer's floating rate notes due September 1998 (\$50,719 senior at 8.50% and \$16,281 subordinated at 10.00%)	476,000	
Vehicle manufacturer's floating rate notes due October 2001 (\$63,731 senior at 7.16% and \$54,269 subordinated at 8.91%)		67,000
Floating rate notes due September 1998	115,000	
Insurance company notes due from December 1997 to December 1999 at 7.53% to 8.23%	112,000	
Insurance company notes due from June 1998 to June 2003 at 6.75% to 7.92%	150,500	118,000
	853,500	185,000
Total long-term portion of vehicle trust financing		
	853,500	185,000
OTHER FINANCING		
Short-term notes--foreign at 6.63% to 18.00% in 1995 and 3.89% to 13.00% in 1996	37,264	65,516
Short-term floating rate capital lease terminating in 1996	12,801	
Current portion of 7.50% capital lease terminating November 1997	19,153	40,169
Current portion of long-term debt--other	13,605	1,060
	82,823	106,745
Total current portion of other financing		
	82,823	106,745
7.50% capital lease terminating November 1997		
Other domestic.....	40,169	
Debt of foreign subsidiaries:	3,974	2,916
Floating rate notes due April 1997 at 8.26% to 8.44%	51,891	
Floating rate notes due July 1997 at 9.42% to 9.63%	10,378	
Floating rate notes due February 1998 at 7.65% in 1995 and 4.75% in 1996	8,012	2,935
Floating rate notes due August 1998 at 6.94% to 8.65% ...		27,878
	114,424	33,729
	\$1,109,747	\$2,295,474
	\$1,109,747	\$2,295,474

Currently, the primary source of funding for domestic vehicles is provided by the Vehicle Trust (a grantor trust). The Vehicle Trust consists of loans from banks, vehicle manufacturer finance companies and Avis, Inc. The Predecessor Companies' financing structure of the Vehicle Trust consisted of loans from banks, insurance companies, vehicle manufacturer finance companies and Avis, Inc. Amounts drawn against this facility may be used to purchase vehicles and pay certain expenses of the Vehicle Trust. The security for the Vehicle Trust financing facility consists of a lien on the vehicles acquired under the facility, which at December 31, 1995 and 1996, totaled approximately \$1.9 billion and \$2.1 billion, respectively, exclusive of related valuation reserves. The security for the Vehicle Trust financing facility also consists of security interests in certain other assets of the Vehicle Trust. In addition, the Vehicle Trust and its security agreement require that there be outstanding, at all times, subordinated debt in a specified percentage range (10% -25%) of the net book value of the vehicles owned by the Vehicle Trust. Pursuant to the agreement, the subordinated debt is to be provided by vehicle manufacturer finance companies and Avis, Inc. At December 31, 1995 and 1996, subordinated debt of \$292.1 million and \$318.0 million, respectively, was required under the Vehicle Trust financing of which \$180.0 million and \$247.5 million, respectively, was due to Avis, Inc. (Note 3).

At December 31, 1995, the weighted average interest rate on commercial paper was 6.4%. For the periods ended December 31, 1994, December 31, 1995 and October 16, 1996, the average outstanding borrowings of commercial paper were \$19.9 million, \$33.5 million and \$30.4 million, respectively, with a weighted average interest rate of 5.3%, 6.5% and 6.0%, respectively.

The short-term notes are issued pursuant to a \$2.5 billion revolving credit facility dated as of October 17, 1996 which matures on October 16, 1997. At December 31, 1996, the weighted average interest rate on borrowings under this facility was 6.00%. For the period from October 17, 1996 to December 31, 1996, the average outstanding borrowings under this facility were \$2.0 billion with a weighted average interest rate of 5.98%. This facility requires a fee of 1/8 of 1% on the committed amount.

The long-term vehicle trust revolving credit facility consisted of \$850 million revolving credit facility expiring on September 30, 1997. The interest rate on these loans is based on the London interbank rate ("LIBOR") plus a spread negotiated at the time of borrowing. At December 31, 1995, the weighted average interest rate on outstanding borrowings under this facility was 6.3%. For the periods ended December 31, 1994, December 31, 1995 and October 16, 1996, the average outstanding borrowings under this facility were \$366.5 million, \$288.0 million and \$516.9 million, respectively, with a weighted average interest rate of 5.2%, 6.5% and 5.7%, respectively. This facility was retired on the Date of Acquisition.

The Company also had Vehicle Trust financing outstanding from vehicle manufacturer finance companies under terms of loan agreements dated October 17, 1996. Under these agreements, the maximum amount of borrowings allowed is \$267 million, of which up to \$260 million may be used as subordinated debt. On December 31, 1996, \$185 million was outstanding of which \$70.5 million of the outstanding debt was deemed subordinated. At December 31, 1996, the weighted average interest rate of borrowings under this facility was 8.5%. For the period October 17, 1996 to December 31, 1996, the average outstanding borrowings under this facility was \$185 million with a weighted average interest rate of 8.41%. The Predecessor Companies, through its parent, Avis, Inc., had substantially similar financing arrangements under a portion of a \$1 billion ESOP related tax advantaged vehicle trust financing facility (Note 3). At December 31, 1995, the outstanding borrowings under this arrangement was \$185 million, of which \$112.1 million was subordinated. The average borrowings under this facility for the periods ended December 31, 1994, December 31, 1995 and October 16, 1996 were \$317.0 million, \$268.2 million and \$185.0 million, respectively. The weighted average interest rate on these average borrowings were 6.2%, 7.7% and 7.3%.

The floating rate notes were issued pursuant to a loan agreement, dated September 1, 1995, for a period of three years. The interest rate on these notes is based on the LIBOR, plus a spread of 0.45%. The

interest rate on these notes at December 31, 1995 was 6.2%. For the periods ended December 31, 1995 and October 16, 1996, the average outstanding borrowings under this facility were \$35.1 million and \$115.0 million, respectively, with a weighted average interest rate of 6.2% and 6.0%, respectively. The notes were retired on the Date of Acquisition.

In December 1992 and May 1993, the Company borrowed a total of \$318.5 million from a group of insurance companies. The maturities on these notes ranged from 3 to 10 years, with an average life, when issued, of 6.1 years. The effective interest rate on these notes was 7.3% at December 31, 1995. The average amounts outstanding for the periods ended December 31, 1994, December 31, 1995 and October 16, 1996 were \$318.5 million, \$318.5 million and \$287.1 million, respectively, with a weighted average interest rate of 7.3%, 7.3% and 7.4%, respectively. These notes were retired as of the Date of Acquisition.

In November 1992, the Predecessor Companies entered into a five year capital lease under which \$96.7 million of vehicles were leased. The lease is cancelable at the Company's option, however, additional costs may be incurred upon termination based upon the fair value of the vehicles at the time the option is exercised. At the termination of the lease, the Company may purchase the vehicles at an agreed upon fair market value or return them to the lessor. The future minimum lease payments due under the Company's capital lease obligation, which terminates on November 30, 1997, are \$41.5 million (including interest of \$1.3 million).

Included in total debt at December 31, 1995 and 1996 is indebtedness to General Motors of \$10.1 million and \$118.3 million, respectively (see Note 14).

Under the terms of the Company's loan agreements, the Company must maintain a minimum net worth, minimum earnings and cash flow ratios.

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

1997	\$ 41,229
1998	98,950
1999	1,086
2000	209
2001	118,228
Thereafter ..	256

OTHER CREDIT FACILITIES

At December 31, 1995 and 1996, the Company has letters of credit/working capital agreements totaling \$102.6 million and \$102.6 million, respectively, which may be renewed biannually at the Company's option and the banks' discretion. The collateral for certain of these agreements consists of a lien on property and equipment and certain receivables with a carrying value of \$140.9 million and \$136.9 million, respectively. At December 31, 1995 and 1996, the Company has outstanding letters of credit amounting to \$47.6 million and \$55.1 million, respectively.

In addition, for certain of its international operations, the Company has available at December 31, 1995 and 1996, unused lines of credit of \$176.9 million and \$224.3 million, respectively. The unused lines of credit agreements require an annual fee of 0.2% to 0.5% of the unused line.

INTEREST RATE SWAP AGREEMENTS

The Company has entered into interest rate swap agreements 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 \$29.1 million and \$44.0 million of its outstanding debt from a weighted average

AVIS RENT A CAR, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

variable interest rate to a fixed rate of 7.7% and 7.1% at December 31, 1995 and 1996, respectively. The variable interest element with respect to these interest rate swap agreements is reset quarterly. The interest rate swap agreements will terminate in March 1997, July 1998 and November 1998. 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 charged to interest expense for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996 was \$179,000, \$146,000, \$582,000 and \$285,000, respectively. The Company is exposed to credit risk in the event of nonperformance by counterparties to its interest rate swap agreements. Credit risk is limited by entering into such agreements with primary dealers only; therefore, the Company does not anticipate that nonperformance by counterparties will occur. Notwithstanding this, the Company's treasury department 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.

NOTE 8 -- FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the Company's interest rate swap agreements represent liabilities of approximately \$123,600 and \$843,100 at December 31, 1995, and \$578,000 and \$1.4 million at December 31, 1996, respectively.

For instruments including cash and cash equivalents, 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. The fair value of fixed-rate debt approximates carrying value.

The Company believes that it is not practicable to estimate the current fair value of the amounts due from (to) affiliates because of the related party nature of the instruments.

NOTE 9 -- INCOME TAXES

The provision for income taxes for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996 consists of the following (in thousands):

	YEARS ENDED DECEMBER 31,		JANUARY 1, 1996 TO OCTOBER 16, 1996	OCTOBER 17, 1996 (DATE OF ACQUISITION) TO DECEMBER 31, 1996
	1994	1995		
Current:				
State.....	\$ 735	\$ 1,422	\$ 2,176	\$ 719
Foreign	10,094	7,361	6,680	288
	10,829	8,783	8,856	1,007
Deferred:				
Federal	16,020	19,057	19,614	(85)
Foreign	3,364	6,795	2,728	118
	19,384	25,852	22,342	33
Provision for income taxes.....	\$30,213	\$34,635	\$31,198	\$1,040

AVIS RENT A CAR, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The effective income tax rate for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996 varies from the statutory U.S. federal income tax rate due to the following (dollars amounts in thousands):

	YEARS ENDED DECEMBER 31,			
	1994		1995	
Statutory U.S. federal income tax rate.....	\$18,311	35.0%	\$21,245	35.0%
Tax effect of foreign operations and dividends	9,447	18.1	8,984	14.8
Amortization of cost in excess of net assets acquired and other intangibles	1,633	3.1	1,633	2.7
State income taxes, net of federal tax benefit	478	.9	924	1.5
Other non-deductible business expenses			550	.9
Other	344	.7	1,299	2.2
Effective income tax rate .	\$30,213	57.8%	\$34,635	57.1%

(RESTUBBED TABLE CONTINUED FROM ABOVE)

	JANUARY 1, 1996 TO OCTOBER 16, 1996		OCTOBER 17, 1996 (DATE OF ACQUISITION) TO DECEMBER 31, 1996	
	Statutory U.S. federal income tax rate.....	\$24,429	35.0%	\$ 791
Tax effect of foreign operations and dividends	5,134	7.4	(1,073)	(47.5)
Amortization of cost in excess of net assets acquired and other intangibles	1,045	1.5	359	15.9
State income taxes, net of federal tax benefit	1,413	2.0	469	20.8
Other non-deductible business expenses	462	.6	494	21.8
Other	(1,285)	(1.8)		
Effective income tax rate .	\$31,198	44.7%	\$ 1,040	46.0%

In accordance with SFAS 109, the net deferred income tax assets at December 31, 1995 and 1996 include the following (in thousands):

	1995	1996
GROSS DEFERRED INCOME TAX ASSETS:		
Accrued liabilities	\$ 108,914	\$ 171,050
Net operating loss carryforwards	68,474	78,172
Alternative minimum income tax credit carryforwards	3,025	3,025
	180,413	252,247
GROSS DEFERRED INCOME TAX LIABILITIES:		
Tax depreciation in excess of book depreciation	(116,304)	(152,346)
Tax amortization in excess of book amortization of cost in excess of net assets acquired and difference in book and tax basis of intangibles		(13,547)
Prepays and other	(10,125)	(8,682)

	(126,429)	(174,575)
	-----	-----
Net deferred income tax assets.....	\$ 53,984	\$ 77,672
	=====	=====

The Company, under its tax disaffiliation agreement with HFS, has allocated alternative minimum tax net operating loss carryforwards of \$139.8 million. The net operating loss carryforward is \$223.3 million. The net operating loss carryforwards expire as follows: 2001, \$4.3 million; 2002, \$2.5 million; 2005, \$32.6 million; 2008, \$23.7 million; 2009, \$15.1 million. The Company also has available unused investment tax credits of approximately \$5.8 million which expire on February 28, 2002.

NOTE 10 -- RETIREMENT BENEFITS

The Company, through its subsidiary, Avis Rent A Car System, Inc. ("ARACS"), sponsors non-contributory defined benefit plans covering employees who are members of certain collective bargaining units and non-union full-time 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 a Voluntary Investment Savings Plan under a "qualified cash or deferred arrangement" under Section 401(k) of the Internal Revenue Code. For the periods ended December 31, 1994, December 31, 1995, October 16, 1996, and December 31, 1996, the cost of the plan was \$1.6 million, \$1.7 million, \$1.4 million and \$352,000, respectively. Included in the Investment Savings Plan, ARACS sponsors a defined contribution plan for substantially all non-union full-time employees not otherwise covered. Costs for this plan are determined at 2% of each covered employee's compensation. Employer contributions and costs of the plan for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996 amounted to \$1.7 million, \$1.8 million, \$1.5 million and \$394,000, respectively.

The defined benefit plans provide 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 3/7% 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.

The Company also sponsors several foreign pension plans. The most significant of these is the Canadian pension plan.

The status of the defined benefit plans at December 31, 1995 and 1996 is as follows (in thousands):

	1995		
	----- U.S. PLANS -----		
	SALARIED AND HOURLY EMPLOYEES AS OF JUNE 30, 1985	BARGAINING PLAN	CANADIAN PLAN -----
Actuarial present value of accumulated benefit obligations:			
Vested.....	\$(37,040)	\$(5,327)	\$(2,349)
Nonvested	(4,186)	(201)	
Total	\$ (41,226)	\$ (5,528)	\$ (2,349)
	=====	=====	=====
Actuarial present value of projected benefit obligation.....	\$ 57,780	\$ 5,528	\$ 2,566
Plan assets at fair value	51,633	4,426	7,072
Projected benefit obligation (in excess of) less than plan assets	(6,147)	(1,102)	4,506
Unrecognized net actuarial loss (gain)	4,713	455	(557)
Prior service cost (gain) not yet recognized in net periodic pension cost	(2,798)	996	
Remaining unrecognized obligation		(1,451)	
Unrecognized net transition asset			(2,944)
	-----	-----	-----
Pension (liability) asset included in the statement of financial position.....	\$ (4,232)	\$ (1,102)	\$ 1,005
	=====	=====	=====

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	1996		
	----- U.S. PLANS -----		
	SALARIED AND HOURLY EMPLOYEES AS OF JUNE 30, 1985	BARGAINING PLAN	CANADIAN PLAN

Actuarial present value of accumulated benefit obligations:			
Vested	\$(43,406)	\$(7,147)	\$(3,389)
Nonvested	(4,671)	(284)	

Total	\$(48,077)	\$(7,431)	\$(3,389)
	=====		
Actuarial present value of projected benefit obligation	\$ 66,083	\$ 7,431	\$ 3,703
Plan assets at fair value	60,697	6,623	8,323

Projected benefit obligation (in excess of) less than plan assets	(5,386)	(808)	4,620
Unrecognized net actuarial loss (gain)	1,440	37	(336)
Prior service cost not yet recognized in net periodic pension cost		878	
Remaining unrecognized obligation		(915)	
Unrecognized net transition asset			(2,833)

Pension (liability) asset included in the statement of financial position.....	\$ (3,946)	\$ (808)	\$ 1,451
	=====		

Net pension costs of the defined benefit plans for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996, include the following components (in thousands):

	YEAR ENDED DECEMBER 31, 1994		YEAR ENDED DECEMBER 31, 1995	
	U.S. PLANS	CANADIAN PLAN	U.S. PLANS	CANADIAN PLAN
	-----		-----	
Service cost--benefits earned during the period	\$ 2,820	\$ 102	\$ 2,566	\$ 76
Interest cost on projected benefit obligation	3,708	271	4,069	304
Return on assets--Actual loss (gain) on plan assets	1,626	(586)	(10,768)	(578)
Net amortization of actuarial (gain) loss and prior service cost	(5,702)		6,184	
Contributions to union plans and other ..	2,057		2,211	
Amortization of unrecognized net asset at transition		(134)		(130)
	-----		-----	
Net pension cost (benefit)	\$ 4,509	\$ (347)	\$ 4,262	\$(328)
	=====		=====	

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	JANUARY 1, 1996 TO OCTOBER 16, 1996		OCTOBER 17, 1996 (DATE OF ACQUISITION) TO DECEMBER 31, 1996	
	U.S. PLANS	CANADIAN PLAN	U.S. PLANS	CANADIAN PLAN
	-----	-----	-----	-----
Service cost--benefits earned during the period	\$ 2,401	\$ 59	\$ 302	\$ 28
Interest cost on projected benefit obligation	3,679	206	357	54
Return on assets--Actual (gain) on plan assets	(3,194)	(538)	(551)	(115)
Net amortization of actuarial (gain) loss and prior service cost	(794)		390	
Contributions to union plans and other ..	2,029		733	
Amortization of unrecognized net asset at transition		(106)		(28)
Net pension cost (benefit)	\$ 4,121	\$ (379)	\$1,231	\$ (61)
	=====	=====	=====	=====

At December 31, 1995 and 1996, the measurement of the projected benefit obligation was based upon the following:

	1995		1996	
	U.S. PLANS	CANADIAN PLAN	U.S. PLANS	CANADIAN PLAN
	-----	-----	-----	-----
Discount rate	7.50%	9.50%	7.75%	7.00%
Compensation increase	5.00	5.50	5.00	4.00
Long-term return on plan assets	8.75	9.50	8.75	7.00

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 Company also sponsors a non-qualified defined benefit pension plan. The liability for this unfunded plan was \$4.6 million and \$8.8 million at December 31, 1995 and 1996, respectively, and is included in accrued liabilities on the accompanying statement of financial position. The projected benefit obligation of the plan was \$6.0 million and \$10.0 million at December 31, 1995 and 1996, respectively.

NOTE 11 -- 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.

AVIS RENT A CAR, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Operating lease payments and airport concession fees charged to expense for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996 are as follows (in thousands):

	YEARS ENDED DECEMBER 31,		OCTOBER 17, 1996 (DATE OF ACQUISITION) TO	
	1994	1995	JANUARY 1, 1996 TO OCTOBER 16, 1996	DECEMBER 31, 1996
Minimum fees.....	\$102,104	\$108,965	\$ 88,787	\$23,576
Contingent fees	45,633	56,624	61,290	13,220
	147,737	165,589	150,077	36,796
Less sublease rentals	(4,082)	(4,427)	(3,843)	(1,000)
	\$143,655	\$161,162	\$146,234	\$35,796

Future minimum rental commitments under noncancelable operating leases amounted to approximately \$338.0 million at December 31, 1996. The minimum rental payments due in each of the next five years ending December 31, and thereafter, are as follows (in thousands):

1997	\$86,264
1998	62,400
1999	43,179
2000	32,669
2001	20,805
Thereafter ..	92,709

In addition to the Company's lease commitments, the Company has outstanding purchase commitments of approximately \$1.5 billion at December 31, 1996, which relate principally to vehicle purchases.

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 -- SEGMENT INFORMATION

The Company operates in the United States and in foreign countries. The operations within major geographic areas for the periods ended December 31, 1994, December 31, 1995, October 16, 1996 and December 31, 1996 are summarized as follows (in thousands):

	YEARS ENDED DECEMBER 31,		JANUARY 1, 1996	OCTOBER 17, 1996
	1994	1995	TO OCTOBER 16, 1996	(DATE OF ACQUISITION) TO DECEMBER 31, 1996
Revenue:				
United States.....	\$1,241,465	\$1,414,380	\$1,313,619	\$ 312,194
Australia/New Zealand	92,929	113,744	105,401	31,107
Canada	59,571	67,809	69,814	13,467
Other foreign operations	18,435	20,018	15,839	6,076
	-----	-----	-----	-----
	\$1,412,400	\$1,615,951	\$1,504,673	\$ 362,844
	=====	=====	=====	=====
Income (loss) before provision for income taxes:				
United States.....	\$ 21,759	\$ 32,122	\$ 48,098	\$ (2,346)
Australia/New Zealand	14,736	17,198	15,884	4,706
Canada	7,434	6,838	8,433	(1,752)
Other foreign operations	8,387	4,542	(2,616)	1,653
	-----	-----	-----	-----
	\$ 52,316	\$ 60,700	\$ 69,799	\$ 2,261
	=====	=====	=====	=====
Total assets at end of period:				
United States.....	\$2,344,723	\$2,535,621	\$2,859,202	\$2,750,119
Australia/New Zealand	109,649	133,629	115,082	120,216
Canada	96,660	97,426	147,617	122,657
Other foreign operations	52,081	58,222	65,796	138,365
	-----	-----	-----	-----
	\$2,603,113	\$2,824,898	\$3,187,697	\$3,131,357
	=====	=====	=====	=====

NOTE 13 -- LITIGATION

Certain litigation has been initiated against the Company which has arisen during the normal course of operations. Since litigation is subject to many uncertainties, the outcome of any individual matter is not predictable with any degree of certainty, and it is reasonably possible that one or more of these matters could be decided unfavorably against the Company. The Company maintains insurance policies that cover most of the actions brought against the Company. Two legal actions have been filed against ARACS alleging discrimination in the rental of vehicles. HFS has agreed to indemnify the Company from any unfavorable outcome with respect to these matters upon the consummation of an IPO. The Company is currently not involved in any legal proceeding which it believes would have a material adverse effect upon its consolidated financial condition or results of operations.

NOTE 14 -- 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. A member of the board of directors and an executive officer of HFS serve on the board of Avis Europe Limited (formerly Cilva), the parent company of Avis Europe, plc.

AVIS RENT A CAR, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Vehicle manufacturers offer vehicle repurchase programs on an ongoing basis to assist in the acquisition and disposition of vehicles. These programs generally allow the Company, at its option, subject to certain provisions, to sell the vehicles back to the manufacturers at pre-determined prices. Amounts included under these programs are reflected in "Accounts receivable" (see Note 2). Under the terms of certain financing agreements with General Motors, the Company is required to purchase a significant percentage of its fleet from local dealers of General Motors subject to market conditions. In addition, the Company participates in an arrangement whereby General Motors provides payments for purchasing and promoting a specified number and mix of vehicles (see Note 4). At December 31, 1995 and 1996, the Company has a \$450.0 million and a \$250.0 million line of credit, respectively, from General Motors which may be used for either ESOP or vehicle trust financing (see Note 7). Of this facility, \$300.0 million and \$200.0 million is available for subordinated debt at December 31, 1995 and 1996, respectively. As of December 31, 1995 and 1996, the Company utilized \$118.0 million of this facility, of which \$93.4 million and \$54.3 million was subordinated, respectively. This facility requires a fee of 1/4 of 1% on the unused portion.

NOTE 15 -- SUBSEQUENT EVENTS

On August 20, 1997, the Company purchased The First Gray Line Corporation and its subsidiaries for approximately \$210 million, including expenses. The fair value of unaudited assets and liabilities, exclusive of cost in excess of the fair value of net assets acquired, at June 30, 1997 are \$332.3 million and \$296.3 million, respectively. The transaction is subject to customary closing conditions and regulatory approval.

On July 31, 1997, the Company refinanced all of its domestic debt. This debt was refinanced by utilizing a \$3.65 billion asset-backed structure, which consisted of (i) a \$2.0 billion Commercial Paper Program and (ii) a \$1.65 billion Medium Term Note Issuance with maturities of 3 and 5 years.

ARACS is party to a \$470.0 million secured credit agreement that provides for (i) a revolving credit facility in the amount of up to \$125.0 million which is available on a revolving basis until December 31, 2000 (the "Final Maturity Date") in order to finance the general corporate needs of ARACS in the ordinary course of business (with up to \$75.0 million of such amount available for the issuance of standby letters of credit to support worker's compensation and other insurance and bonding requirements of ARACS, the Company and their subsidiaries in the ordinary course of business), (ii) a term loan facility in the amount of \$120.0 million to finance general corporate needs in the ordinary course of business, which will be repayable in four installments, the first three of which shall be in the amount of \$1.0 million payable on June 30, 1998, June 30, 1999 and June 30, 2000 and the remainder of which will be due on the Final Maturity Date, and (iii) a standby letter of credit facility of up to \$225.0 million available on a revolving basis to fund (a) any shortfall in certain payments owing pursuant to fleet lease 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. Under terms of this facility, the Company will be required to meet the following covenants (i) certain maximum leverage ratios, (ii) certain minimum interest coverage ratios, and (iii) certain minimum fixed charge coverage. In addition, the Credit Facility prohibits the payment of cash dividends until the fiscal year ending December 31, 1998 and, thereafter, permits the payment of dividends only if the Company meets a minimum leverage ratio, the amount of such dividend does not exceed a designated percentage of the Company's cash flow and no default exists. Interest rates under these new facilities ranged from 5.6% to 7.8% at July 31, 1997.