AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 19, 2001

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

APRIL 18, 2001 (APRIL 18, 2001)
(DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

CENDANT CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	1-10308 (COMMISSION FILE NO.)	06-0918165 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
9 WEST 57TH STREET NEW YORK, NY (ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)		10019-2601 (ZIP CODE)

(212) 413-1800
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

ITEM 5. OTHER EVENTS

This Current Report on Form 8-K of the Company is being filed to make available pro forma financial data giving effect to the following transactions as of and for the year ended December 31, 2000: the acquisition of Avis Group Holdings, Inc. ("Avis"), which closed on March 1, 2001, and various finance-related activities which occurred during the first quarter of 2001, including issuances of debt and equity securities, and the conversion of the PRIDES to equity securities.

See Exhibits 99.1 and 99.2 for financial statements of Avis and pro forma financial information giving effect to the aforementioned activities.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Statements about future results made in this release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and the current economic environment. The Company cautions that these statements are not guarantees of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the Company's Form 10-K for the year ended December 31, 2000.

Such forward-looking statements include projections. Such projections were not prepared in accordance with published guidelines of the American Institute of Certified Public Accountants or the SEC regarding projections and forecasts, nor have such projections been audited, examined or otherwise reviewed by independent auditors of Cendant or its affiliates. In addition, such projections are based upon many estimates and are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of management of Cendant and its affiliates. Certain of such uncertainties and contingencies are specified in Cendant's Form 10-K for the year ended December 31, 2000. Accordingly, actual results may be materially higher or lower than those projected. The inclusion of such projections herein should not be regarded as a representation by Cendant or its affiliates that the projections will prove to be correct.

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

(a) Financial Statements of Business Acquired.

SEE EXHIBIT 99.1 ATTACHED HERETO FOR FINANCIAL STATEMENTS OF AVIS GROUP HOLDINGS, INC.

(b) Pro Forma Financial Information.

SEE EXHIBIT 99.2 ATTACHED HERETO FOR PRO FORMA FINANCIAL INFORMATION GIVING EFFECT TO THE ACQUISITION OF AVIS GROUP HOLDINGS, INC. AND VARIOUS FINANCE-RELATED ACTIVITIES WHICH OCCURRED DURING THE FIRST QUARTER OF 2001.

(c) Exhibits.

SEE EXHIBIT INDEX.

SIGNATURES

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

CENDANT CORPORATION

/s/ KEVIN M. SHEEHAN

Kevin M. Sheehan
Senior Executive Vice President and Chief Financial Officer

/s/ JOHN T. MCCLAIN

John T. McClain
Senior Vice President, Finance and Corporate Controller

Date: April 18, 2001

CENDANT CORPORATION
CURRENT REPORT ON FORM 8-K

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
23.1	Consent of Deloitte & Touche LLP, relating to Avis Group Holdings, Inc.
99.1	Financial Statements of Business Acquired
99.2	Pro Forma Financial Information (unaudited)

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Current Report on Form 8-K under the Securities and Exchange Act of 1934 of Cendant Corporation dated April 18, 2001 of our report dated January 29, 2001 (March 2, 2001 as to Note 27) relating to the consolidated financial statements of Avis Group Holdings, Inc. for the years ended December 31, 2000, 1999 and 1998 and to the incorporation by reference in Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, 333-86469 and 333-51586 of Cendant Corporation on Form S-3 and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303, 333-78475, 333-38638, 333-51544 and 333-58670 of Cendant Corporation on Form S-8 under the Securities Act of 1933 of our report dated January 29, 2001 (March 2, 2001 as to Note 27) appearing in the above-mentioned Current Report on Form 8-K of Cendant Corporation.

/s/ Deloitte & Touche LLP
New York, New York
April 16, 2001

Exhibit 99.1

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Avis Group Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
New York, New York
January 29, 2001
(March 2, 2001 as to Note 27)

AVIS GROUP HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Years Ended December 31, 2000	1999	1998
Revenue:			
Vehicle rental	$2,613,476	$2,500,746	$2,297,582
Vehicle leasing	1,389,312	692,935	
Other fee based	240,896	139,046	
	4,243,684	3,332,727	2,297,582
Costs and expenses:			
Direct operating, net	965,826	957,270	927,930
Vehicle depreciation and lease charges, net	1,695,193	1,174,509	593,064
Selling, general and administrative	692,939	582,056	436,275
Interest, net	577,275	382,303	192,080
Minority interest	7,208	5,890	
Non-vehicle depreciation and amortization	47,279	34,600	24,151
Amortization of cost in excess of net assets acquired	42,086	30,182	11,854
	4,027,806	3,166,810	2,185,354
Income before provision for income taxes	215,878	165,917	112,228
Provision for income taxes	95,202	73,332	48,707
Net income	120,676	92,585	63,521
Preferred stock dividends	18,906	9,110	
Earnings applicable to common stockholders	$ 101,770	$ 83,475	$ 63,521
Earnings per share:			
Basic	$ 3.27	$ 2.66	$ 1.86
Diluted	$ 3.19	$ 2.61	$ 1.82

See accompanying notes to the consolidated financial statements.

AVIS GROUP HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands, except share amounts)

	December 31, 2000	December 31, 1999
ASSETS		
Cash and cash equivalents	$ 115,270	$ 71,697
Cash held on deposit with financial institution	87,607	93,530
Restricted cash	229,484	253,080
Accounts receivable, net	992,685	1,115,740
Finance lease receivables	159,145	871,034
Prepaid expenses	63,308	64,316
Vehicles, net - rental	3,761,454	3,367,362
Vehicles, net - leasing	3,205,380	3,134,009
Property and equipment, net	196,758	197,827
Other assets	114,587	115,273
Investment in PHH /Arval joint venture	161,420	
Cost in excess of net assets acquired, net	1,326,736	1,794,390
Total assets	$ 10,413,834	$ 11,078,258
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY		
Accounts payable	$ 517,299	$ 588,377
Accrued liabilities	365,538	369,453
Due to affiliates, net	37,726	59,396
Current income tax liabilities	17,184	18,226
Deferred income tax liabilities, net	459,493	181,256
Public liability, property damage and other insurance liabilities, net	250,249	259,756
Debt	7,522,240	8,469,805
Minority interest (preferred membership interest)	99,305	99,305
Total liabilities	9,269,034	10,045,574
Commitments and contingencies		
Preferred stock:		
Series A Preferred stock ($.01 par value, 7,200,000 shares authorized and issued at December 31, 2000 and 1999; $50 liquidation preference)	360,000	360,000
Series B Preferred stock ($.01 par value, 5,880,217 shares authorized; 264,500 shares and 180,000 shares issued at December 31, 2000 and 1999, respectively; $50 liquidation preference)	27,686	9,000
Series C Preferred stock ($.01 par value, 40,000 shares authorized and issued at December 31, 2000 and 1999; $50 liquidation preference)	2,000	2,000
Total Preferred stock	389,686	371,000
Common stockholders' equity:		
Class A Common stock ($.01 par value, 100,000,000 shares authorized; 35,925,000 shares issued at December 31, 2000 and 1999)	359	359
Class B Common stock ($.01 par value, 15,000,000 shares authorized at December 31, 2000; none issued)		
Additional paid-in capital	593,829	593,106
Retained earnings	277,460	175,690
Accumulated other comprehensive loss	(19,996)	(3,639)
Treasury stock (4,456,531 and 4,793,288 shares of Class A Common stock at December 31, 2000 and 1999, respectively, at cost)	(96,538)	(103,832)
Total common stockholders' equity	755,114	661,684
Total liabilities, preferred stock and common stockholders' equity	$ 10,413,834	$ 11,078,258

See accompanying notes to the consolidated financial statements.

AVIS GROUP HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Comprehensive Income	Class A Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Total
Balance, January 1, 1998*		$309	$ 430,507	$ 28,694	$ (5,788)		$ 453,722
Net income	$ 63,521			63,521			63,521
Sale of Class A Common Stock ($.01 par value) through a public offering of 5,000,000 shares of common stock on March 23, 1998		50	161,144				161,194
Purchases of Class A Common Stock for the treasury, 2,672,700 shares, at cost						$ (50,960)	(50,960)
Foreign currency translation adjustment, net of income taxes	(3,374)				(3,374)		(3,374)
Additional minimum pension charge, net of income taxes	(1,489)				(1,489)		(1,489)
Comprehensive income	$ 58,658						
Balance, December 31, 1998 *		359	591,651	92,215	(10,651)	(50,960)	622,614
Net income	$ 92,585			92,585			92,585
Preferred stock dividends				(9,110)			(9,110)
Purchases of Class A Common Stock for the treasury, 2,327,300 shares, at cost						(57,237)	(57,237)
Issuance of 206,712 shares of Class A Common Stock from the treasury for exercise of stock options and other, net			1,455			4,365	5,820
Foreign currency translation adjustment, net of income taxes	6,199				6,199		6,199
Additional minimum pension benefit, net of income taxes	813				813		813
Comprehensive income	$ 99,597						
Balance, December 31, 1999 *		359	593,106	175,690	(3,639)	(103,832)	661,684
Net income	$ 120,676			120,676			120,676
Preferred stock dividends				(18,906)			(18,906)
Issuance of 336,757 shares of Class A Common Stock from the treasury for exercise of stock options and other, net			723			7,294	8,017
Foreign currency translation adjustment, net of income taxes	(15,852)				(15,852)		(15,852)
Additional minimum pension charge, net of income taxes	(505)				(505)		(505)
Comprehensive income	$ 104,319						
Balance, December 31, 2000 *		$359	$ 593,829	$ 277,460	$ (19,996)	$ (96,538)	$ 755,114

* - Class A common stock issued: 30,925,000 shares at January 1, 1998 and 35,925,000 shares at December 31, 1998, 1999 and 2000.

Treasury stock held: 2,672,700 shares, 4,793,288 shares and 4,456,531 shares, at December 31, 1998, 1999 and, 2000, respectively.

See accompanying notes to the consolidated financial statements.

AVIS GROUP HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 120,676	$ 92,585	$ 63,521
Adjustments to reconcile net income to net cash provided by operating activities:			
Vehicle depreciation	1,667,552	1,146,926	581,022
Depreciation and amortization of property and equipment	25,321	19,558	12,890
Amortization of other non-revenue producing assets	64,044	45,224	23,115
Deferred income tax provision	59,869	57,027	38,457
Provision for doubtful accounts receivable	16,258	6,137	2,961
Provision for public liability, property damage and other insurance liabilities, net	(10,107)	(1,819)	13,687
Changes in operating assets and liabilities:			
Restricted cash	(22,064)	(62,588)	(26,300)
Accounts receivable	(210,019)	(89,568)	(14,045)
Prepaid expenses	(3,983)	(6,336)	6,848
Other assets	(29,380)	21,654	(5,625)
Accounts payable	116,793	54,299	(23,148)
Accrued liabilities	(23,842)	7,795	(2,475)
Due to affiliates	(23,322)	(192,951)	(18,320)
Net cash provided by operating activities	1,747,796	1,097,943	652,588
Cash flows from investing activities:			
Payments for vehicle additions	(7,486,421)	(5,605,494)	(4,303,048)
Vehicle deletions	5,008,078	4,205,221	3,610,721
Increase in finance lease receivables	(32,882)	(22,663)	
Payments for additions to property and equipment	(56,577)	(48,240)	(42,933)
Retirements of property and equipment	10,942	(6,419)	5,603
Proceeds from the sale of 80% of PHH Europe, net of cash of $104,765	695,684		
Settlement of PHH Europe intercompany accounts	225,819		
Dividend from PHH/Arval joint venture	32,426		
Payments for purchase of rental car franchise licensees, net	(30)	(45,192)	(237,182)
Payment for purchase of PHH Holdings, net of cash acquired		(1,325,781)	
Proceeds from the sale and leaseback of office building		32,156	
Net cash used in investing activities	(1,602,961)	(2,816,412)	(966,839)
Cash flows from financing activities:			
Proceeds from public offerings, net			161,194
Reductions (purchases) of Class A Common Stock (for) from the treasury	6,183	(53,868)	(50,960)
Preferred stock dividends	(220)		
Changes in debt:			
Proceeds	2,916,012	6,120,545	1,217,289
Repayment of acquisition and other debt from the proceeds of the sale of 80% of PHH Europe	(1,054,437)		
Repayments of debt	(1,953,442)	(4,307,537)	(1,023,432)
Net (decrease) increase in debt	(91,867)	1,813,008	193,857
Payments for debt issuance costs	(20,812)	(6,543)	(4,654)
Increase in minority interest (preferred membership interest)		99,305	
Net cash (used in) provided by financing activities	(106,716)	1,851,902	299,437
Effect of exchange rate changes on cash	(469)	2,043	(334)
Net increase (decrease) in cash and cash equivalents and cash held on deposit with financial institution	37,650	135,476	(15,148)
Cash and cash equivalents and cash held on deposit with financial institution at beginning of year	165,227	29,751	44,899
Cash and cash equivalents and cash held on deposit with financial institution at end of year	$ 202,877	$ 165,227	$ 29,751
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 586,744	$ 370,247	$ 209,977
Income taxes	$ 38,009	$ 28,877	$ 13,338
Businesses acquired:			
Fair value of assets acquired, net of cash acquired		$ 6,004,777	$ 244,501

Liabilities assumed		4,271,804	7,319
Net assets acquired		1,732,973	237,182
Less issuance of Series A and Series C Preferred stock		362,000	
Net cash paid for acquisitions		$ 1,370,973	$ 237,182
Assets and liabilities contributed to joint venture:			
Assets	$ 1,731,489		
Liabilities	1,035,805		
Proceeds received from the sale of 80% of PHH Europe, net of cash of $104,765	$ 695,684		

See accompanying notes to the consolidated financial statements.

Note 1-Summary of Significant Accounting Policies

The Company

The accompanying consolidated financial statements include Avis Group Holdings, Inc. and subsidiaries, which was incorporated on October 17, 1996. The Company and its former parent, Avis Inc., were acquired by Cendant Corporation ("Cendant") on October 17, 1996 (the "Date of Acquisition"). Avis Group Holdings, Inc. and subsidiaries are referred to throughout the notes to the consolidated financial statements as (the "Company"). On January 1, 1997, Avis, Inc., the Company's former ultimate parent, a wholly-owned subsidiary of Cendant, contributed the net assets of its corporate operations and all of its common stock ownership in Avis International, Ltd. and subsidiaries, Avis Enterprises, Inc. and subsidiaries, Pathfinder Insurance Company and Global Excess & Reinsurance, Ltd. to the Company. Pursuant to a plan developed by Cendant prior to the Date of Acquisition, Cendant caused the Company to undertake an initial public offering ("IPO"). On September 24, 1997, the Company issued and sold 22,425,000 shares of its common stock through such IPO and received net proceeds of $359.3 million. On March 23, 1998, the Company sold 5,000,000 shares of its common stock through a public offering (the "Offering") and received net proceeds of approximately $161.2 million. In addition, in the Offering on March 23, 1998, Cendant reduced its ownership of the Company by selling 1,000,000 shares of the Company's common stock and retained the net proceeds. As a result of the IPO, the Offering on March 23, 1998, the net repurchase of 2,120,588 shares and 2,672,700 shares of treasury stock by the Company during the years ended December 31, 1999 and 1998, respectively, and the issuance of Series A and C preferred stock in connection with the VMS acquisition (see Notes 2, 15 and 16), Cendant's common stockholder's equity interest in the Company at January 1, 2001 is approximately 18% excluding potential conversion of Preferred Stock (see Notes 15, 17 and 25). The Company has used the net proceeds from these offerings to (i) acquire certain Avis System franchises (see Note 2) and (ii) for working capital and general corporate purposes, including the repayment of certain indebtedness. A Cendant subsidiary owns and operates the reservation system as well as the telecommunications and computer processing systems which service the rental car operations for reservations, rental agreement processing, accounting and vehicle control. Cendant is reimbursed for such services at cost (see Note 6). In addition, a Cendant subsidiary charges the Company a royalty fee for the use of the Avis trade name (see Note 6).

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

On June 30, 1999, the Company completed the transaction contemplated by the Agreement and Plan of Merger and Reorganization dated as of May 22, 1999 (the "Merger Agreement"), with PHH Corporation, a Maryland corporation and wholly-owned subsidiary of Cendant, PHH Holdings Corporation ("PHH Holdings"), a Texas corporation and wholly-owned subsidiary of PHH Corporation, and Avis Fleet Leasing and Management Corporation, a Texas corporation and a wholly-owned subsidiary of the Company (the "Acquisition Subsidiary"). Pursuant to the Merger Agreement, the Acquisition Subsidiary and PHH Holdings merged on June 30, 1999 and the Acquisition Subsidiary acquired the fleet leasing and management and fuel card business of PHH corporation ("VMS") for approximately $1.8 billion and refinanced VMS indebtedness of approximately $3.5 billion (the "VMS Acquisition"). The acquisition financing included borrowings by the Company of $1 billion of term loans, the issuance by the Company of $500 million of senior subordinated notes, and the issuance by the Acquisition Subsidiary of $362 million of preferred stock (see Notes 11, 15 and 16).

On August 9, 2000, the Company completed a transaction with BNP Paribas ("BNP") to form a joint venture company that owns PHH Europe. As part of the transaction, BNP acquired an 80% interest in the joint venture, with the Company retaining a 20% interest. The Company received $800 million in cash and had its intercompany indebtedness with PHH Europe repaid. PHH Europe, with operations in the United Kingdom and Germany, is engaged in the business of leasing vehicles and providing fee based services, including fuel and maintenance cards, accident management and other vehicle services to its customers. Accordingly, the Company's 20% investment in the joint venture is reported as Investment in PHH/Arval joint venture in the accompanying Consolidated Statement of Financial Position and the earnings of the joint venture are included in the Statement of Operations on the equity method of accounting. The difference between the carrying value of the net assets of PHH Europe and the proceeds from the sale have been accounted for as a reduction of cost in excess of net assets acquired relating to the VMS Acquisition.

Cendant Merger Agreement

On November 11, 2000 Cendant and the Company entered into a definitive agreement for Cendant to acquire all of the outstanding shares of the Company that are not currently owned by Cendant at a price of $33.00 per share (the "Merger Consideration"), in cash, and all outstanding and unexerised options to purchase the common stock of the Company, (which have not elected to convert their options to Cendant options) at the excess of the Merger Consideration over the per share exercise price of each option. Approximately 25.9 million outstanding shares of the Company's Class A Common Stock shares are not owned by Cendant and approximately 7.5 million unexercised non-converted options are outstanding.

Principles of Consolidation

All material intercompany accounts and transactions have been eliminated.

Accounting Estimates

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

Revenue Recognition

Vehicle Rental Revenue:

Revenue is recognized over the period the vehicle is rented.

Vehicle Leasing Revenue:

The Company primarily leases vehicles under three standard arrangements: open-end operating leases, closed-end operating leases or open-end finance leases (direct financing leases). These leases are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases". Each lease is either classified as an open-end or closed-end operating lease or open-end finance lease and are included in Vehicles, net-leasing and Finance lease receivables, respectively, on the accompanying Consolidated Statements of Financial Position. Vehicle lease terms generally range from 36 to 72 months. Amounts charged to the leases for interest on the unrecovered investment are credited to income on a level yield method.

Other Fee Based Revenue:

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

Cash and Cash Equivalents

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

Cash Held on Deposit with Financial Institution

Cash held on deposit with financial institution represents lease payments collected from the Company's vehicle leasing customers by one of the Company's lenders in connection with the Company's VMS Domestic Asset Based Financing Structure (see Vehicle Leasing and Other Fee Based Debt in Note 11). Cash collected during the month by the lender, net of vehicle purchases, is settled with the Company in the early part of the following month.

Restricted Cash

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

Finance Lease Receivables

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

The Company records the cost of the leased vehicle as an "investment in finance leases". Amounts charged to the lessees for interest on the unrecovered investment are credited to income on a level yield method.

Vehicles, Net

Rental vehicles are stated at cost, net of accumulated depreciation, incentives and allowances. In accordance with industry practice, when vehicles are sold, gains or losses are reflected as an adjustment to depreciation. Vehicles are generally depreciated at rates ranging from 11% to 28% per annum. Manufacturers provide the Company with incentives and allowances (such as rebates and volume discounts) which are amortized to income over the holding periods of the vehicles.

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

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

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

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

Property and Equipment, Net

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

Cost in Excess of Net Assets Acquired, Net

Cost in excess of net assets acquired is amortized over a 40 year period and is shown net of accumulated amortization of $85.6 million and $50.7 million at December 31, 2000 and 1999, respectively.

Impairment Accounting

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

Public Liability, Property Damage and Other Insurance Liabilities, Net

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

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

Foreign Currency Translation

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

Income Taxes

The Company files a U.S. consolidated federal income tax return and has adopted the calendar year as its fiscal year. The Company files separate income tax returns in states where a consolidated return is not permitted. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), deferred income tax assets and liabilities are recorded for the differences between the financial accounting and tax basis of assets and liabilities, using enacted rates in effect in the years in which the differences are expected to reverse.

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 $89.2 million, $86.7 million and $77.5 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Derivative Financial Instruments

Derivative financial instruments are used to manage exposure to market risks associated with fluctuations in interest rates. Analyses are performed on an on-going basis to determine that a high correlation exists between the characteristics of derivative instruments and the assets or transactions being hedged. As a matter of policy, derivative activities are not engaged for trading or speculative purposes. Exposure to credit-related losses exist in the event of non-performance by counterparties to certain derivative financial instruments. At December 31, 2000, the Company's derivative financial instruments included interest rate swap agreements, interest rate cap and floor agreements, gasoline options and options embedded in certain interest rate swap agreements, "Swaptions" (see Notes 11, 13, 15 and 27).

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

Environmental Costs

The Company's operations include the storage and dispensing of gasoline. The Company accrues losses associated with the remediation of accidental fuel discharges when such losses are probable and reasonably estimatable. 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.

Recent Accounting Pronouncements

A recent pronouncement of the Financial Accounting Standards Board which is not required to be adopted at this date, is SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS No. 133"), which is effective for the Company's consolidated financial statements for the year ending December 31, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133, as amended by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No.133" and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", is effective for the Company as of January 1, 2001. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. Adoption of these new accounting standards will result in cumulative after-tax reductions in net income of approximately $7.6 million and an increase in accumulated other comprehensive income of approximately $2.4 million in the first quarter of 2001.

A recent pronouncement of the Financial Standards Board which is not required to be adopted at this date, except for certain disclosures, is SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", ("SFAS No. 140"), which is effective for the Company's consolidated financial statements for the year ending December 31, 2001. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. The Company does not believe that SFAS No. 140 will have a material impact on its consolidated financial statements.

Reclassifications

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

Note 2 - Acquisitions

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

On June 30, 1999, the Company completed the transaction contemplated by the Merger Agreement with PHH Corporation, PHH Holdings Corporation and the Acquisition Subsidiary. Pursuant to the Merger Agreement, the Acquisition Subsidiary and PHH Holdings merged on June 30, 1999 and the Acquisition Subsidiary acquired the fleet leasing and management and fuel card business of VMS for approximately $1.8 billion and refinanced VMS indebtedness of approximately $3.5 billion. The acquisition financing included borrowings by the Company of $1 billion of term loans, the issuance by the Company of $500 million of senior subordinated notes, and the issuance by the Acquisition Subsidiary of $362 million of preferred stock (see Notes 11, 15 and 16).

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

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

Purchase cost	$ 1,917,949
Fair value of:	
Assets acquired	4,814,319
Liabilities assumed	(4,283,402)
Net assets	530,917
Cost in excess of net assets acquired	$ 1,387,032

The following unaudited pro forma information presents the results of operations of the Company as if the acquisition of VMS for approximately $1.8 billion (including the issuance of Series A and Series C Preferred Stock) and the refinancing of VMS indebtedness and related adjustments had taken place on January 1, 1998 (in thousands, except per share data):

	Years Ended December 31,	
	1999	1998
Revenue	$4,144,670	$3,907,039
Income before provision for income taxes	$ 141,386	$ 65,596
Net income	$ 73,156	$ 26,916
Preferred stock dividends	18,220	18,220
Earnings applicable to common stockholders	$ 54,936	$ 8,696
Earnings per share:		
Basic	$ 1.75	$ .25
Diluted	$ 1.72	$ .25

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

Note 3 - Formation of Joint Venture

On August 9, 2000, the Company announced that it had completed a transaction with BNP Paribas ("BNP") to form a joint venture company that owns PHH Europe and, which within one year, will merge with BNP's vehicle management subsidiary, Arval Service Lease S.A. ("Arval"). As part of the transaction, BNP acquired an 80% interest in the joint venture, with the Company retaining a 20% interest. The Company received $800 million in cash and had its intercompany indebtedness with PHH Europe repaid. The Company used the sale proceeds to retire Term Loans A, B and C of its outstanding Acquisition Financing (see Note 11).

The revenue and net income of PHH Europe included in the Consolidated Statements of Operations for the years ended December 31, 2000 and 1999 are (in thousands):

	2000	1999
Revenue	$ 158,939	$139,399
Net Income	$ 27,589	$ 30,969

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

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

Note 4 - Restricted Cash

At December 31, 2000 and 1999, restricted cash includes an escrow amount of $113,342,000 and $90,000,000, respectively, as required under the Company's debt agreements, to provide additional credit enhancement on the Company's Medium Term Notes and floating rate Rental Car Asset Backed Notes (see Note 11). Also included in restricted cash at December 31, 2000 and 1999 is $62,002,000 and $116,244,000, respectively, related to the VMS Domestic ABS Facilities and certain amounts which are set aside to satisfy claims under the Company's self-insurance programs and other obligations of the Company.

Note 5 - Accounts Receivable, Net

Accounts receivable, net at December 31, 2000 and 1999 consist of the following (in thousands):

	2000	1999
Vehicle leasing and other fee based services ...	$ 467,551	$ 699,006
Due from General Motors	257,906	196,497
Vehicle rentals	139,726	109,084
Vehicle related	79,688	51,282
Value added and provincial taxes	7,330	28,427
Damage claims	15,996	13,715
Other	34,649	25,398
	1,002,846	1,123,409
Less allowance for doubtful accounts	(10,161)	(7,669)
	$ 992,685	$ 1,115,740

Vehicle related amounts include receivables for vehicles sold under guaranteed repurchase contracts ("Repurchase Programs") and amounts due for incentives and allowances. Incentives and allowances are based on all of the following: the volume of vehicles to be purchased for a model year, the manufacturers' willingness to encourage the Company to retain vehicles rather than return the vehicles back to the manufacturers and the purchase of particular models not subject to repurchase under "buyback" arrangements. Incentives and allowances are amortized to income over the average holding period of the vehicles (see Note 8).

Note 6 - Due to Affiliates, Net

Due to affiliates, net at December 31, 2000 and 1999 consists of non-interest bearing advances due Cendant or its consolidated subsidiaries of $37.7 million and $59.4 million, respectively, for services. Non-interest bearing advances represents intercompany transactions relating primarily to royalty fees, reservation processing and data processing. In addition, at December 31, 2000, due to affiliates, net includes certain expenses incurred in connection with the Cendant acquisition of the Company (see Note 1), which will be paid by the acquiror.

Expense items of the Company include the following items from Cendant and affiliates of Cendant for the years ended December 31, 2000, 1999 and 1998 (in thousands):

	2000	1999	1998
Royalty fee	$104,538	$100,031	$ 91,904
Reservations	55,976	58,063	49,872
Data processing and other	53,106	43,700	35,844
Rent	5,265	4,639	4,648
	$218,885	$206,433	$182,268

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

In addition, for the years ended December 31, 2000, 1999 and 1998, the Company was charged by Cendant approximately $5.3 million, $4.1 million and $3.8 million, respectively, for certain software developed for internal use, which has been capitalized on the accompanying Consolidated Statements of Financial Position. Under the Computer Services Agreement with Cendant dated July 30, 1997, software developed for the Company's internal use is charged to the Company at Cendant's cost.

Note 7 - Finance Lease Receivables

Under these leases, the minimum lease term is 12 months with a month to month renewal thereafter. In addition, resale of the vehicles upon termination of the lease is for the account of either the lessor (PHH Europe) or the lessee (both North America and PHH Europe). The net investment in leases and leased vehicles at December 31, 2000 and 1999 consists of the following (in thousands):

	2000	1999
Future minimum lease payments receivable	$ 176,029	$ 561,157
Estimated unguaranteed residual value		392,191
Less unearned income	(16,884)	(82,314)
	$ 159,145	$ 871,034

At December 31, 2000, future minimum lease payments on the Company's direct financing leases are as follows (in thousands):

2001	$ 63,181
2002	52,458
2003	35,920
2004	17,843
2005	5,216
Thereafter	1,411
	$176,029

Note 8-Vehicles, Net

Vehicles, net at December 31, 2000 and 1999 consist of the following (in thousands):

	2000		1999	
	Vehicle Rental	Vehicle Leasing	Vehicle Rental	Vehicle Leasing
Rental vehicles	$ 4,098,992		$ 3,683,864	
Vehicles under open-end operating leases		$ 4,309,248		$ 3,337,191
Vehicles under closed-end operating leases		215,551		230,693
Buses and support vehicles	80,903		81,150	
Vehicles held for sale	47,535	28,656	19,757	40,400
	4,227,430	4,553,455	3,784,771	3,608,284
Less accumulated depreciation	(465,976)	(1,348,075)	(417,409)	(474,275)
	$ 3,761,454	$ 3,205,380	$ 3,367,362	$ 3,134,009

Depreciation expense for rental vehicles was $656.4 million, $644.6 million and 576.2 million for the years ended December 31, 2000, 1999 and 1998, respectively. Depreciation expense for leasing vehicles was $1,012.8 million for the year ended December 31, 2000. Depreciation expense for leasing vehicles for the period June 30, 1999 (date of acquisition) through December 31, 1999 was $507.7 million. Depreciation expense for rental vehicles is stated net of amortization of certain incentives and allowances from various vehicle manufacturers of approximately $128.6 million, $120 million and $119 million for the years ended December 31, 2000, 1999 and 1998, respectively. Depreciation expense for rental vehicles also reflects a net loss on the disposal of vehicles of $2.2 million, $5.4 million and $ 6.8 million for the years ended December 31, 2000, 1999 and 1998, respectively.

At December 31, 2000, future minimum lease payments to be received on the Company's open-end and closed-end operating leases are as follows (in thousands):

Years	
2001	$1,069,925
2002	889,635
2003	630,251
2004	341,857
2005	136,971
Thereafter	140,767
Total	$3,209,406

Other fleet leasing vehicles with net carrying amounts of $183.4 million and $233.6 million at December 31, 2000 and 1999, respectively, are included in special purpose entities which are not owned by the Company. These entities do not require consolidation as they are not controlled by the Company and all risks and rewards rest with the owners. Additionally, receivables related to managed vehicles totaling approximately $120.7 million and $110.9 million at December 31, 2000 and 1999, respectively, are owned by special purpose entities, which are owned by the Company. However, such assets and related liabilities have been netted in the Consolidated Statements of Financial Position since there is a two-party agreement with determinable amounts, a legal right to offset exists which the Company has exercised. The Company receives monies from vehicle manufacturers which is deferred and recognized on a straight line basis over the estimated life of the vehicles.

Vehicle Sale-Leaseback Transactions

During the years ended December 31, 2000 and 1999, the Company entered into sale-leaseback transactions with an independent third party ("Counterparty") in Canada. In addition, the Company is party to similar arrangements with the Counterparty resulting from transactions incurred prior to 1999. Under these arrangements, the Company sells its interest in operating leases and its vehicles under operating leases to the Counterparty. Then, it repurchases the leased vehicles (the Counterparty retains the lease rights). Subsequently, the Company leases the vehicles under a direct financing lease to the Counterparty. The Counterparty prepays all lease payments except for an agreed-upon residual amount. These residual amounts are typically 3% to 8% of the total lease payments. The residual amounts represent the total exposure to the Company from these transactions. The total amount of net investment in operating leases and leased vehicles sold under these agreements was $184.6 million and $48.1 million as of December 31, 2000 and 1999, respectively. At December 31, 2000 and 1999, the total outstanding prepaid rent and residual amounts outstanding under such agreements was $317.8 million and $21.5 million, and $286.7 million and $16.1 million, respectively. The total revenues recognized under these agreements was $128.8 million and $60.6 million for the years ended December 31, 2000 and 1999, respectively.

Note 9-Property and Equipment, Net

Property and equipment at December 31, 2000 and 1999 consist of the following (in thousands):

	2000	1999
Land	$ 22,862	$ 28,270
Buildings	10,532	8,191
Leasehold improvements	142,788	119,702
Furniture, fixtures and equipment	39,453	52,823
Construction-in-progress	37,451	32,975
	253,086	241,961
Less accumulated depreciation and amortization	(56,328)	(44,134)
	$ 196,758	$ 197,827

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

Note 10-Accrued Liabilities

Accrued liabilities at December 31, 2000 and 1999 consist of the following (in thousands):

	2000	1999
Payroll and related costs	$ 99,743	$106,209
Taxes, other than income taxes	15,103	15,664
Rents and property related	26,211	36,270
Interest	64,126	28,866
Sales and marketing	49,253	54,749
Vehicle related	11,159	29,355
Other	99,943	98,340
	$365,538	$369,453

Note 11-Financing and Debt

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

	2000	1999
Vehicle Rental		
Commercial Paper Notes	$ 919,800	$1,026,261
Short-term notes-foreign	196,882	111,259
Series 1997-1A asset-backed Medium Term Notes at 6.22%		800,000
Series 1997-1B asset-backed Medium Term Notes due May 2002 through October 2002 at 6.40%	850,000	850,000
Series 1998-1 asset-backed Medium Term Notes due December 2004 through May 2005 at 6.14%	600,000	600,000
Series 2000-1 floating rate Rental Car Asset-Backed Notes due February 2003 through July 2003	250,000	
Series 2000-2 floating rate Rental Car Asset-Backed Notes due March 2007 through August 2007	300,000	
Series 2000-3 floating rate Rental Car Asset-Backed Notes due May 2003 through October 2003	200,000	
Series 2000-4 floating rate Rental Car Asset-Backed Notes due June 2005 through November 2005	500,000	
Revolving credit facility due June 2005	225,000	62,000
Other	5,332	5,902
Total Vehicle Rental Debt	4,047,014	3,455,422
Vehicle Leasing and Other Fee Based Services		
Commercial Paper Notes	1,781,188	1,521,498
Canadian short term borrowings	14,026	44,563
Series 1999-2 floating rate asset-backed notes, Class A-1	550,000	550,000
Series 1999-2 floating rate asset-backed notes, Class A-2	450,000	450,000
Foreign Asset Backed Securities - UK Advances (see Note 3)		850,443
Self-fund notes	41,137	30,397
Wright Express Certificates of Deposit	138,875	67,482
Total Vehicle Leasing and Other Fee Based Services Debt	2,975,226	3,514,383
Total Vehicle Debt	7,022,240	6,969,805
Acquisition Financing		
Term A Loan Notes due June 2005 (see Note 3)		250,000
Term B Loan Notes due June 2006 (see Note 3)		375,000
Term C Loan Notes due June 2007 (see Note 3)		375,000
Senior Subordinated Notes due May 2009 at 11.00%	500,000	500,000
Total Acquisition Financing Debt	500,000	1,500,000
Total Debt	$7,522,240	$8,469,805

Vehicle Rental Debt

On July 31, 1997, the Company, through its wholly-owned subsidiary Avis Rent A Car System, Inc. ("ARACS"), entered into a domestic integrated fleet financing program that provided for financing for vehicles covered by Repurchase Programs, (the "Avis ABS Facility"). As of December 31, 2000, the availability under this financing program is $4.2 billion. The Avis ABS Facility provides for the issuance of up to $1.5 billion of asset-backed variable funding notes (the "Commercial Paper Notes") and $2.7 billion of asset backed medium term notes (the "Medium Term Notes"). The Commercial Paper Notes and the Medium Term Notes are backed by a first priority security interest in the domestic rental fleet. Additional credit enhancement is provided for the Medium Term Notes by an escrow account of $113 million and $90 million, which is included in "Restricted Cash" (see Note 4) on the accompanying Consolidated Statements of Financial Position at December 31, 2000 and 1999, respectively. The weighted average interest rates on the Commercial Paper Notes were 6.6%, and 6.4% at December 31, 2000 and 1999, respectively. The interest rates on the Series 2000-1, 2000-2, 2000-3 and 2000-4 floating rate asset-backed notes at December 31, 2000 were 6.9%, 7.0%, 6.9% and 6.9%, respectively.

On June 30, 1999, the Company entered into a $1.35 billion secured credit facility (the "Credit Facility") which is guaranteed by certain of it's subsidiaries. The Credit Facility consists of (i) $1 billion of Term Loans (see Acquisition Financing below), (ii) a revolving credit facility of up to $350 million which is available on a revolving basis until June 30, 2005 in order to finance the working capital needs of the Company in the ordinary course of business (with up to $75 million of such amount available for the issuance of standby letters of credit to support workers' compensation and other insurance and bonding requirements of ARACS, the Company and its subsidiaries in the ordinary course of business, and a 364 day standby letter of credit facility of up to $225 million available to fund (a) any shortfall in certain payments owing to AESOP Leasing, a subsidiary of ARACS pursuant to fleet agreements and (b) maturing Commercial Paper Notes if such Commercial Paper Notes cannot be repaid through the issuance of additional Commercial Paper Notes or draws under the liquidity facility supporting the Commercial Paper Notes). Revolving Loans bear interest at either Chase Manhattan Bank's ("Chase") alternate base rate ("ABR") plus 0.75% or the Euro dollar rate plus 1.75% (at the Company's option). For the years ended December 31, 2000 and 1999, the weighted average interest rate on the Company's Revolving Loans was 9.6% and 8.9%, respectively. The average interest rate on the revolving credit facility at December 31, 2000, and 1999, was 8.5% and 10.3%, respectively. Upon the closing of the PHH/Arval transaction and the retirement of the term loans (see Note 3), the revolving credit portion of this facility was amended to increase the facility to $450 million. At December 31, 2000 and 1999, the Company had issued letters of credit of $27.1 million and $29.2 million under the revolving credit facility and $150 million under the $225 million standby letter of credit facility, respectively. As of December 31, 2000, under the terms of the Revolving Credit Facility, the Company had outstanding $225 million at a variable interest rate with terms identical to the Term A Loan Notes (see Acquisition Financing below).

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

The weighted-average interest rates of the short-term notes-foreign as of December 31, 2000 and 1999 were 6.4% and 5.8%, respectively.

Vehicle Leasing and Other Fee Based Debt

In connection with the VMS Acquisition (see Note 2), Avis Group Holdings, Inc. refinanced the VMS existing fleet debt with the proceeds of approximately $2.7 billion domestic and $720 million foreign asset-backed securities issued pursuant to an offering of asset-backed securities (the "Interim VMS ABS Offering"), under certain fleet financing facilities and together with the Avis ABS Facility. The domestic securities comprising the Interim VMS ABS Offering are issued by a bankruptcy remote special purpose entity (the "Domestic ABS Issuer") and placed initially with a single multi-seller commercial paper conduit, and thereafter may be syndicated to one or more other bank sponsored conduits (collectively the "CP Conduits"). The CP Conduits will acquire Domestic Variable Funding Notes ("VFNs"), Domestic Preferred Membership Interests and U.K. Advances using the proceeds of commercial paper issuances. In addition, from time to time, the Domestic ABS Issuer may issue medium-term notes secured by the Domestic ABS Assets, using the proceeds of any such offerings to reduce the amount of Domestic VFNs then outstanding.

On October 28, 1999, $1 billion of 7 and 12 year Medium Term Notes ("MTN's") were issued to replace a like amount of Domestic VFN's. This facility consists of two classes of floating rate asset-backed notes: Class A-1 notes, which total $550 million and Class A-2 notes, which total $450 million. Interest rates are reset monthly at LIBOR plus 32 basis points and LIBOR plus 35 basis points for the class A-1 and Class A-2 notes, respectively . The Class A-1 notes have an average expected life of 2 years and commence amortizing in March 2001 and have a final stated maturity of October 2006. The average interest rate on the Company's Class A-1 and Class A-2 notes was 6.9%, 5.7% and 7.0% and 5.8% at December 31, 2000 and 1999, respectively. The Class A-2 notes have an average expected life of 3 years and commence amortizing when the Class A-1 notes are repaid in full. The Class A-2 notes have a final stated maturity of October 2011. Both classes of notes are rated AAA by Standard and Poors and Aaa by Moody's. In addition to the floating rate asset-backed notes, the Company may issue up to $1.75 billion Variable Funding Investor Notes to a group of multi-seller commercial paper conduits. The Domestic VFN agreement expires in October 2001 and is renewable annually. The blended interest rate in effect at December 31, 2000 for the domestic asset-backed securities (including program fees from 32 to 35 basis points) is 6.71%. The Company has also issued two series of Senior Preferred Membership Interests (see Note 12), which total $99.3 million, at a rate (including program fees of 70 basis points) of 6.67% at December 31, 2000.

At December 31, 1999, VMS-U.K. had $856 million asset-backed facility (the "U.K. ABS Facility"), which was supported by the leased vehicles and fuel card receivables of the various VMS-U.K entities. VMS-U.K. was funded through a group of multi-seller commercial paper conduits. The interest rate was variable and was based on commercial paper notes plus a weighted average margin of approximately 45 basis points. As of December 31, 1999, there was approximately $850.4 million outstanding at a blended rate of 6.66%. This facility was repaid and terminated in connection with the formation of the PHH/Arval joint venture (see Note 3).

Self-Fund Notes

Self-fund notes represent loans made by customers to purchase leased vehicles. Repayment of these notes is matched to payments on the underlying lease including the disposal of the vehicles at maturity. Interest can be fixed or floating, depending on the underlying leases. The average interest rate at December 31, 2000 was 7.6%. The loans are repayable at expiration of the various lease terms. At December 31, 2000 self-funded notes expire between 2003 and 2013.

Wright Express Certificates of Deposit

At December 31, 2000, scheduled maturities of certificates of deposit of $138.9 million are all less than one year. The interest rates range from 5.48% to 7.20%.

Acquisition Financing

In connection with the VMS Acquisition in June 1999, (see Notes 1 and 2), the Company borrowed $1 billion of term loans, consisting of $250 million ("Term A Loan"), $375 million ("Term B Loan") and $375 million ("Term C Loan"), under the credit facility described previously. On August 9, 2000 the Company retired Term Loans A, B, and C from the proceeds of the sale of PHH Europe and the repayment of PHH Europe's intercompany indebtedness (see Note 3).

Interest expense on Term Loan A, B, and C for the years ended December 31, 2000 and 1999 was $57.7 million and $44.4 million, respectively, with an weighted average interest rate of 9.6% and 8.9%, respectively. The weighted average interest rate on the Company's Term Loans A, B, and C at December 31, 1999 was 8.9%, 9.4% and 9.6%, respectively.

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

The agreements with the Company's lenders include a number of significant covenants that, among other things, restrict its ability to dispose of non-fleet assets, incur additional indebtedness, create liens, prohibit the payment of dividends, enter into certain investments or acquisitions, repurchase or redeem capital stock, engage in mergers or consolidations or engage in certain transactions with affiliates and otherwise restrict corporate activities. Certain of these agreements also require the Company to maintain specified financial ratios. As of December 31, 2000, the Company was in compliance with all such covenants related to these agreements.

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

2001	$ 303,936
2002	1,247,772
2003	784,526
2004	104,482
2005	1,226,938
Thereafter	803,815

Other Credit Facilities

At December 31, 2000, in addition to the credit facilities previously described, the Company had credit facilities available to support various international and other operations. At December 31, 2000, the total available under these facilities was $329.8 million of which $138.0 million was unused and available. Amounts unused under these facilities require an annual fee of 0.2% to 0.4% of the unused portion. In addition, the Company had available letters of credit/overdraft agreements in place, renewable annually at the Company's option and the bank's discretion. At December 31, 2000, the Company had $46.1 million available, against which there are outstanding Letters of Credit totaling $29.9 million. The collateral for certain of these agreements consists of a pledge of certain cash balances, in the amount of $25.0 million, which are included in "Restricted Cash" on the accompanying Consolidated Statements of Financial position. At December 31, 2000 the Company had $105.6 million of performance bonds placed with various Airport Authorities, and State Regulatory agencies to support its operations.

Derivative Financial Instruments

The Company has derivative financial instruments at December 31, 2000 that are sensitive to fluctuations in interest rates and gasoline prices (see Notes 1 and 27). The following derivative financial instruments agreements have been entered into by the Company:

To reduce the risk from interest rate fluctuations under its asset backed debt agreements, the Company has entered into domestic and foreign interest rate cap and interest rate floor agreements with maturity dates ranging from July 2003 to May 2010. At December 31, 2000, the domestic and foreign interest rate cap and interest rate floor agreements have notional values of $1 billion and $278 million, respectively. The agreements established the domestic and foreign interest rate ceiling (ranging from 6.08% to 7.5%) and floor (5%) on the asset-backed vehicle financings.

The Company was party to thirteen and twenty five interest rate swap agreements at December 31, 2000 and 1999, respectively, to reduce the impact of changes in interest rates on certain outstanding debt obligations. These agreements effectively changed the Company's interest rate exposure on $298 million and $842.2 million of its outstanding debt from variable interest rates to average fixed rates of 4.8% and 5.3% at December 31, 2000 and 1999, respectively. The variable interest rates for certain of these interest rate swap agreements are either reset daily, monthly, or quarterly based upon various indices, including 30 day commercial paper, 1 month and 3 month LIBOR and 1 month and 3 month Canadian Bankers Acceptances. Interest is cash settled on a net basis for each agreement either monthly, quarterly or semi-annually. The interest rate swap agreements will terminate between February 2001 and April 2005. Under a swap agreement terminating in August 2003, the counterparty has the right to terminate the agreement in August 2001. Under a Swap Agreement terminating in May 2005, the counterparty has the right to terminate the agreement in June 2001. The differential to be paid or received is recognized ratably as interest rates change over the life of the agreements as an adjustment to interest expense.

The net interest differential charged (credited) to interest expense for the years ended December 31, 2000 and 1999 was $4,109,000 and ($773,000), respectively. The Company is exposed to credit risk in the event of non-performance by counterparties to its interest rate swap agreements. Credit risk is limited by entering into such agreements with institutions with high credit ratings. Therefore, the Company does not anticipate that non-performance by counterparties will occur. Notwithstanding this, the Company monitors counterparty credit ratings at least quarterly through reviewing independent credit agency reports.

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

Depending on market fundamentals of the price of gasoline and other conditions, the Company may purchase put options to reduce or eliminate the risk of gasoline price declines. Put options purchased by the Company effectively establish a minimum sales transaction fee for the volume of gasoline purchased on the Company's programs. An increase in the value of the options is highly correlated to a decrease in the average price of gasoline purchased by the Company's cardholders. Put options permit the Company to participate in price increases above the option price. The cost of an option is charged to operations in the month the options expire. Gains and losses from the sale or exercise of options are recognized when the underlying option is sold. At December 31, 2000, the total contract amount of such options was 26.5 million gallons of gasoline and the unamortized cost of these options was $821,000 and is included in other assets in the accompanying Consolidated Statements of Financial Position.

Note 12 - Minority Interest (Preferred Membership Interest)

In connection with the issuance of the Vehicle Leasing ABS Facility (see Note 11), the Company has issued two Series 1999-2 Senior Preferred Membership Interests ("PMI's") of which $99.3 million were outstanding at a distribution rate of 6.67% and 6.97% at December 31, 2000 and 1999, respectively. The PMI's represent an equity interest in one of the Company's domestic vehicle leasing subsidiaries and accordingly, are reported as minority interest (preferred membership interest), on the Company's Consolidated Statements of Financial Position at December 31, 2000 and 1999. The holders of the Preferred Membership Interests are entitled to receive dividends based upon the funding costs of the multi-seller commercial paper conduits, plus a program fee of 0.70% per annum. The dividend periods correspond to the same interest periods as the 1999-2 floating rate asset-backed notes. For the years ended December 31, 2000 and 1999, the Company accrued approximately $7.2 million and $5.9 million of distributions, respectively, which are reflected in the Company's Consolidated Statements of Operations as minority interest.

Note 13 - Fair Value of Financial Instruments

The net interest receivable and the estimated fair value of the Company's interest rate swaps, caps and floors, swaption agreement and gasoline put options represent assets of approximately $1.4 million and $13.2 million, respectively, at December 31, 2000 (see Notes 1 and 27). At December 31, 1999, the net interest receivable and estimated fair value of the Company's interest rate swap agreements represent assets of approximately $763 thousand and $15.2 million, respectively.

For instruments including cash and cash equivalents, restricted cash, accounts receivable, and accounts payable, the carrying amounts approximate fair value because of the short maturity of these instruments. The fair value of floating-rate debt approximates carrying value because these instruments re-price frequently at current market prices. At December 31, 2000 and 1999, the fair value of the Medium Term Notes, Asset Backed Securities and Senior Subordinated Notes exceeds (is less than), the carrying value by approximately $29.1 million and ($27.7) million, respectively.

At December 31, 2000 the Company had $389.7 million of preferred stock which approximates fair value. The Company believes that it is not practicable to estimate the current fair value of the amounts due to affiliates, net, because of the related party nature of the instruments (See Note 15).

Note 14 - Income Taxes

The provision for income taxes for the years ended December 31, 2000, 1999 and 1998 consist of the following (in thousands):

	2000	1999	1998
Current:			
Federal	$ 733		$ 800
State	5,534	$ 2,010	980
Foreign	29,066	14,295	8,470
	35,333	16,305	10,250
Deferred:			
Federal	59,798	42,095	33,200
State	3,075	3,596	3,520
Foreign	(3,004)	11,336	1,737
	59,869	57,027	38,457
Provision for income taxes	$ 95,202	$73,332	$48,707

The effective income tax rates vary from the statutory U.S. federal income tax rate due to the following (dollar amounts in thousands):

	Years Ended December 31,					
	2000		1999		1998	
Statutory U.S. federal income tax provision/tax rate	$75,557	35.0%	$58,071	35.0%	$39,280	35.0%
Tax effect of foreign operations and dividends	1,952	.9	2,628	1.6	2,677	2.4
Amortization of cost in excess of net assets acquired and other intangibles	11,661	5.4	8,190	4.9	3,351	3.0
State income taxes, net of federal tax benefit	5,596	2.6	3,644	2.2	2,925	2.6
Other non-deductible business expenses	436	.2	799	0.5	474	0.4
Effective income tax provision/tax rate	$95,202	44.1%	$73,332	44.2%	$48,707	43.4%

In accordance with SFAS 109, the net deferred income tax liabilities at December 31, 2000 and 1999 include the following (in thousands):

	2000	1999
Gross deferred income tax assets:		
Accrued liabilities	$ 271,442	$ 241,631
Net operating loss carryforwards	110,940	138,392
Alternative minimum income tax credit carryforwards	4,932	4,199
	387,314	384,222
Gross deferred income tax liabilities:		
PHH Europe joint venture	(262,365)	
Tax depreciation in excess of book depreciation	(559,067)	(546,938)
Prepaids and other	(25,375)	(18,540)
	(846,807)	(565,478)
Net deferred income tax liabilities	$(459,493)	$(181,256)

The Company has included in net deferred income tax liabilities and common stockholders' equity, a (decrease) increase of ($10.5) million, $4.6 million, and $3.1 million related to the income tax effects of the Foreign Currency Translation Adjustment and Minimum Pension Liability for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company has alternative minimum tax net operating loss carryforwards of $182.2 million. The federal net operating loss carryforward is $297.1 million which expires as follows: 2004, $48.2 million; 2007, $67.7 million; 2008, $41.1 million; 2009, $18.3 million; 2010, $1.1 million; 2017, $83.7 million; 2018, $1.0 million and 2019, $36.0 million.

Deferred income taxes were not provided on $92 million of accumulated undistributed earnings of foreign subsidiaries at December 31, 2000 because such earnings are considered to be permanently reinvested. If this amount was not considered permanently reinvested, additional deferred income taxes of approximately $43 million would have been provided at December 31, 2000.

Note 15 - Preferred Stock (in thousands)

	Series A Preferred Stock	Series B Preferred Stock	Series C Preferred Stock	Total
Issuance of Preferred Stock Series A and Series C on June 30, 1999 in connection with the acquisition of VMS (see Notes 1 and 2)	$360,000		$2,000	$362,000
Preferred Stock Dividends (180,000 shares)		$ 9,000		9,000
Balance December 31, 1999	360,000	9,000	2,000	371,000
Preferred Stock Dividends (373,725 shares)		18,686		18,686
Balance December 31, 2000	$360,000	$27,686	$2,000	$389,686

Series A Preferred Stock

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

The Series A Preferred may be redeemed by the Acquisition Subsidiary, in whole or in part, on or after the fifth anniversary of the date of issuance, June 30, 2004, and must be redeemed in whole upon the eleventh anniversary of the date of issuance for an amount per share equal to the Series A Liquidation Preference plus accrued and unpaid dividends. In addition, holders of the Series A Preferred may cause the Acquisition Subsidiary to redeem their shares for cash, upon the bankruptcy or insolvency of the Company or a change of control with respect to the Company or the Acquisition Subsidiary (see Note 1).

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

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

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

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

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

Series B Preferred Stock

Series B Cumulative PIK Preferred Stock (the "Series B Preferred") will be issued as dividends to the Series A Preferred holders by the Acquisition Subsidiary. Holders of the Series B Preferred are not entitled to preemptive rights. The Series B Preferred has a liquidation preference of $50 per share (the "Series B Liquidation Preference"). Each share of Series B Preferred accrues dividends at a rate per annum of 5% of the Series B Liquidation Preference. Until the fifth anniversary of the date of issuance of the Series B Preferred, dividends may, at the discretion of the Acquisition Subsidiary be paid in kind; thereafter, dividends must be paid in cash, semi-annually in arrears. Upon liquidation, and after payment of all amounts owed to all classes of capital stock ranked senior to the Series B Preferred, holders of shares of Series B Preferred will receive the Series B Liquidation Preference of such shares plus accrued and unpaid dividends.

The Series B Preferred has the same ranking as the Series A Preferred. The Series B Preferred may be redeemed by the Acquisition Subsidiary, in whole or in part, on or after the fifth anniversary of the date of issuance, January 30, 2005, and must be redeemed in whole upon the eleventh anniversary of the date of issuance for an amount per share equal to the Series B Liquidation Preference plus accrued and unpaid dividends.

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

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

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

Series C Preferred Stock

In connection with the VMS Acquisition (see Notes 1 and 2), a total of 40,000 shares of Series C Preferred of the Acquisition Subsidiary were issued and outstanding at December 31, 2000 and 1999. Holders of the Series C Preferred are not entitled to preemptive rights. The Series C Preferred has an aggregate liquidation preference of $2,000,000 or $50 per share (the "Series C Liquidation Preference"). Each share of Series C Preferred accrues dividends at 11% per annum, payable in cash semi-annually in arrears. An escrow account in the amount of $1,000,000, which is included in "Restricted Cash", has been established to cover future dividend payments. Upon liquidation, and after payment of amounts, if any, owed to all classes of capital stock ranked senior to the Series C Preferred, holders of shares of Series C Preferred will receive the Series C Liquidation Preference of such shares plus accrued and unpaid dividends. The Series C Preferred ranks senior to the Series A Preferred, the Series B Preferred and the Class A Common Stock in right of payment of dividends. The Series C Preferred may be redeemed by the Acquisition Subsidiary, in whole or in part, on or after June 30, 2004, the fifth anniversary of the date of issuance, and must be redeemed in whole upon June 30, 2006, the seventh anniversary of the date of issuance, in each case for an amount per share equal to the Series C Liquidation Preference plus accrued and unpaid dividends.

Holders of Series C Preferred are not entitled to voting rights, except under certain circumstances. Without the affirmative vote or written consent of the holders of a majority of the outstanding shares of Series C Preferred, the Acquisition Subsidiary may not take certain specified actions that would adversely affect the rights of the holders of the Series C Preferred. Shares of Series C Preferred reacquired in any manner will be retired and may not be reissued as shares of Series C Preferred.

Preferred Stock of the Company

In addition, the Company has authorized the issuance of 20 million shares of Preferred Stock, par value $.01 of which none has been issued at December 31, 2000 and 1999.

Note 16 - Class B Common Stock

At the May 16, 2000 annual meeting, the Company's shareholders voted to amend the Company's charter and authorized the issuance of 15,000,000 shares of non-voting Class B Common stock ($.01 par value), to be issued upon the conversion of the Series A Preferred Stock or the Series B Preferred stock of the acquisition subsidiary. The Class B Common stock will rank (1) junior to any class or series of preferred stock of the Company and (2) pari passu with the Class A Common stock in right of payment of dividends and on liquidation.

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

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

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

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

In connection with the VMS Acquisition, the Company entered into a registration rights agreement pursuant to which Cendant and certain transferees of Class B Common stock and Class A Common stock converted from the Class B Common stock held by Cendant (the "Holders") will have the right to require the Company to register all or part of the Class A Common stock owned by such Holders under the Securities Act of 1933 as amended (the "Securities Act") (an "Acquisition Demand Registration"). However, the Company may postpone giving effect to an Acquisition Demand Registration for a period of up to 30 days if the Company believes such registration might have a material adverse effect on any plan or proposal by the Company with respect to any financing, acquisition, recapitalization, reorganization or other material transaction or the Company is in possession of material non-public information that, if publicly disclosed, could result in a material disruption of a major corporate development or transaction then pending or in progress or in other material adverse consequences to the Company. In addition, the Holders have the right to participate in any registrations by the Company of Class A Common stock (an "Acquisition Piggyback Registration"). The Holders will pay all out-of-pocket expenses incurred in connection with any Acquisition Registration, and the Company will pay all out-of-pocket expenses incurred in connection with any Acquisition Demand Piggyback Registration, except for underwriting discounts, commissions and expenses attributable to the shares of Class A Common stock sold by such holders.

Note 17 - Treasury Stock

At December 31, 2000 and 1999, Class A Common Stock held in treasury consist of the following (dollars in thousands):

	2000		1999	
	Treasury Stock, net	Treasury Shares	Treasury Stock, net	Treasury Shares
Balance, beginning of year	$ 103,832	4,793,288	$ 50,960	2,672,700
Treasury stock repurchased			57,237	2,327,300
Treasury stock issued under the Company's stock option plan, and other issuances	(7,294)	(336,757)	(4,365)	(206,712)
Balance, end of year	$ 96,538	4,456,531	$ 103,832	4,793,288

On September 1, 1998, the Board of Directors authorized the Company to repurchase up to 1.5 million shares of the outstanding common stock at market prices. On September 23, 1998, the Board of Directors authorized the Company to purchase up to 3.5 million additional shares of outstanding common stock. Of the total treasury shares repurchased during the year ended December 31, 1999, 1,614,200 shares were repurchased from Cendant at an aggregate cost of $40.8 million. No shares were repurchased from Cendant during the year ended December 31, 2000. As of December 31, 2000, the acquisition of these treasury shares reduced Cendant's ownership in the Company's common stock to approximately 18%. (See Notes 1, 2 and 25.)

Note 18 - Retirement Benefits

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

Through ARACS, the Company sponsors two Voluntary Investment Savings Plans under a "qualified cash or deferred arrangement" under Section 401(k) of the Internal Revenue Code covering its union and non-union employees. For the years ended December 31, 2000, 1999 and 1998, the Company's cost of these plans was $3.6 million, $3.0 million and $1.6 million, respectively.

Included in the non-union Investment Savings Plan, ARACS makes a defined contribution for full-time employees. The contribution was set at 2% of each covered employee's compensation through December 31, 1998 and was increased to 3% of each covered employee's compensation effective January 1, 1999. Employer contributions for the years ended December 31, 2000, 1999 and 1998 amounted to $7.2 million, $5.0 million and $2.3 million, respectively.

ARACS' defined benefit retirement plan for salaried and hourly employees as of June 30, 1985, provides benefits based upon years of credited service, highest average compensation and social security benefits. Annual retirement benefits, at age 65, are equal to 1 1/2% of the participating employee's final average compensation (average compensation during the highest five consecutive years of employment in the ten years prior to retirement) less 1 1/2% of the Social Security benefits for each year of service up to a maximum of 35 years. In addition, the plan provides for reduced benefits before age 65 and for a joint and survivor annuity option. Effective January 1, 1999, the Company curtailed its defined benefit retirement plan for salaried and hourly employees as of June 30, 1985. The Company recognized a $7.5 million pre-tax gain as a result of the curtailment during the first quarter of fiscal year ended December 31, 1999.

The Company also sponsors several foreign pension plans. The most significant of these are the Canadian and United Kingdom defined benefit plans (see Notes 1 and 3).

The status of the Company's defined benefit plans at December 31, 2000 and 1999, including the plans to its salaried and hourly employees as of June 1985, the Bargaining Plan, the Non-Qualified Defined Benefit Plan, the Motorent Plan (terminated on September 30, 1999) the United Kingdom Plan (in 1999, see Note 3) and the Canadian Defined Benefit Plan are as follows (in thousands):

	2000	1999
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 116,886	$ 125,251
Benefit obligation assumed from acquisition		30,820
Reduction of benefit obligation due to the disposition of a subsidiary		(28,620)
Service cost	1,042	1,588
Interest cost	6,124	6,611
Plan participants' contributions	295	562
Amendments	990	(19,395)
Actuarial gain (loss)	1,796	(11,735)
Benefits paid	(3,672)	(15,819)
Foreign currency translation loss	(1,706)	(997)
Benefit obligation at end of year	93,135	116,886
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	126,317	101,449
Fair value of plan assets assumed from acquisitions		25,682
Reduction of plan assets due to the disposition of a subsidiary	(23,945)	
Actual return on plan assets	3,215	8,107
Plan participants' contributions	295	562
Employer contributions	3,891	7,022
Benefits paid	(3,672)	(15,891)
Foreign currency translation loss	(2,657)	(614)
Fair value of plan assets at end of year	103,444	126,317
Funded status	10,309	9,431
Unrecognized net accrual gain (loss)	2,384	(6,003)
Unrecognized prior service cost	2,198	1,276
Unrecognized transition asset	(2,115)	(2,237)
Prepaid benefit cost	$ 12,776	$ 2,467
AMOUNTS RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION:		
Prepaid benefit cost	$ 15,188	$ 7,320
Accrued benefit liability	(8,325)	(9,122)
Intangible asset	3,577	2,761
Accumulated other comprehensive loss	2,336	1,508
Net amount recognized	$ 12,776	$ 2,467

The fair value of plan assets for funded plans with accumulated benefit obligations in excess of plan assets amounted to $6.7 million as of December 31, 2000.

Net pension costs of the non-qualified defined benefit plan for the years ended December 31, 2000, 1999 and 1998, include the following components (in thousands):

	2000	1999	1998
Service cost-benefits earned during the year	$ 1,042	$ 1,588	$ 2,809
Interest cost on projected benefit obligation	6,124	6,611	6,922
Return on asset-expected gain on plan assets	(8,617)	(8,664)	(7,786)
Recognized actuarial loss	59	21	
Net amortization of prior service cost	69	17	70
Contributions to union plans and other	3,128	2,910	3,894
Amortization of loss	36	127	
Amortization of unrecognized net assets at transition	(123)	(122)	(123)
Net pension cost	$ 1,718	$ 2,488	$ 5,786

At December 31, 2000 and 1999, the measurement of the projected benefit obligation was based upon the following weighted average interest rate assumptions:

	2000	1999
Discount rate	6.99%	6.67%
Compensation increase	4.50%	3.85%
Long-term return on plan assets	8.90%	8.45%

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.

Note 19 - Earnings Per Share ("EPS")

Basic EPS for the years ended December 31, 2000, 1999 and 1998 was calculated using 31,154,448, 31,330,536 and 34,172,249 weighted average shares outstanding, respectively. Diluted EPS for the years ended December 31, 2000, 1999 and 1998 was calculated as follows (in thousands, except share and per share amounts):

	2000	1999	1998
Diluted EPS			
Earnings applicable to common stockholders	$ 101,770	$ 83,475	$ 63,521
Weighted average common shares outstanding	31,154,448	31,330,536	34,172,249
Plus: Dilutive effect of the assumed exercise of stock options	715,553	655,033	780,308
Adjusted weighted average shares outstanding	31,870,001	31,985,569	34,952,557
Diluted EPS	$ 3.19	$ 2.61	$ 1.82

Note 20 - Stock Option Plan

The Company's Board of Directors adopted the 1997 Stock Option Plan and the 2000 Incentive Compensation Plan ("the Stock Option Plans"). The Company's shareholders approved these Stock Option Plans in September 23, 1997 and May 16, 2000, respectively. The maximum shares authorized for issuance under the Stock Option Plans are 9 million.

The exercise price of each option under the Stock Option Plans may not be less than the fair market value of a share of Common Stock on the date the option is granted. Options held by an optionee vest evenly over 5 years (1997 Stock Option Plan) and 3 years (2000 Stock Option Plan). All options held by an optionee will become fully exercisable (to the extent not already exercisable) if a "change of control transaction" (as defined in the Stock Option Plans) occurs (see Notes 1 and 27 - Merger Agreement). Shares of Common Stock acquired upon the exercise of the options may be subject to restrictions on transfer which will be set forth in the agreement evidencing the grant of the option. Unless otherwise determined by the Compensation Committee of the Board of Directors, all options granted under the Stock Option Plans, to the extent not exercised, expire on the earliest of (i) the tenth anniversary of the date of grant, (ii) two years following the optionee's termination of employment on account of death, retirement, disability or (iii) one year following the termination of optionee's employment for any other reason. Grants of options under the Stock Option Plans are subject to an annual per-participant maximum grant of shares of Common Stock.

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

The Company makes no recognition of the options in the financial statements until they are exercised. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation plans. The Company has adopted the disclosure provisions only of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

The following is a summary of stock option activity for the years ended December 31, 2000, 1999 and 1998:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 1998	3,875,700	$17.00
Granted	1,452,000	$23.47
Forfeited	(869,600)	$19.32
Outstanding at December 31, 1998	4,458,100	$18.65
Granted	2,799,900	$25.41
Exercised	(198,187)	$17.00
Forfeited	(126,200)	$19.92
Outstanding at December 31, 1999	6,933,613	$21.41
Granted	1,411,502	$24.22
Exercised	(336,757)	$18.36
Forfeited	(460,482)	$27.01
Outstanding at December 31, 2000	7,547,876	$21.73

At December 31, 2000, options outstanding and options that were exercisable were as follows:

Range of Exercise Prices	Outstanding as of December 31, 2000	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable as of December 31, 2000	Weighted-Average Exercise Price
$14.75 - $18.44	2,769,273	5.1	$17.00	1,910,033	$17.00
$18.44 - $22.13	1,766,158	8.9	$19.58	252,000	$21.37
$22.13 - $25.81	682,200	6.4	$23.96	357,000	$23.96
$25.81 - $29.50	1,698,380	8.0	$27.42	400,580	$27.55
$29.50 - $33.19	631,865	9.6	$30.78	0	$ 0.00
	7,547,876		$21.73	2,919,613	$19.68

Management believes that all the stock options outstanding as of December 31, 2000 will be exercised on March 1, 2001 as provided in the Cendant Merger Agreement, and therefore, the expected remaining option life of outstanding options at December 31, 2000 is estimated to be 3 months (see Notes 1 and 27).

Pro forma disclosures are provided for the years ended December 31, 2000, 1999 and 1998 as if the Company adopted the cost recognition requirements under SFAS 123. The weighted average fair value of each option granted (estimated on the date of grant using the Black-Scholes option-pricing model) is $10.22, $12.95 and $11.73 for years ended December 31, 2000, 1999 and 1998, respectively, using the following assumptions:

	2000	1999	1998
Expected volatility	17.3%	40.0%	40.0%
Risk-free interest rate	6.3%	6.0%	6.0%
Expected option life in years	0.3	6.5	6.5

The weighted-average remaining contractual life of the stock options is 7.1, 7.7 and 7.3 years at December 31, 2000, 1999 and 1998, respectively. Had compensation expense been recognized for the years ended December 31, 2000, 1999 and 1998, grants for stock-based compensation plans in accordance with provisions of SFAS 123, the Company would have recorded net income and earnings per share as follows (in thousands, except per share data):

	2000		1999		1998	
	As reported	Pro forma	As reported	Pro forma	As reported	Pro forma
Earnings applicable to common stockholders	$ 101,770	$ 90,988	$ 83,475	$ 74,563	$ 63,521	$ 58,656
Basic earnings per share	$ 3.27	$ 2.92	$ 2.66	$ 2.38	$ 1.86	$ 1.72
Diluted earnings per share ..	$ 3.19	$ 2.86	$ 2.61	$ 2.33	$ 1.82	$ 1.68

Note 21-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 revenue.

Operating lease payments and net airport concession fees charged to expense for the years ended December 31, 2000, 1999 and 1998 are as follows (in thousands):

	2000	1999	1998
Minimum fees	$ 188,123	$ 176,780	$ 147,034
Contingent fees	98,628	93,264	89,456
	286,751	270,044	236,490
Sublease rentals	(6,298)	(5,881)	(4,701)
	$ 280,453	$ 264,163	$ 231,789

Future minimum rental commitments under noncancelable operating leases amounted to approximately $745.2 million at December 31, 2000. The minimum rental payments due in each of the next five years ending December 31, and thereafter, are as follows (in thousands):

2001	$ 149,692
2002	130,531
2003	102,163
2004	75,300
2005	46,866
Thereafter	240,606

At December 31, 2000, future minimum rental commitments include $66.1 million due to a subsidiary of Cendant, related to the Company's corporate headquarters and Virginia Beach processing facility.

In addition to the Company's lease commitments, the Company has outstanding purchase commitments of approximately $1.5 billion at December 31, 2000, which relate principally to vehicle purchases.

Note 22 - Guarantor and Non-Guarantor Condensed Consolidating Financial Statements

The Company issued and sold the Senior Subordinated Notes (see Note 11). These securities were subsequently registered on September 24, 1999. The Senior Subordinated Notes are general unsecured obligations of the Company, subordinated in right of payment to all existing and future senior indebtedness of the Company, and guaranteed by certain of its domestic subsidiaries. Accordingly, the following condensed consolidating financial information presents the condensed consolidating financial statements as of December 31, 2000 and 1999 and for the years ended December 31, 2000, 1999 and 1998, respectively, of: (a) Avis Group Holdings, Inc. ("the Parent"); (b) the guarantor subsidiaries; (c) the non-guarantor subsidiaries; (d) elimination entries necessary to consolidate the Parent with the guarantor and non-guarantor subsidiaries; and (e) the Company on a consolidated basis (in thousands).

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

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2000
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Avis Group Holdings, Inc. Consolidated
Revenue		$2,465,667	$1,778,017		$4,243,684
Costs and expenses:					
Direct operating, net		842,266	123,560		965,826
Vehicle depreciation and lease charges, net		588,857	1,106,336		1,695,193
Selling, general and administrative		522,250	170,689		692,939
Interest, net	$ 122,708	222,189	232,378		577,275
Minority interest			7,208		7,208
Non-vehicle depreciation and amortization		33,789	13,490		47,279
Amortization of cost in excess of net assets acquired		38,466	3,620		42,086
	122,708	2,247,817	1,657,281		4,027,806
	(122,708)	217,850	120,736		215,878
Equity in earnings of subsidiaries	197,805	98,230		$(296,035)	
Income before provision for income taxes	75,097	316,080	120,736	(296,035)	215,878
Income tax (benefit) provision	(45,579)	118,275	22,506		95,202
Net income	$ 120,676	$ 197,805	$ 98,230	$(296,035)	$ 120,676

Note 22 - Guarantor and Non-Guarantor Condensed Consolidating Financial Statements continued)

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Operations
For the Year Ended December 31, 1999
(in thousands)

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

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Operations
For the Year Ended December 31, 1998
(in thousands)

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

Note 22 - Guarantor and Non-Guarantor Condensed Consolidating Financial Statements (Continued)

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Financial Position
December 31, 2000
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Avis Group Holdings, Inc. Consolidated
ASSETS					
Cash and cash equivalents	$ 73	$ 85,563	$ 29,634		$ 115,270
Cash held on deposit with financial institution			87,607		87,607
Restricted cash			229,484		229,484
Accounts receivable, net	156	233,678	758,851		992,685
Finance lease receivables			159,145		159,145
Prepaid expenses		49,763	13,545		63,308
Vehicles, net		(51,221)	7,018,055		6,966,834
Property and equipment, net		182,014	14,744		196,758
Investment in consolidated subsidiaries	2,276,596	1,019,585		$ (3,296,181)	
Other assets	1,064	69,252	44,271		114,587
Investment in PHH/Arval joint venture		161,420			161,420
Cost in excess of net assets acquired, net		1,323,481	3,255		1,326,736
Total assets	$ 2,277,889	$ 3,073,535	$ 8,358,591	$ (3,296,181)	$ 10,413,834
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY					
Accounts payable and accrued liabilities	$ 10,991	$ 601,577	$ 270,269		$ 882,837
Due to (from) affiliates	883,464	(953,329)	107,591		37,726
Current income tax liabilities		50,541	(33,357)		17,184
Deferred income tax liabilities, net	(96,680)	491,698	64,475		459,493
Public liability, property damage and other insurance liabilities, net		197,055	53,194		250,249
Debt	725,000	19,712	6,777,528		7,522,240
Minority interest (preferred membership interest)			99,305		99,305
Preferred stock		389,686			389,686
Common stockholders' equity	755,114	2,276,595	1,019,586	$ (3,296,181)	755,114
Total liabilities, preferred stock and common stockholders' equity	$ 2,277,889	$ 3,073,535	$ 8,358,591	$ (3,296,181)	$ 10,413,834

Note 22 - Guarantor and Non-Guarantor Condensed Consolidating Financial Statements (Continued)

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Financial Position
December 31, 1999
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Avis Group Holdings, Inc. Consolidated
ASSETS					
Cash and cash equivalents	$ 54	$ 42,184	$ 29,459		$ 71,697
Cash held on deposit with financial institution			93,530		93,530
Restricted cash			253,080		253,080
Accounts receivable, net	(9)	210,962	904,787		1,115,740
Finance lease receivables			871,034		871,034
Prepaid expenses		41,282	23,034		64,316
Vehicles, net		(19,877)	6,521,248		6,501,371
Property and equipment, net		161,651	36,176		197,827
Investment in subsidiaries	2,121,275	1,272,000		$ (3,393,275)	
Other assets	1,000	78,863	35,410		115,273
Cost in excess of net assets acquired, net		1,595,529	198,861		1,794,390
Total assets	$ 2,122,320	$ 3,382,594	$8,966,619	$ (3,393,275)	$11,078,258
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY					
Accounts payable and accrued liabilities	$ 16,774	$ 639,704	$ 301,352		$ 957,830
Due to (from) affiliates	(84,266)	(119,494)	263,156		59,396
Current income tax liabilities		17,910	316		18,226
Deferred income tax liabilities, net	(42,982)	144,893	79,345		181,256
Public liability, property damage and other insurance liabilities, net		206,111	53,645		259,756
Debt	1,562,000	10,305	6,897,500		8,469,805
Minority interest (preferred membership interest)			99,305		99,305
Preferred stock		371,000			371,000
Common stockholders' equity	670,794	2,112,165	1,272,000	$ (3,393,275)	661,684
Total liabilities, preferred stock and common stockholders' equity	$ 2,122,320	$ 3,382,594	$8,966,619	$ (3,393,275)	$11,078,258

Note 22 - Guarantor and Non-Guarantor Condensed Consolidating Financial Statements (Continued)

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2000
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Avis Group Holdings, Inc. Consolidated
Cash flows from operating activities:					
Net income	$ 120,676	$ 197,805	$ 98,230	$ (296,035)	$ 120,676
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	908,185	(429,941)	1,148,876		1,627,120
Net cash provided by (used in) operating activities	1,028,861	(232,136)	1,247,106	(296,035)	1,747,796
Cash flows from investing activities:					
Payments for vehicle additions		(68,749)	(7,417,672)		(7,486,421)
Vehicle deletions		(576,414)	5,584,492		5,008,078
Increase in finance lease receivables		(32,882)			(32,882)
Payments for additions to property and equipment		(48,651)	(7,926)		(56,577)
Retirements of property and equipment		7,796	3,146		10,942
Proceeds from the sale of 80% of PHH Europe, net of cash of $104,765		800,960	(105,276)		695,684
Settlement of PHH Europe intercompany accounts		225,819			225,819
Dividend from the PHH/Arval joint venture		32,426			32,426
Payment for purchase of licensee			(30)		(30)
Investment in subsidiaries	(197,805)	(98,230)		296,035	
Net cash provided by (used in) investing activities	(197,805)	274,957	(1,976,148)	296,035	(1,602,961)
Cash flows from financing activities:					
Net increase in (repayment of) debt	217,437	9,407	735,726		962,570
Repayment of acquisition and other debt from the proceeds of the sale of 80% of PHH Europe	(1,054,437)				(1,054,437)
Payments for debt issuance costs		(8,849)	(11,963)		(20,812)
Other	5,963				5,963
Net cash provided by (used in) financing activities	(831,037)	558	723,763		(106,716)
Effect of exchange rate changes on cash			(469)		(469)
Net increase (decrease) in cash and cash equivalents	19	43,379	(5,748)		37,650
Cash and cash equivalents at beginning of year	54	42,184	122,989		165,227
Cash, cash equivalents and cash held on deposit with financial institution at end of year	73	$ 85,563	$ 117,241	$	$ 202,877
Supplemental disclosure of cash flow information:					
Cash paid during the period for:					
Interest					$ 586,744
Income taxes					$ 38,009
Assets and liabilities contributed to joint venture:					
Assets					$ 1,731,489
Liabilities					1,035,805
Proceeds from the sale of 80% of PHH Europe, net of cash of $104,765					$ 695,684

Note 22 - Guarantor and Non-Guarantor Condensed Consolidating Financial Statements (Continued)

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 1999
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Avis Group Holdings, Inc. Consolidated
Cash flows from operating activities:					
Net income	$ 92,585	$ 144,878	$ 69,842	$ (214,720)	$ 92,585
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	(151,328)	686,840	469,846		1,005,358
Net cash (used in) provided by operating activities	(58,743)	831,718	539,688	(214,720)	1,097,943
Cash flows from investing activities:					
Payments for vehicle additions		87,291	(5,692,785)		(5,605,494)
Vehicle deletions		(465,991)	4,671,212		4,205,221
Increase in finance lease receivables		(117,407)	94,744		(22,663)
Payments for additions to property and equipment		(38,798)	(9,442)		(48,240)
Retirements of property and equipment		(20,478)	14,059		(6,419)
Investment in subsidiaries	(144,878)	(69,842)	214,720		
Payment for purchase of rental car franchise licensees, net of cash acquired		(44,934)	(258)		(45,192)
Payment for purchase of PHH Holdings, net of cash acquired	(1,325,781)				(1,325,781)
Proceeds from sale and leaseback of UK office building			32,156		32,156
Net cash used in investing activities	(1,470,659)	(670,159)	(890,314)	214,720	(2,816,412)
Cash flows from financing activities:					
Purchases of treasury stock	(53,868)				(53,868)
Net increase in (repayment of) debt	1,562,000	(117,759)	368,767		1,813,008
Payments for debt issuance costs	21,313	(16,453)	(11,403)		(6,543)
Increase in minority interest (preferred membership interest)			99,305		99,305
Cash dividends		5,926	(5,926)		
Net cash provided by (used in) financing activities	1,529,445	(128,286)	450,743		1,851,902
Effect of exchange rate changes on cash		(865)	2,908		2,043
Net increase in cash and cash equivalents and cash held on deposit with financial institutions	43	32,408	103,025		135,476
Cash and cash equivalents and cash held on deposit with financial institution at beginning of year	11	9,776	19,964		29,751
Cash, cash equivalents and cash held on deposit with financial institution at end of year	$ 54	$ 42,184	$ 122,989	$	$ 165,227
Supplemental disclosure of cash flow information:					
Cash paid during the period for:					
Interest					$ 370,247
Income taxes					$ 28,877
Businesses acquired:					
Fair value of assets acquired, net of cash acquired					$ 6,004,777
Liabilities assumed					4,271,804
Net assets acquired					1,732,973
Less issuance of Series A and Series C Preferred Stock					362,000
Net cash paid for acquisitions					$ 1,370,973

Note 22 - Guarantor and Non-Guarantor Condensed Consolidating Financial Statements (Continued)

Avis Group Holdings, Inc.
Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 1998
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Avis Group Holdings, Inc. Consolidated
Cash flows from operating activities:					
Net income	$ 63,521	$ 72,514	$ 23,700	$ (96,214)	$ 63,521
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	(101,241)	593,335	96,973		589,067
Net cash (used in) provided by operating activities	(37,720)	665,849	120,673	(96,214)	652,588
Cash flows from investing activities:					
Payments for vehicle additions		49,363	(4,352,411)		(4,303,048)
Vehicle deletions		(218,228)	3,828,949		3,610,721
Payments for additions to property and equipment		(39,691)	(3,242)		(42,933)
Retirements of property and equipment		4,965	638		5,603
Investment in subsidiaries	(72,514)	(131,677)		204,191	
Payment for purchase of licensees		(227,213)	(9,969)		(237,182)
Net cash used in investing activities	(72,514)	(562,481)	(536,035)	204,191	(966,839)
Cash flows from financing activities:					
Proceeds from pubic offerings net	161,194				161,194
Purchases of treasury stock	(50,960)				(50,960)
Net (decrease) increase in debt		(116,137)	309,994		193,857
Payments for debt issuance costs		(4,654)			(4,654)
Capital contribution in Argentina			1,000	(1,000)	
Investment in AESOP Leasing LP.			110,000	(110,000)	
Cash dividends			(3,023)	3,023	
Net cash provided by (used in) financing activities	110,234	(120,791)	417,971	(107,977)	299,437
Effect of exchange rate changes on cash			(334)		(334)
Net (decrease) increase in cash and cash equivalents		(17,423)	2,275		(15,148)
Cash and cash equivalents at beginning of period	11	27,199	17,689		44,899
Cash and cash equivalents at end of period	$ 11	$ 9,776	$ 19,964	$	$ 29,751
Supplemental disclosure of cash flow information:					
Cash paid during the period for:					
Interest					$ 209,977
Income taxes					$ 13,338
Businesses acquired:					
Fair value of assets acquired, net of cash acquired					$ 244,501
Liabilities assumed					7,319
Net cash paid for acquisitions					$ 237,182

Note 23 - Segment Information

The Company is a services and information provider whose mission is to create a business which provides a full array of automotive, transportation and vehicle management solutions. The Company allocates resources, assesses performance and operates in one comprehensive business, the automotive business. For the benefit of the reader, the Company has further defined this business into the following:

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

Prior to the purchase of VMS on June 30, 1999, the Company operated in four geographic areas: the United States, Australia/New Zealand, Canada and Other Foreign Operations. As a result of the VMS acquisition, the Company added an additional geographic area, the United Kingdom. Revenue is recorded in the country in which rental, vehicle leasing and other fee based services are provided. EBITDA represents net income, plus non-vehicle interest expense (acquisition interest), non-vehicle depreciation and amortization, and income taxes. Corporate represents primarily acquisition related interest, amortization of cost in excess of net assets acquired and amortization of deferred financing fees related to the VMS acquisition. The operations of the automotive segment (by business line) and major geographic areas for the years ended December 31, 2000, 1999 and 1998, are summarized as follows (in thousands):

	Year Ended December 31, 2000			
	Vehicle Rental	Vehicle Leasing And other Fee Based Services	Corporate	Consolidated
Revenue	$ 2,613,476	$ 1,630,208		$ 4,243,684
Interest and minority interest expense, net	$ 250,554	$ 228,057	$ 105,872	$ 584,483
EBITDA	$ 245,791	$ 159,056	$ 6,268	$ 411,115
Non-vehicle depreciation and amortization	$ 41,538	$ 20,429	$ 27,398	$ 89,365
Income (loss) before provision for income taxes .	$ 204,253	$ 138,627	$ (127,002)	$ 215,878
Income tax expense	$ 89,139	$ 44,168	$ (38,105)	$ 95,202
Finance lease receivables		$ 159,145		$ 159,145
Vehicles, net	$ 3,761,454	$ 3,205,380		$ 6,966,834
Debt and minority interest (preferred membership interest)	$ 3,822,014	$ 3,074,531	$ 725,000	$ 7,621,545
Total assets	$ 5,419,802	$ 5,784,319	$ (790,287)	$10,413,834
Capital expenditures for vehicles and property and equipment	$ 5,367,151	$ 2,175,847		$ 7,542,998

Note 23 - Segment Information (Continued)

	Years Ended December 31, 1999				1998
	Vehicle Rental	Vehicle Leasing And other Fee Based Services	Corporate	Consolidated	Vehicle Rental
Revenue	$ 2,500,746	$ 831,981		$ 3,332,727	$ 2,297,582
Interest and minority interest expense, net	$ 210,579	$ 105,653	$ 71,961	$ 388,193	$ 192,080
EBITDA	$ 201,648	$ 99,961	$ 1,051	$ 302,660	$ 148,233
Non-vehicle depreciation and amortization	$ 39,190	$ 11,141	$ 14,451	$ 64,782	$ 36,005
Income (loss) before provision for income taxes	$ 162,458	$ 88,820	$ (85,361)	$ 165,917	$ 112,228
Income tax expense	$ 50,536	$ 22,367	$ 429	$ 73,332	$ 48,707
Finance lease receivables		$ 871,034		$ 871,034	
Vehicles, net	$ 3,367,362	$ 3,134,009		$ 6,501,371	$ 3,164,816
Debt and minority interest (preferred membership interest)	$ 3,393,422	$ 3,613,688	$ 1,562,000	$ 8,569,110	$ 3,014,712
Total assets	$ 4,885,928	$ 6,107,019	$ 85,311	$11,078,258	$ 4,497,062
Capital expenditures for vehicles and property and equipment	$ 4,814,597	$ 839,137		$ 5,653,734	$ 4,345,981

Geographic Areas

	Year Ended December 31, 2000					
	United States	United Kingdom	Australia/ New Zealand	Canada	Other Foreign Operations	Consolidated
Revenue	$ 3,768,767	$ 154,714	$ 118,215	$ 164,987	$ 37,001	$ 4,243,684
Interest and minority interest expense, net	$ 533,114	$ 34,199	$ 587	$ 12,795	$ 3,788	$ 584,483
EBITDA	$ 313,303	$ 42,177	$ 24,043	$ 26,570	$ 5,022	$ 411,115
Non-vehicle depreciation and amortization	$ 74,559	$ 11,367	$ 1,100	$ 1,640	$ 699	$ 89,365
Income before provision for income taxes	$ 132,946	$ 30,810	$ 22,869	$ 24,930	$ 4,323	$ 215,878
Income tax expense	$ 78,245	$ 2,718	$ 5,127	$ 8,201	$ 911	$ 95,202
Finance lease receivables	$ 137,644			$ 21,501		$ 159,145
Vehicles, net	$ 6,619,239		$ 79,433	$ 230,048	$ 38,114	$ 6,966,834
Debt and minority interest (preferred membership interest)	$ 7,392,561		$ 39,171	$ 175,191	$ 14,622	$ 7,621,545
Total assets	$ 9,761,133	$ 161,420	$ 125,965	$ 332,837	$ 32,479	$10,413,834
Capital expenditures for vehicles and property and equipment	$ 6,249,573	$ 351,621	$ 97,371	$ 793,786	$ 50,647	$ 7,542,998

Note 23 - Segment Information (Continued)

Geographic Areas	Year Ended December 31, 1999					
	United States	United Kingdom	Australia/ New Zealand	Canada	Other Foreign Operations	Consolidated
Revenue	$2,910,712	$ 130,298	$ 124,263	$127,619	$ 39,835	$ 3,332,727
Interest and minority interest expense, net	$ 348,210	$ 27,343	$ 655	$ 8,778	$ 3,207	$ 388,193
EBITDA	$ 219,333	$ 46,927	$ 25,450	$ 18,670	$ (7,720)	$ 302,660
Non-vehicle depreciation and amortization	$ 43,465	$ 17,805	$ 1,303	$ 1,528	$ 681	$ 64,782
Income (loss) before provision for income taxes	$ 104,170	$ 29,122	$ 24,147	$ 17,142	$ (8,664)	$ 165,917
Income tax expense	$ 57,224	$ 4,259	$ 5,652	$ 4,939	$ 1,258	$ 73,332
Finance lease receivables	$ 129,188	$ 725,740		$ 16,106		$ 871,034
Vehicles, net	$5,937,503	$ 168,476	$ 75,238	$224,704	$ 95,450	$ 6,501,371
Debt and minority interest (preferred membership interest)	$7,545,835	$ 850,443	$ 5,433	$148,022	$ 19,377	$ 8,569,110
Total assets	$9,159,879	$1,416,598	$ 107,341	$317,298	$ 77,142	$11,078,258
Capital expenditures for vehicles and property and equipment	$5,040,195	$ 42,668	$ 88,429	$436,065	$ 46,377	$ 5,653,734

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

Note 24-Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data for the years ended December 31, 2000 and 1999 are as follows (in thousands except share and per share amounts):

	Quarters Ended			
	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Revenue	$ 1,013,033	$ 1,096,468	$ 1,130,275	$ 1,003,908
Costs and expenses	977,422	1,028,410	1,045,367	976,607
Income before provision for income taxes	35,611	68,058	84,908	27,301
Provision for income taxes	16,025	30,626	36,511	12,040
Net income	19,586	37,432	48,397	15,261
Preferred dividends	4,668	4,667	4,785	$ 4,786
Earnings applicable to common stockholders	$ 14,918	$ 32,765	$ 43,612	$ 10,475
Earnings per share:				
Basic	$ 0.48	$ 1.05	$ 1.40	$ .34
Diluted	$ 0.48	$ 1.05	$ 1.36	$ .32
Shares of common stock used in computing earnings per share:				
Basic	31,131,712	31,131,712	31,138,079	31,216,290
Diluted	31,341,244	31,336,088	32,150,494	32,652,178

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

Note 25 - 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. One member of the Company's board of directors is an executive officer of Cendant and also serves on the board of Avis Europe Limited, the parent company of Avis Europe, plc.

The Company is affiliated with Cendant, which at December 31, 2000, owned approximately 18% of the common stockholders' equity of the Company, excluding potential conversion of Preferred Stock (see Notes 6, 15, 16 and 17). For the years ended December 31, 2000, 1999 and 1998, the Company earned vehicle rental revenue of approximately $61.3 million $63.6 million and $62.1million, respectively, from Cendant and its subsidiary companies, of which approximately $1.6 million and $1.1 million was outstanding and is included in accounts receivable on the accompanying Consolidated Statements of Financial Position at December 31, 2000 and 1999, respectively. The Company purchased approximately $114.3 million, $106.4 million and $90.4 million in 2000, 1999, and 1998, respectively, of goods and services from these affiliated companies.

Note 26 - Litigation

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

Note 27 - Subsequent Events

Cendant Merger Agreement

The Cendant Merger Agreement was approved on February 28, 2001, by a majority of Avis Group Holding's, Inc. shareholders who are unaffiliated with Cendant. The merger has received customary regulatory approvals and closed on March 1, 2001. Costs associated with the acquisition of the Company will be paid by the acquiror.

Issuance of Asset Backed Notes

Under its domestic integrated fleet financing program (see Note 11), the Company issued $750 million of Series 2001-1 Floating Rate Rental Car Asset Backed Notes on March 2, 2001 (the "Notes"). The interest rate on the notes will be at LIBOR plus 20 basis points with principal repayments due from November 2003 through April 2004. The proceeds of the notes will be used to retire existing debt.

EXHIBIT 99.2

PRO FORMA FINANCIAL INFORMATION

The following Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2000 and the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 give effect to the March 1, 2001 acquisition of Avis Group Holdings, Inc. (Avis) (the Acquisition) which has been accounted for under the purchase method of accounting. The Unaudited Pro Forma Condensed Combined Financial Statements are based on the historical Consolidated Financial Statements of Cendant Corporation (Cendant) and Avis under the assumptions and adjustments set forth in the accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements. The Unaudited Pro Forma Condensed Combined Balance Sheet assumes that the Acquisition occurred on December 31, 2000 and the Unaudited Pro Forma Condensed Combined Statement of Operations assumes the Acquisition occurred on January 1, 2000. Historically, Avis paid Cendant for services Cendant provided related to call centers and information technology and for the use of Cendant trademarks. All intercompany transactions have been eliminated on a pro forma basis.

The following Unaudited Pro Forma Condensed Combined Balance Sheet and the Unaudited Pro Forma Condensed Combined Statement of Operations also give effect to various significant finance related activities which occurred during the first quarter of fiscal 2001 ("Financing Activities"). The Financing activities include an issuance of debt securities (net of debt retirements) and equity securities, the conversion of the PRIDES to equity and an issuance of zero coupon convertible notes. The Unaudited Pro Forma Condensed Combined Balance Sheet assumes that the Financing Activities occurred on December 31, 2000 and the Unaudited Pro Forma Condensed Combined Statement of Operations assumes the Financing Activities occurred on January 1, 2000.

Prior to the Acquisition, Cendant retained an equity investment from its 18% ownership in Avis common stock (approximately 5.5 million shares) and owned over 99% ($388 million) of the preferred stock of Avis. In addition, Cendant recorded a deferred gain, proportionate to its common stock ownership percentage of Avis, relating to a sale of our PHH Fleet business to Avis on June 30, 1999. In August, 2000, Avis contributed its European vehicle management and leasing business (PHH Europe) to a newly formed joint venture in exchange for cash, settlement of intercompany debt and a 20% interest in the venture (the PHH Europe Transaction). The accompanying Avis Supplemental Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 has been adjusted to reflect the PHH Europe Transaction.

The Pro Forma adjustments are based on the Avis Acquisition whereby Avis stockholders received $33 in cash for each share of Avis common stock outstanding. Cendant made payments totaling approximately $986 million, including payments to Avis shareholders ($940 million), and direct expenses of the transaction ($30 million) inclusive of the net cash obligation related to Avis stock options settled prior to the consummation. The purchase price also includes the fair value of Cendant options exchanged with certain fully-vested Avis option holders who elected not to exercise their options as part of the acquisition ($16). In addition, Cendant assumed approximately $7.5 billion of net debt of Avis ($6.8 billion of which relates to vehicle financing). The Pro Forma Condensed Combined Financial Statements reflect the entire purchase price being funded by available cash and a portion of the Financing Activities other than the zero coupon convertible notes. The remaining proceeds from Financing Activities were used to fund working capital needs and other cash needs of the Company.

For purposes of developing the Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2000, Avis' assets and liabilities have been recorded at their estimated fair market values and the excess purchase price has been assigned to goodwill and other identifiable intangibles. These fair market values are based on preliminary estimates. The pro forma adjustments may be subject to revision once the appraisals of the fair value of Avis' assets and liabilities are complete. In connection with the Acquisition, Cendant intends to finalize a plan to realign and reorganize certain Avis operations. The costs of implementing the plan, which may be substantial, have been reflected based on preliminary estimates. Such estimates are also subject to further refinement as the realignment is effected. The Unaudited Pro Forma Condensed Combined Statement of Operations exclude any benefits that may result from the Acquisition due to synergies that may be derived or from the elimination of duplicate efforts.

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

The Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with the historical Consolidated Financial Statements and accompanying notes for Cendant and Avis.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

DECEMBER 31, 2000

(IN MILLIONS)

	HISTORICAL				
	CENDANT	AVIS	PURCHASE ADJUSTMENTS	OTHER PRO FORMA ADJUSTMENTS (F)	PRO FORMA COMBINED
ASSETS					
Current assets					
Cash and cash equivalents	$ 967	$ 203	$ (970)a	$ 2,557	$ 2,757
Deferred income taxes	1,113	229	23 b	--	1,365
Receivables and other current assets	1,364	1,056	--	--	2,420
Total current assets	3,444	1,488	(947)	2,557	6,542
Property and equipment, net	1,273	197	--	--	1,470
Goodwill, net	3,012	1,327	297 c	--	4,636
Other assets	3,926	435	(320)d	--	4,041
Total assets exclusive of assets under programs	11,655	3,447	(970)	2,557	16,689
Assets under management and mortgage programs	2,861	6,966	--	--	9,827
TOTAL ASSETS	$14,516	$10,413	$ (970)	$ 2,557	$26,516
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable and other current liabilities	$ 1,610	$ 1,398	$ 166 c	$ --	$ 3,174
Stockholder litigation settlement and related costs	3,151	--	--	--	3,151
Total current liabilities	4,761	1,398	166	--	6,325
Long-term debt	1,948	725	104 c	1,300	4,077
Deferred income and other noncurrent liabilities	459	250	(114)c	--	595
Total liabilities exclusive of liabilities under management and mortgage programs	7,168	2,373	156	1,300	10,997
Liabilities under management and mortgage programs					
Debt	2,040	6,797	--	650	9,487
Deferred income taxes	476	--	--	--	476
	2,516	6,797	--	650	9,963
Preferred membership interest	--	99	--	--	99
Mandatorily redeemable preferred interest in a subsidiary holding debt (PRIDE's)	1,683	--	--	(1,683)	--
Mandatorily redeemable preferred interest in a subsidiary	375	--	--	--	375
Commitments and contingencies					
Stockholders' equity					
Preferred stock	--	390	(388)e	--	2
Common stock	9	--	--	--	9
Move.com common stock	--		--	--	--
Additional paid in capital	4,540	594	(578)e	2,290	6,846
Retained earnings	2,027	277	(277)e	--	2,027
Accumulated other comprehensive loss	(234)	(20)	20 e	--	(234)
Treasury stock	(3,568)	(97)	97 e	--	(3,568)
Total stockholders' equity	2,774	1,144	(1,126)	2,290	5,082
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$14,516	$10,413	$ (970)	$ 2,557	$26,516

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

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

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS

(IN MILLIONS, EXCEPT PER SHARE)

The accompanying Unaudited Pro Forma Condensed Combined Balance Sheet was prepared to reflect the Acquisition of Avis, which was accounted for under the purchase method of accounting, and the Financing Activities as of December 31, 2000. The purchase price of $986 (including expenses directly attributable to the Acquisition of $30) was based on acquiring 100 percent of the Avis common shares outstanding, which were not already owned by Cendant as of the acquisition date, for $33 per share plus the fair value of certain fully-vested Avis options exchanged with Cendant options.

(a) Represents cash used to fund the Acquisition, including funds provided by the Financing Activities other than from the zero coupon convertible notes.

(b) Represents the estimated tax benefits relating to the net impact of purchase accounting adjustments, the deferred tax liability on identifiable intangible assets and the tax effect relating to the settlement of stock options.

(c) Estimated adjustments to goodwill representing the excess of the cost over the preliminary estimate of the fair value of the identifiable net assets acquired.

Calculation of acquisition goodwill--	
Cash consideration....................................	$ 970
Fair value of fully-vested options exchanged...........	16
Fair value of identifiable net assets acquired--	
Book value of Avis..................................	1,142
Elimination of Avis goodwill........................	(1,327)
Fair value adjustments to existing liabilities and preliminary estimated costs to realign Avis.....................................	(166)
Fair value adjustments to debt......................	(104)
Deferred tax assets on fair value adjustments.........	100
Preliminary estimate of fair value of identifiable intangible assets....................................	200
Deferred tax liability on identifiable intangible assets...	(77)
Preliminary estimate of fair value of identifiable net liabilities assumed...................................	(232)
Cendant's basis in its current ownership of Avis (common and preferred equity investment of $520, net of deferred gain of $114).....	406
Acquisition goodwill..................................	$ 1,624
Calculation of goodwill acquisition adjustment--	
Acquisition goodwill..................................	$ 1,624
Avis goodwill..	(1,327)
Goodwill acquisition adjustment......................	$ 297

(d) Represents the following adjustments to other assets--

Elimination of preferred investment in Avis............	$ (388)
Elimination of common investment in Avis...............	(132)
Preliminary estimate of the allocation of purchase price to other identifiable intangible assets......................	200
Change in other assets..................................	$ (320)

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS, EXCEPT PER SHARE)

(e) The elimination of the equity balances of Avis less the impact of converting certain Avis options to Cendant options for employees electing not to exercise their existing options ($16).

(f) Represents the Financing Activities as outlined below--

Net Proceeds of Financing Activities	
Issuance of Zero Coupon Convertible Notes (CODE's)	$ 900
Repayment of Term Loan (7.4%)	(250)
Borrowings under $650 million term loan agreement	650
Change in corporate debt	1,300
Issuance of Medium Term Notes (8.125%)	650
Change in LUMP Debt	650
Issuance of equity	607
Net increase to cash	$ 2,557
Equity activity	
Redemption of PRIDE's	$ 1,683
Issuance of equity (See above)	607
Net change in additional paid in capital	$ 2,290

* * * * * * *

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2000

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL CENDANT	ADJUSTED AVIS(1)	PURCHASE ADJUSTMENTS	OTHER PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES					
Service fees	$3,783	$ 155	$ (173)a	$ --	$3,765
Vehicle rental	--	2,467	--	--	2,467
Vehicle leasing and other fees	--	1,316	--	--	1,316
Other	147	151	(39)b	--	259
Net revenues	3,930	4,089	(212)	--	7,807
EXPENSES					
Direct operating	1,903	966	(173)a	--	2,696
Vehicle depreciation and lease charges	--	1,671	--	--	1,671
Selling, general and administrative	484	637	--	--	1,121
Interest, net	145	482	--	98 f,h	725
Depreciation and amortization	330	74	16 c	--	420
Other charges--					
Restructuring and unusual	89	--	--	--	89
Litigation settlement	(21)	--	--	--	(21)
Investigation related	23	--	--	--	23
Total expenses	2,953	3,830	(157)	98	6,724
Net loss on disposition of businesses	(8)	--	(35)d	--	(43)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	969	259	(90)	(98)	1,040
Provision (benefit) for income taxes	309	117	(27)e	(37)e	362
Minority interest	84	7	--	(66) g	25
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 576	$ 135	$ (63)	$ 5	$ 653
CENDANT COMMON STOCK INCOME PER SHARE INCOME PER SHARE FROM CONTINUING OPERATIONS--					
Basic	$ 0.80			--	$ 0.79
Diluted	$ 0.78			--	$ 0.76 h
WEIGHTED AVERAGE SHARES OUTSTANDING--					
Basic	724			107 i	831
Diluted	762			107 i	869
MOVE.COM COMMON STOCK LOSS PER SHARE LOSS PER SHARE FROM CONTINUING OPERATIONS--					
Basic	$(1.76)				$(1.76)
Diluted	$(1.76)				$(1.76)
WEIGHTED AVERAGE SHARES OUTSTANDING--					
Basic	3				3
Diluted	3				3

- --------------------------

(1) See Avis Supplemental Pro Forma Financial Statements

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

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000
($ IN MILLIONS, EXCEPT PER SHARE)

(a) Elimination of amounts paid by Avis to Cendant for services related to call centers and information technology and for the use of trademarks.

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

(c) Annual incremental change in amortization expense

Amortization of goodwill--40 year life......................	$ 6
Amortization of other intangibles--20 year weighted- average life..	10
Total amortization....................................	$16

(d) Reversal of a $35 gain recorded by Cendant, which represents the recognition of a portion of its previously recorded deferred gain from the sale of its fleet business due to the disposition of PHH Europe by Avis in August 2000.

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

(f) Represents net increase in interest expense relating to the following--

Zero Coupon Convertible Notes- accretion to principal (2.5%)..	$ 23
Medium Term Note (8.125%)..................................	53
Borrowings under $650 million term loan agreement...........	41
Term Note (7.4%)...	(19)
Total change in interest expense.......................	$ 98

(g) Represents reduction in preferred stock dividends resulting from conversion of PRIDE's to equity.

(h) No adjustment has been made to reduce interest expense for interest income on the incremental cash raised through the Financing activities of $1,587. Assuming the incremental cash was invested at 5 percent, Cendant's current rate for cash investments, interest expense would have been reduced by $79. Additionally, income from continuing operations and income per share from continuing operations would have improved by $49 and $0.06, respectively.

(i) Represents the issuance of Cendant common stock of 61 million shares and 46 million shares relating to the PRIDE conversion and equity issuance, respectively.

* * * * * * *

AVIS SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION

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

SUPPLEMENTAL UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2000
(IN MILLIONS)

	HISTORICAL AVIS	PHH EUROPE TRANSACTION(A)	PRO FORMA ADJUSTMENTS	ADJUSTED AVIS
REVENUES				
Service fees, net	$ 241	$ (86)	$ --	$ 155
Vehicle rental	2,467	--	--	2,467
Vehicle leasing and other fees	1,389	(73)	--	1,316
Other	146	--	5b	151
Net revenues	4,243	(159)	5	4,089
EXPENSES				
Direct operating	966	--	--	966
Vehicle depreciation and lease charges	1,695	(24)	--	1,671
Selling, general and administrative	693	(56)	--	637
Interest, net	577	(37)	(58)c	482
Depreciation and amortization	89	(12)	(3)d	74
Other charges--Restructuring and unusual	--	--	--	--
Litigation settlement	--	--	--	--
Investigation related	--	--	--	--
Total expenses	4,020	(129)	(61)	3,830
Net gain on disposition of businesses		--	--	--
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	223	(30)	66	259
Provision (benefit) for income taxes	95	(3)	25e	117
Minority interest	7	--	--	7
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 121	$ (27)	$ 41	$ 135

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

SUPPLEMENTAL NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS
(IN MILLIONS)

(a) Represents the adjustment to pro forma the results of operations of PHH Europe for the year ended December 31, 2000. This adjustment assumes that the PHH Europe Transaction occurred on January 1, 2000.

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

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

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

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