HOLIDAY
CORPORATION

Holiday Corporation
The leader in hospitality
1023 Cherry Road
Memphis, TN 38117 USA

March 17, 1986

To Our Stockholders:

You are cordially invited to attend the Holiday Corporation Annual Meeting of Stockholders which will be held on April 25, 1986, at 11:00 a.m. at the Holiday Inn—Memphis East, 5695 Poplar Avenue, Memphis, Tennessee.

Three directors, constituting Class I, will be elected at the Annual Meeting. In addition, you will be asked to approve an amendment to the Holiday Corporation Savings and Retirement Plan and ratify the appointment of auditors.

I and the other members of the Board of Directors hope you will attend the Annual Meeting in person. Whether or not you intend to do so, we urge you to complete and return the enclosed proxy card promptly to ensure that your shares will be represented at the meeting. If you attend the meeting, you may vote in person even if you have sent in your proxy card.

Very truly yours,

Michael D. Rose
Chairman of the Board and
Chief Executive Officer

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HOLIDAY CORPORATION

NOTICE OF MEETING

The Annual Meeting of Stockholders of Holiday Corporation will be held at the Holiday Inn—Memphis East, 5695 Poplar Avenue, Memphis, Tennessee, on Friday, April 25, 1986, at 11:00 a.m. to:

1. Elect the directors of Class I;
2. Approve an amendment to the Holiday Corporation Savings and Retirement Plan;
3. Ratify the appointment of Arthur Andersen & Co., as Holiday Corporation's independent public accountants; and
4. Transact such other business as may properly be brought before the meeting or any adjournments thereof.

Stockholders of record at the close of business on February 28, 1986, are entitled to vote. The list of stockholders will be available for examination for ten days prior to the meeting at Holiday Corporation World Headquarters, Corporate Secretary's Office, 1023 Cherry Road, Memphis, Tennessee 38117.

Please complete the accompanying proxy and return it in the addressed envelope enclosed.

Jerome A. Broadhurst
Secretary

March 17, 1986

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PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Holiday Corporation for use at the Annual Meeting of Stockholders to be held on April 25, 1986.

Holiday's principal executive offices are located at 1023 Cherry Road, Memphis, Tennessee, 38117. A copy of Holiday's 1985 Annual Report to Stockholders, this Proxy Statement and accompanying proxy card will be first mailed to stockholders on approximately March 17, 1986.

SHARES ENTITLED TO VOTE

Stockholders of record at the close of business on February 28, 1986 are entitled to vote. At that date 25,261,080 shares of Holiday Corporation Common Stock and 328,383 shares of Holiday Corporation Series A Stock were outstanding. Each share of Holiday Corporation Common Stock is entitled to one vote. Each share of Holiday Corporation Series A Stock is entitled to three-fourths (¾) of a vote. The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting is required to approve each matter to be voted on at the meeting, including approval of the amended Holiday Corporation Savings and Retirement Plan.

For participants in the Holiday Corporation Employee Stock Ownership Plan, the Trustee, First Tennessee Bank N.A., Memphis, Tennessee, will vote any shares that it holds for a participant's account in accordance with the confidential voting instructions returned by the participant to the Trustee. If no instructions are returned by the participant, the shares held by the Trustee for such participant will not be voted.

Stockholders may vote at the meeting by voting in person, by completing and returning the enclosed proxy to Holiday prior to the meeting, or by submitting a signed proxy at the meeting.

ELECTION OF DIRECTORS

In accordance with the Reorganization approved by the stockholders at the 1985 Annual Meeting, Holiday's Restated Certificate of Incorporation provides for a Board of Directors of not less than three nor more than seventeen directors and authorizes the Board to determine the number within that range from time to time by the affirmative vote of a majority of the directors then in office.

Also in accordance with the 1985 Reorganization, Holiday's Board was divided into three classes with staggered terms. At the 1985 Annual Meeting thirteen directors were elected. Messrs. Clarke, Dixon and Sells and Ms. Young were elected to Class I to hold office until Holiday's 1986 Annual Meeting; Messrs. Farley, Salmon, Schorr and Solomonson were elected to Class II to hold office until Holiday's 1987 Annual Meeting; and Messrs. Evans, Goeglein, McClure, Rose and Terry were elected to Class III to hold office until Holiday's 1988 Annual Meeting. Starting with the 1986 Annual Meeting, each class of directors to be elected will be elected for a three-year term.

On August 2, 1985, the Board voted to increase the number of directors to fourteen. The new directorship was added to Class I. Mr. Willie W. Herenton was elected by the Board to fill the new directorship. On October 4, 1985, James L. Schorr resigned from the Board. Mr. Schorr's resignation created a vacancy in Class II. Mr. William B. Dunavant, Jr. was elected by the Board on February 28, 1986 to fill this vacancy. Mr. Dunavant will serve for the remainder of Mr. Schorr's term. Messrs. Clarke and Dixon, who are presently Class I directors, have both reached retirement age and will not stand for re-election. Accordingly, the Board has voted to decrease the size of the Board of Directors from 14 to 12 directors effective at the 1986 Annual Meeting.

Three directors, constituting Class I, are to be elected for a term of three years at the 1986 Annual Meeting. Upon recommendation from the Committee on Directors, Messrs. Herenton and Sells and Ms. Young have been nominated by the Board of Directors for election.

In the event any nominee is unable or declines to serve as director at the time of the Annual Meeting, the proxy will be voted for any substitute nominee selected by the current Board of Directors. Management has no reason to believe, at this time, that the persons named will be unable or will decline to serve if elected, and each nominee has informed Holiday that, if elected, such person will serve.

On February 27, 1986, the directors and officers as a group owned 142,150 shares of Holiday Common Stock which is less than 1% of the shares of that class. No director or officer owns any other equity security of Holiday. Share ownership of each director shown below refers to shares of Common Stock of Holiday owned on February 27, 1986.

NOMINEES: CLASS I

WILLIE W. HERENTON
Dr. Herenton, 45, is and for more than five years has been, Superintendent of Schools, Memphis City School System, Memphis, Tennessee. Dr. Herenton has been a Holiday director since 1985 and is a member of the Audit Committee. He owns 100 shares.

BOAKE A. SELLS
Mr. Sells, 48, is President and a director of Dayton Hudson Corporation. Prior to joining Dayton Hudson in 1984, Mr. Sells was President of Cole National Corporation. Mr. Sells has been a Holiday director since 1985 and is a member of the Committee on Directors and the Executive Compensation Committee. He owns 2,500 shares.

SHIRLEY YOUNG
Ms. Young, 50, is President of Grey Strategic Marketing Inc., a subsidiary of Grey Advertising, Inc. Prior to 1983, Ms. Young was Executive Vice President of Marketing, Planning and Strategy Development for Grey Advertising, Inc. She is also a director of Bell Atlantic and Dayton Hudson Corporation. Ms. Young has been a Holiday director since 1983 and is Chairman of the Committee on Directors. She owns 700 shares.

DIRECTORS: CLASS II

WILLIAM B. DUNAVANT, JR.

Mr. Dunavant, 53, is Chairman of the Board and Chief Executive Officer of Dunavant Enterprises, Inc. with whom he has been associated for more than thirty years. Mr. Dunavant became a Holiday director in 1986. He owns 1,000 shares.

JAMES B. FARLEY

Mr. Farley, 55, is Senior Chairman, Booz, Allen and Hamilton, Inc. He was formerly Chairman and Chief Executive Officer of Booz, Allen and Hamilton from 1976 to 1985 and has been an officer of that company for more than twenty years. Mr. Farley is also a director of Ashland Oil Inc. and First Boston Corporation. Mr. Farley has been a Holiday director since 1982 and is Chairman of the Audit Committee. He owns 203 shares.

WALTER J. SALMON

Mr. Salmon, 55, is, and for more than five years has been, the Stanley Roth, Sr., Professor of Retailing, the Graduate School of Business Administration, Harvard University. Mr. Salmon is also a director of Carter Hawley Hale Stores, Inc., Hannaford Brothers Company, Luby's Cafeterias Inc., Stride Rite Corporation, The Quaker Oats Company and the Zayre Corporation. He has been a Holiday director since 1981 and is a member of the Committee on Directors and the Executive Compensation Committee. He owns 300 shares.

CHARLES D. SOLOMONSON

Mr. Solomonson, 55, is, and for five years has been, Executive Vice President and Chief Financial and Administrative Officer of Holiday. He is also a director of Commerce Union Bank of Memphis. Mr. Solomonson has been a Holiday director since 1980 and is a member of the Executive Committee. He owns 6,457 shares.

DIRECTORS–CLASS III

NICHOLAS M. EVANS

Mr. Evans, 55, is President of the Consumer Products Group and a Senior Vice President of the Bristol-Myers Company. Mr. Evans has been an officer of the Bristol-Myers Company for more than ten years. He has been a Holiday director since 1976 and is Chairman of the Executive Compensation Committee. Mr. Evans owns 100 shares.

RICHARD J. GOEGLEIN

Mr. Goeglein, 51, has been President and Chief Operating Officer of Holiday since 1984. Prior to that time, he was Executive Vice President of Holiday and President and Chief Executive Officer of Harrah's, a Holiday subsidiary. Mr. Goeglein has been a Holiday director since 1978 and is a member of the Executive Committee. He owns 8,271 shares.

ARCHIBALD McCLURE
Mr. McClure, 63, is, and for more than five years has been, Vice President of the Illinois Institute of Technology. He is also a director of First Illinois Corporation and the First Illinois Bank of Wilmette. Mr. McClure has been a Holiday director since 1976 and is a member of the Audit Committee. He owns 100 shares.

MICHAEL D. ROSE
Mr. Rose, 44, is Chairman of the Board and Chief Executive Officer of Holiday. He has been the Chief Executive Officer since 1981 and Chairman since 1984. Mr. Rose is also a director of First Tennessee National Corporation, General Mills, Inc. and Po Folks, Inc. He has been a Holiday director since 1978 and is Chairman of the Executive Committee. Mr. Rose owns 44,082 shares.

RONALD TERRY
Mr. Terry, 55, is, and for more than ten years has been, Chairman of the Board and Chief Executive Officer of First Tennessee National Corporation. He is also a director of South Central Bell Telephone Company. Mr. Terry has been a Holiday director since 1979 and is a member of the Audit Committee and Executive Committee. He owns 200 shares.

Compensation of Directors

Directors who are not employees of Holiday or its subsidiaries are paid a monthly fee of \$1,333 plus \$1,000 for each board meeting and \$500 for each committee meeting they attend. Committee chairmen are paid an additional \$500 for each committee meeting attended. Under the provisions of Holiday's two unfunded compensation deferral programs, directors may defer the receipt of all or a portion of their directors' fees. Presently, Messrs. Evans, Farley, McClure, Salmon, Sells and Terry and Ms. Young are deferring fees. Under the first plan, amounts, while deferred, earn interest at a rate based on a calculated average prime interest rate. Under the second plan, amounts, while deferred, earn interest at a minimum rate based on a calculated prime interest rate or at a maximum rate which is set annually by Holiday's Deferred Compensation Committee. The minimum rate for 1985 was 9.5% and the maximum rate was 18%. The maximum rate is established as an incentive to encourage long-term service. Therefore, only those participants meeting the plan's age and service requirements will receive interest at the higher rate. In connection with the administration of the second plan, Holiday has purchased company-owned life insurance policies, insuring the lives of Holiday's directors and certain officers. In purchasing these life insurance policies, certain assumptions have been made regarding mortality experience, interest rates and policy dividends. Holiday expects to recover policy premiums and the net cost of benefits paid under the second plan through the operation of these insurance contracts. Participants in the plan have no rights in the insurance policies. Amounts deferred under either plan, may be paid in a lump sum or in equal monthly installments as selected by the director when making the deferral election.

The Board of Directors met six times during 1985. Nine directors attended 100% of all the meetings of the Board and Committees on which they served. Of the remaining four directors, none attended less than 80% of the meetings of the Board and of the Committees on which they served.

Audit Committee

The Audit Committee, which met three times in 1985, (1) recommends annually to the Board of Directors the independent public accountants for Holiday and its subsidiaries; (2) meets with the independent public accountants concerning their audit, their evaluation of Holiday's financial statements, accounting developments that may affect Holiday, and nonaudit services; (3) meets with management and the internal auditors concerning similar matters and (4) makes recommendations to all of the aforesaid groups that it deems appropriate.

Committee on Directors

The Committee on Directors, which met four times in 1985, is the nominating committee of the Board of Directors. It considers and makes recommendations to the Board of Directors concerning the size and composition of the Board, the number of non-management directors, the qualifications of members and potential nominees for membership, the compensation of directors, membership of committees of the Board and certain administrative matters. The Committee on Directors considers nominees recommended by stockholders. Detailed resumes of business experience and personal data of potential nominees may be submitted to the corporate secretary at the address shown on the front page of the Proxy Statement.

Executive Committee

During the intervals between meetings of the Board of Directors, the Executive Committee, unless restricted by resolution of the Board, possesses and may exercise, all of the powers and authority of the Board of Directors in the management and control of Holiday's business. Action taken by the Executive Committee is reported to the Board of Directors at its first meeting thereafter and is subject to revision or rescission by the Board; however, rights of third parties may not be affected by any such action of the Board. Three meetings of the Executive Committee were held during 1985.

Executive Compensation Committee

The Executive Compensation Committee, which met five times in 1985, determines the annual salary of top-level corporate officers and administers Holiday's bonus, stock option and other incentive plans.

EXECUTIVE COMPENSATION

The following table shows the cash compensation earned by each of the five most highly compensated executive officers and the cash compensation earned by all executive officers as a group for fiscal year 1985. Compensation of former executive officers, while they served as such, is reported in the group totals.

Individual or Group	Capacities in Which Served	Cash Compensation (1, 2, 3, 4)
Michael D. Rose	Chairman of the Board and Chief Executive Officer	$ 561,793
Richard J. Goeglein	President and Chief Operating Officer	448,256
Charles D. Solomonson	Executive Vice President, Chief Financial and Administrative Officer	314,254
Kenneth B. Hamlet	President and Chief Executive Officer, Holiday Inn Hotel Group	287,183
Philip G. Satre	President and Chief Executive Officer, Gaming Group	254,656
All executive officers as a group (16) including the above		$3,929,753

(1) Includes salary and bonus under annual bonus plan, including any salary or bonus deferred under either of Holiday's compensation deferral programs referenced in footnote 3 below.

(2) Includes executive auto and aircraft allowances, relocation expense payments and payments made to reimburse executive officers for expenses incurred in obtaining financial counseling services under Holiday's executive financial counseling program.

(3) Includes compensation deferred under Holiday's compensation deferral programs. The first compensation deferral program permits an executive to defer up to 12% of his salary and 100% of any bonus payment. The second compensation deferral program allows an executive to defer from 4% to 25% of his annual compensation (salary plus bonus). For a complete description of the compensation deferral programs see "Compensation of Directors."

(4) Compensation other than that disclosed in this table or in "Compensation Pursuant to Plans" does not exceed the lesser of $25,000 or 10% of annual cash compensation for any executive officer, nor does such other compensation exceed the lesser of an amount equal to $25,000 times the number of executive officers as a group or 10% of the total cash compensation of all executive officers as a group.

COMPENSATION PURSUANT TO PLANS

Savings and Retirement Plan

Holiday maintains a savings and retirement plan for the salaried employees of Holiday and participating subsidiaries. Participants may make basic contributions of up to 6% of their base compensation plus a supplemental contribution of up to an additional 10% of their base compensation. Prior to October 1985, Holiday contributed an amount equal to at least 25% of the basic employee contribution. Pursuant to an amendment of the plan approved by the Board of Directors, but subject to stockholder approval, Holiday began in October 1985, to contribute an amount equal to 100% of the participant's contribution up to 6% of eligible earnings (see "Board of Directors' Proposal to Approve the Amendment to the Savings and Retirement Plan" below). This increase in the regular matching contribution was approved by the Board in connection with the termination of the Holiday Inns, Inc. Employees' Retirement Plan (the "Pension Plan.")

Amounts contributed to the savings and retirement plan are invested, at the participant's option, in a guaranteed fund, an equity fund or a Holiday common stock fund. The funds are invested and paid, with any gains or losses, to participants generally upon retirement or termination of employment. Termination of employment prior to retirement or eight years of credited service results in reduced payment of the accumulated Holiday contributions with gains or losses thereon. Contributions by Holiday to the accounts of executive officers in 1985 were as follows: Mr. Rose $4,524, Mr. Goeglein $3,419, Mr. Solomonson $3,109, Mr. Hamlet $2,276. Mr. Satre did not participate in the plan during 1985. Matching contributions for the 16 executive officers as a group were $45,796. Contributions by Holiday for all participating employees as a group in 1985 amounted to $2,856,282.

For the years 1981 through 1985 the total Holiday contributions were as follows: Mr. Rose $27,997, Mr. Goeglein $19,697, Mr. Solomonson $17,872 and Mr. Hamlet $12,652. Mr. Satre did not participate. Contributions for all current executive officers as a group (14) $202,413; all other current officers as a group (10) $54,090; and all participating employees as a group (an average of 7,610) $7,433,359.

Annual Bonus Plan

Under the annual bonus plan, officers and key employees of Holiday and its subsidiaries receive cash bonuses ranging up to 81% of annual salary based on their level of management and the attainment of individual and corporate objectives for the previous fiscal year. Corporate objectives typically relate to pre-tax income targets, and in certain instances other targets such as return on sales and return on equity. The maximum bonus paid to a Holiday executive officer for 1985 amounted to 48% of that officer's base salary. Holiday paid $5,897,840 in annual bonus awards for 1985 to 831 key employees of Holiday and its subsidiaries.

The total bonus awards paid under the plan for the five-year period 1981-1985 (including the bonuses paid for the year 1985) were as follows: Mr Rose $597,475, Mr. Goeglein $418,700, Mr. Solomonson $342,300, Mr. Hamlet $308,280 and Mr. Satre $166,230; all current executive officers as a group (14) $2,741,757; all other current officers as a group $733,848; and all participating employees as a group (an average of 668) $24,859,692.

Restricted Stock Incentive Plan

In 1981, Holiday's stockholders approved the 1981 Restricted Stock Incentive plan under which key executives of high caliber and potential may be awarded shares of Holiday Common Stock by the Executive Compensation Committee, subject to restrictions on transfer and subject to forfeiture during a specified period or periods. A maximum of 200,000 shares may be awarded under the plan. During 1981, Messrs. Rose, Goeglein, and Solomonson were awarded 32,500; 10,000; and 9,000 shares, respectively, of Holiday Common Stock under the plan. Restrictions on their shares lapsed in installments over a five-year period which ended in January 1986. In 1983 an additional award of 17,500 shares of stock was made to Mr. Rose. The restrictions on those shares lapsed over a three-year period which also ended in January 1986. In 1984, Mr. Goeglein was awarded 10,000 shares of Holiday Common Stock under the plan; and two other executive officers were awarded a total of 8,000 shares under the plan. Restrictions on these shares lapse in installments over a five-year period ending in January 1989. Additionally in 1984, Mr. Rose was awarded the right to receive 60,000 shares; ownership of these shares will be transferred to Mr. Rose in five equal annual installments commencing January 1, 1987. In January, 1986, Mr. Goeglein was awarded the right to receive 15,000 shares; ownership of these shares will be transferred to Mr. Goeglein in five equal annual installments commencing January 1, 1987. As restrictions on the awards lapse, participants receive supplemental cash payments in an amount equal to 50% of the fair market value of the shares with respect to which such restrictions lapse.

The value of the January 1, 1986 installments, including the supplemental cash payments to executive officers, were as follows: Mr. Rose $2,184,099, Mr. Goeglein $442,735, Mr. Solomonson $239,077, Mr. Hamlet $88,547 and Mr. Satre $53,128 and for the 16 executive officers as a group $3,406,047. The total value of the installments, including the supplemental cash payments, from January 1, 1982, until January 1, 1986, to executive officers were as follows: Mr. Rose $3,698,046, Mr. Goeglein $1,002,986, Mr. Solomonson $626,274, Mr. Hamlet $153,563, Mr. Satre $92,137, the 14 current executive officers as a group $5,573,006, and all participating employees as a group (6) $6,616,796.

Long Term Performance Plans

Key executive employees who make, influence or have principal responsibility for long term strategic planning decisions may receive awards under Holiday's long term performance plans. Holiday has a 1977 Plan and a 1985 Plan, both of which were approved by Holiday's stockholders. Under the plans, participants are assigned an initial award by the Executive Compensation Committee of the Board of Directors (the "Committee") to be earned-out over a performance period of two or more fiscal years as determined by the Committee. The initial award is based upon the participant's responsibility level and such other considerations as the Committee may deem appropriate. The Committee determines the final award for each participant based on the degree of attainment of performance objectives established for the performance period. At the completion of a performance period, an initial award under the 1977 Plan is multiplied in turn by two factors to determine the final award. The first factor is an earnings per share ratio consisting of Holiday's average earnings per share during the performance period, divided by its average earnings per share during the last two years before the performance period. The second factor is a percentage taken from a matrix of performance objectives. For corporate participants, the matrix will have on one axis a range of objectives for corporate return on equity for the period, and on the other axis, a range of objectives for average earnings per share for the period. The method for determining final awards under the 1985 Plan is similar, but the first factor, that is the earnings per share ratio, is not used in calculating the final award. Final awards are generally paid half in Holiday Common Stock and half in immediate or deferred cash payments. The Committee has discretion under the plans to adjust performance objectives to achieve the purposes of the plans. No payment may be made if the minimum performance objectives determined by the Committee are not met. No payments to any participant may exceed 200% of the participant's base salary at the end of the performance period, unless the Committee determines that the participant's performance during the period justifies a greater payment. Performance periods generally last four years and initial awards are generally granted every other year. There are currently initial awards outstanding for two performance periods under the 1977 Plan. Final awards for the first performance period which ended in 1985, are being paid in 1986. The other performance period ends in 1986, and final payments for it, if any, will be paid in 1987. No further initial awards will be made under the 1977 Plan. There are currently initial awards outstanding for one performance period under the 1985 Plan. It ends in 1988.

Final awards for the performance period which ended December 31, 1985, are as follows: Mr. Rose $176,083, Mr. Goeglein $221,581, Mr. Solomonson $105,523, Mr. Hamlet $43,178 and Mr. Satre $51,304; all executive officers as a group $708,359; and all participating employees as a group (10) $841,932. For the years 1981 through 1985 final awards pursuant to the long term performance plans were as follows: Mr. Rose $713,828, Mr. Goeglein $558,494, Mr. Solomonson $308,756, Mr. Hamlet $148,295, and Mr. Satre $51,304; all current executive officers as a group (14) $1,879,783; all other current officers as a group $111,572; and all participating employees as a group (17) $3,707,339.

Executive Life and Health Insurance

Holiday has established a group term insurance plan for certain key employees to induce experienced personnel to remain with Holiday. Holiday pays the annual premiums. The plan provides $100,000 level term life insurance to each plan participant. In addition, Holiday performance period. At the completion of a performance period, an initial award under the 1977 Plan is multiplied in turn by two factors to determine the final award. The first factor is an earnings per share ratio consisting of Holiday's average earnings per share during the performance period, divided by its average earnings per share during the last two years before the performance period. The second factor is a percentage taken from a matrix of performance objectives. For corporate participants, the matrix will have on one axis a range of objectives for corporate return on equity for the period, and on the other axis, a range of objectives for average earnings per share for the period. The method for determining final awards under the 1985 Plan is similar, but the first factor, that is the earnings per share ratio, is not used in calculating the final award. Final awards are generally paid half in Holiday Common Stock and half in immediate or deferred cash payments. The Committee has discretion under the plans to adjust performance objectives to achieve the purposes of the plans. No payment may be made if the minimum performance objectives determined by the Committee are not met. No payments to any participant may exceed 200% of the participant's base salary at the end of the performance period, unless the Committee determines that the participant's performance during the period justifies a greater payment. Performance periods generally last four years and initial awards are generally granted every other year. There are currently initial awards outstanding for two performance periods under the 1977 Plan. Final awards for the first performance period which ended in 1985, are being paid in 1986. The other performance period ends in 1986, and final payments for it, if any, will be paid in 1987. No further initial awards will be made under the 1977 Plan. There are currently initial awards outstanding for one performance period under the 1985 Plan. It ends in 1988.

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Executive Life and Health Insurance

Holiday has established a group term insurance plan for certain key employees to induce experienced personnel to remain with Holiday. Holiday pays the annual premiums. The plan provides $100,000 level term life insurance to each plan participant. In addition, Holiday provides its executives with health and dental care plans which provide identical coverage as that provided for all of its salaried employees under a contributory health care plan. Holiday pays the annual premiums on the executive health care policies. Payments for both life insurance and the additional cost for health care insurance premiums related to the executive plan amounted to $2,835 each for Messrs. Rose, Goeglein, Solomonson and Hamlet, and $36,855 for the 16 executive officers as a group in 1985.

Employee Stock Ownership Plan

Holiday has an Employee Stock Ownership Plan ("ESOP") which is qualified as a tax credit employee stock ownership plan as defined under the Internal Revenue Code (the "Code"). The ESOP applies to all employees who complete 1,000 hours of service in the 12 month eligibility period. In 1985, Holiday contributed $2,001,009 in cash and Holiday stock to the ESOP for the 1984 plan year.

Cash which is contributed to the Plan is used to purchase shares which are held by a trustee on the employees' behalf until termination of employment. Each eligible employee including executive officers received the equivalent of approximately 1.75 shares of Holiday Common Stock from the 1984 contribution. The total amount contributed by the Company in 1984 and 1985 for the 1982, 1983 and 1984 plan years was $4,472,844. Under the Code, Holiday receives tax credits equal to its contributions to the ESOP.

1985 Restricted Stock Plan

Under the Restricted Stock Plan, which was approved by the stockholders in 1985, common stock is awarded on a periodic basis to key employees of Holiday and its subsidiaries who are selected by the Chief Executive Officer and approved by the Executive Compensation Committee (the "Committee") as making significant contributions to Holiday. Holiday directors may also receive awards if they are key employees at the time of award. Approximately 421 key employees were eligible to receive awards under the plan during 1985. A maximum of 650,000 shares may be awarded under the plan. No single award under the plan may exceed 2,000 shares. The common stock which is awarded is restricted as to transfer and subject to forfeiture during a specified period or periods. Each award is subject to such conditions, terms and restrictions as are determined by the Committee. The Committee also has the power to permit an acceleration of the expiration of the applicable restriction period with respect to any part or all of the shares awarded to a participant. In the event of a participant's termination of employment (except for death, disability or retirement) prior to the end of a restriction period, any shares upon which restrictions have not yet lapsed shall be automatically forfeited and returned to Holiday without any payment to the participant or his successors, heirs, assigns or personal representatives.

Shares awarded, and any right to vote such shares and to receive dividends thereon, may not be sold, assigned or in any way transferred during the restriction period applicable to such shares. During the restriction period, the recipient shall have all other rights of a stockholder, including, but not limited to, the right to receive dividends and vote such shares. Certificates for restricted shares are deposited with Holiday or its designee during the restriction period.

The Restricted Stock Plan shall remain in effect until all shares awarded under the plan are free of restrictions, but no award may be made more than ten years after the date the Restricted Stock Plan was approved by the stockholders. Upon certain changes in the number of outstanding shares of common stock, the Committee shall adjust the number of shares to be issued under the plan and make corresponding equitable adjustments in restricted shares previously awarded.

The Committee may discontinue or amend the plan at any time, except that without stockholder approval, the Committee may not materially (a) increase either the maximum number of shares which may be issued under the plan (other than increases due to changes in capitalization), (b) increase the benefits accruing to participants under the plan, or (c) modify the requirements for eligibility for participation in the plan. The termination or any modification or amendment of the plan shall not, without the consent of a participant, affect a participant's rights under an award previously granted.

During 1985, the first year the plan was in effect, awards were made under the plan as follows: Mr. Solomonson received 1,278 shares, Mr. Hamlet 1,049 shares and Mr. Satre 1,049 shares; 9,533 shares were awarded to 10 of the 14 current executive officers as a group, 7,160 shares were awarded to 9 of the 10 other current officers and all participants as a group received 204,393 shares of Holiday Common Stock.

Stock Option Plan

Under the Company's 1977 Incentive Stock Option Plan, the option price is 100% of the fair market value of the stock on the date of grant. Options under the plan have a maximum ten-year term after they are granted. The Executive Compensation Committee of the Board of Directors may award stock appreciation rights which give the option holder the right to surrender all or any portion of his or her option in exchange for cash or Holiday Common Stock (as determined by the Committee) equal in value to the difference between the market price and the option price of the shares covered by the surrender. Holiday has a short-term loan program whereby employees who are not corporate officers may borrow the exercise price of their stock option from Holiday to enable these employees to exercise their options. The loan is repaid by the immediate sale of all or a portion of the shares acquired by exercising the options. Holiday pays the interest on these loans and the brokerage commission incurred in selling the shares. No incentive stock option granted under the plan or related stock appreciation right is exerciseable until all previously granted incentive stock options and related stock appreciation rights have either been exercised in full or expired. The following table shows as to the executive officers listed in the compensation table and as to all executive officers as a group (i) the number of shares subject to options granted during fiscal year 1985, (ii) the average per share exercise price of options granted, (iii) the number of shares subject to options exercised during fiscal year 1985, and (iv) the net value realized (market value less any exercise price) in shares or cash on options exercised.

	Options Granted December 29, 1984 through January 3, 1986		Options Exercised December 29, 1984 through January 3, 1986	
	Number of Shares	Average Per Share Exercise Price	Number of Shares(1)	Net Value Realized
Michael D. Rose	—	—	—	—
Richard J. Goeglein	—	—	—	—
Charles D. Solomonson	—	—	—	—
Kenneth B. Hamlet	—	—	—	—
Philip G. Satre	—	—	368	4,761
All executive officers as a group (16) including those named above	3,000	$50	7,376	$200,131

(1) Includes shares not issued if stock appreciation rights related to the underlying options were exercised.

The following table sets forth certain information with respect to options granted and options exercised from the start of fiscal year 1981 through February 14, 1986.

	Options Granted December 27, 1980 through February 14, 1986		Options Exercised December 27, 1980 through February 14, 1986	
	Number of Shares	Average Per Share Exercise Price	Number of Shares(1)	Net Value Realized
Michael D. Rose	3,768	$34.23	10,342	$ 174,932
Richard J. Goeglein	2,915	34.64	4,855	62,251
Charles D. Solomonson	2,783	34.86	4,189	98,519
Kenneth B. Hamlet	2,476	35.58	2,072	20,697
Philip G. Satre	2,884	36.34	1,983	32,418
All current executive officers as a group (14) including those named above	48,939	38.37	30,973	585,372
All other current officers (10)	18,681	33.21	24,494	582,322
All employees	523,954	$35.47	491,133	$8,775,821

(1) Includes shares not issued if stock appreciation rights related to the underlying options were exercised.

As of January 3, 1986, there were 451 employees eligible to participate in the stock option plan, including 14 executive officers. As of January 3, 1986, $39.76 was the average per share option price of the shares subject to outstanding options, the expiration dates of which ranged from May 18, 1988, to October 31, 1995.

Pension Plan

Holiday maintained a pension plan for certain officers and employees through September 30, 1985. At that time, the pension plan was terminated in conjunction with the increase in Holiday's matching contribution under the Savings and Retirement Plan.

Pursuant to the termination provisions of the pension plan, all employees in the plan were fully vested on September 30, 1985. If the present value of an employee's accrued benefit exceeded $1,750, the employee could select to either transfer the funds to such employee's account in Holiday's Savings and Retirement Plan, or use the funds to purchase an annuity. If an employee had less than $1,750 accrued to his or her benefit, the amount so accrued would automatically be transferred to the Savings and Retirement Plan.

The accrued benefit under the pension plan for each of the individuals named in the compensation table is as follows: Mr. Rose $91,818; Mr. Goeglein $56,858; Mr. Solomonson $67,565; and Mr. Hamlet $35,583. Mr. Satre was not covered by the Holiday pension plan. However, Mr. Satre participated in a Harrah's sponsored defined contribution profit-sharing plan which was merged into the Holiday Savings and Retirement Plan on January 1, 1986. As a result of this merger, $32,215 was transferred to Mr. Satre's Savings and Retirement Plan account, and of such amount, $25,772 is vested.

Supplemental Retirement Plan

In 1984, the Executive Compensation Committee approved a Supplemental Retirement Plan that was intended to provide participating employees in Holiday's pension plan, an increase in retirement benefits to compensate for any loss of benefits resulting from restrictions imposed by Section 415 of the Internal Revenue Code. Since the pension plan has been terminated, the Supplemental Retirement Plan is no longer effective. No employee received benefits under the Supplemental Retirement Plan.

CERTAIN RELATIONSHIPS

On January 1, 1982, Holiday entered into a new employment agreement with Michael D. Rose. Holiday and Mr. Rose agreed to continue Mr. Rose's employment as President and Chief Executive Officer for five years, at a minimum base salary of $295,000 per year plus employee benefits. If the management or control of Holiday substantially changes or if the Board determines such a change is imminent, he may resign and receive a payment equal to 80% of what he would have received during the balance of the five-year term at his then current compensation.

On September 1, 1984, Holiday entered into an employment agreement with Richard J. Goeglein. Holiday and Mr. Goeglein agreed to continue the employment of Mr. Goeglein, who is currently serving as President and Chief Operating Officer, for five years at a minimum base salary of $265,000 per year plus employee benefits. If Mr. Goeglein's duties or benefits are diminished, he may resign and receive a payment equal to 80% of what he would have received during the balance of the five-year term at his then current compensation.

On December 21, 1984, Holiday entered into a severance agreement with Charles D. Solomonson, Executive Vice President and Chief Financial and Administrative Officer, under which Mr. Solomonson would be entitled to severance compensation in the event that his employment is terminated under certain circumstances following a change in control of Holiday. The amount of compensation would be equal to 299% of the average of the annual compensation payable to him by Holiday for the five calendar years preceding the calendar year in which the change of control occurred. The maximum amount of compensation which would be payable to Mr. Solomonson, if his employment was terminated at this time, would be $1,103,018.

Holiday has also agreed to provide Mr. Solomonson with a supplemental executive retirement plan designed to give him a specific level of annual retirement pay upon his retirement at or after age 55. This level of annual retirement pay begins at $37,000 annually should he retire at age 55 and gradually increases to $190,000 annually should he retire at age 65 or older.

CERTAIN TRANSACTIONS

In connection with Mr. Goeglein's 1984 appointment as President and Chief Operating Officer, Holiday loaned him $100,000 on August 29, 1984 in conjunction with the purchase of a residence in Memphis. The loan bears interest at 13% per annum, payable quarterly, and is unsecured. The loan principal is due on August 29, 1989.

Mr. Terry is Chairman and Chief Executive Officer of First Tennessee Bank N.A., Memphis, which has granted to certain Holiday subsidiaries lines of credit totaling $6,500,000 with interest at market rates. The average outstanding balance under these lines of credit was $288,000 during 1985. In addition, some Holiday subsidiaries maintain deposit accounts with First Tennessee Bank. The average deposit balance during 1985 was $4,044,214, and the deposit balance on December 31, 1985, was $3,824,385. First Tennessee Bank is the sole trustee of Holiday's Employee Stock Ownership Plan. In addition to the foregoing, First Tennessee Bank served until December 31, 1985, as co-trustee for Holiday's Savings and Retirement Plan and was, through December 16, 1985, Holiday's stock transfer agent and registrar. Fees paid to the bank for services in such capacities during 1985 amounted to $176,735. Also during 1985, First Tennessee Bank issued letters of credit to certain Holiday subsidiaries. At fiscal year end 1985, $2,951,963 remained outstanding on such letters of credit. First Tennessee Bank also acted as agent in connection with a $100,000,000 revolving credit and term loan made to certain Holiday subsidiaries. The Bank received a fee of $55,000 for this service. First Tennessee Bank provided $20,000,000 of the total $100,000,000 revolving credit and term loan. This loan has a variable rate of interest tied to market rates. At year end,

$13,400,000 remained outstanding to First Tennessee Bank under the revolving credit and term loan. Holiday had miscellaneous other transactions with First Tennessee Bank in 1985, but the aggregate amount of all such transactions was not significant.

Mr. Dixon is sole executor of the estate of William F. Harrah. The estate owns a corporation which purchased property from Harrah's in 1975, and as part of the consideration issued a note of $1,004,240 dated December 30, 1975, payable in 10 annual installments of $100,424 plus 8% interest and secured by a mortgage on the property. This note was paid off during 1985.

PRINCIPAL STOCKHOLDERS

The table below sets forth as of February 28, 1986, certain information regarding the beneficial owners of more than 5% of any class of Holiday's voting securities. Of the shares beneficially owned, each owner has sole voting and investment power unless otherwise indicated.

Title of Class	Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Common Stock	Mead Dixon		
	• Individually	16,965	.07
	• As Executor of Estate of William F. Harrah P.O. Box 281 Reno, NV 89504	1,025,540(1)	4.06
	• As Trustee of William F. Harrah Trust for Issue P.O. Box 281 Reno, NV 98504	1,398,553(2)	5.54
Common Stock	Neuberger & Berman 522 Fifth Avenue New York, NY 10036	1,656,300(3)	6.56
Series A Stock	Estate of M.E. Moore 1120 Empire Central Place Suite 204 Dallas, TX 75247	71,783	21.86
Series A Stock	U.S. Steel & Carnegie Pension Fund 600 Grant Street Pittsburgh, PA 15230	28,500	8.68

(1) Mr. Dixon shares investment power with a Nevada probate court, but he has sole voting power with restrictions.

(2) Mr. Dixon is a co-trustee with Lloyd T. Dyer and Joseph W. McMullen; the trustees share investment power with a Nevada probate court.

(3) Neuberger & Berman has sole voting and investment power over 55,000 shares; of the remaining 1,601,300 shares it shares investment power with its clients but has no voting power.

BOARD OF DIRECTORS' PROPOSAL TO APPROVE THE AMENDMENT TO THE SAVINGS AND RETIREMENT PLAN

The Board recommends a vote for the approval of the amended Savings and Retirement Plan. The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting, is required for approval of the amendment to the Savings and Retirement Plan.

On August 2, 1985, the Board approved an amendment and restatement of Holiday's Savings and Retirement Plan which increased Holiday's regular matching contribution from 25% to 100% of a participant's contribution (up to 6% of such participant's earnings), subject to approval by the stockholders at the 1986 Annual Meeting. Pursuant to this amendment and restatement, since January 1, 1986, Holiday's matching contributions to the plan have equalled 100% of a participant's contributions, up to 6% of such participant's earnings. During January, 1986, Holiday also committed to make a contribution in an amount (plus an appropriate earnings factor) equal to 75% of participants' contributions made during, October, November and December, 1985 for certain subsidiary participants and during November and December, 1985 for all other participants. The effect of the above contribution changes was to increase Holiday's matching contribution from 25% to 100% for all participants. If the required stockholder approval for the increase in the matching contribution is not obtained, the 75% additional matching contribution that was contributed to the plan prior to the 1986 Annual Meeting will be applied and credited towards Holiday's future obligations in respect of the existing 25% matching contribution.

The following discussion briefly sets forth the material features of the plan, as amended, (except for those features which are described under "Compensation Pursuant to Plans" above):

(1) Holiday's matching contributions will normally be made 100% in cash but may be made in other forms of property, including Holiday Common Stock. The Chairman of the Board of Directors, with approval of the Executive Compensation Committee, can alter the percentages of stock and cash contributed by Holiday to the plan. The shares may be treasury shares and authorized and unissued shares, or a combination thereof. Holiday may also contribute cash to the plan with directions to acquire Holiday stock on the open market for investment in the plan. Holiday stock contributed to the plan will be invested in a separate investment fund maintained by the plan.

(2) Each participant may choose to have his or her contributions and the Holiday matching contributions invested in a guaranteed fund, an equity fund or a Holiday common stock fund. Participants may alter and transfer their investments among the three funds.

(3) In addition to after-tax contributions, participants can contribute a certain percentage of their pay to the plan as pre-tax contributions pursuant to Section 401(k) of the Internal Revenue Code. The maximum percentage of pre-tax contributions is presently set at a maximum of 6% of pay for each participant, but this maximum can be adjusted by the Chairman of the Board for any particular period. In order to participate in the amended plan, an employee must contribute a minimum of 2% of his or her pay as a pre-tax contribution to the plan.

(4) Subject to stockholder approval, Holiday contributes a 100% matching contribution up to 6% of a participant's earnings. In addition, if a Holiday division achieves its pre-tax budgeted profit in any plan year, participants in that division may be eligible for a discretionary employer contribution. Such discretionary employer contributions must be recommended by the Chairman of the Board and approved by the Executive Compensation Committee.

(5) Participants do not have voting rights or any other decision rights on any Holiday stock in the plan except for the right to respond to third party tender or exchange offers or third party merger proposals. A third party is defined as anyone owning less than 50% of the common stock of Holiday at the time of the proposal, other than Holiday itself or affiliated companies.

(6) The plan contains recent ERISA and IRS requirements concerning spousal rights, breaks-in-service for pregnancy and adoption, procedures to handle divorce orders (qualified domestic relations orders), top heavy rules, and hardship withdrawals of section 401(k) pre-tax contributions.

(7) To be eligible, an employee of a participating division must complete 1,000 hours of service and have 12 months of employment before becoming eligible. Actual participation begins on the January 1 or July 1 following completion of the service requirements. The Chairman of the Board determines which subsidiaries will participate in the plan in addition to Holiday.

(8) Participants may borrow from their accounts subject to prescribed rules under the plan and IRS restrictions.

Vesting; Withdrawal Privilege; Miscellaneous

Employee contributions are 100% vested immediately upon receipt by the plan. Holiday contributions gradually vest over an eight-year period. Employees can withdraw their own contributions and vested Holiday contributions, subject to certain withdrawal penalties prescribed by the plan. A participant's pre-tax contributions cannot be withdrawn prior to age 59 ½ except for death, disability, separation from service, retirement, or financial hardship as set forth in the plan.

New employees are permitted to rollover amounts from certain other qualified profit-sharing or savings plans to the plan subject to IRS regulations and restrictions in the plan.

Forfeitures will accrue to participants of the participating division which employed the employee whose termination gave rise to the forfeiture.

Shares of Company Stock Allocated to the Plan

The aggregate number of shares of Holiday's Common Stock that may be issued from treasury stock or from authorized and unissued stock for matching contributions under the plan is 300,000 shares. This number of shares is subject to adjustment by reason of stock dividends, stock splits, recapitalizations, reclassifications, mergers, consolidations, combinations, exchanges of shares, or similar corporate changes. The value of the shares of Holiday's Common Stock in the plan including employee and Holiday contributions shall not exceed 50% of the total value of the plan assets.

Plan Amendments

The plan may be amended by Holiday's Board of Directors or Executive Committee and, with respect to administrative requirements and changes required by law or administrative regulations, by the Chairman of the Board. No amendment to the plan may be made without the vote of Holiday's stockholders if the amendment would materially (a) increase the benefits accruing to participants under the amended plan, (b) increase the number of securities which may be issued under the plan, or (c) modify the requirements as to eligibility for participation in the plan.

Holiday Contributions

All officers of Holiday who meet the eligibility requirements are eligible to participate in the plan. See the description of the Savings and Retirement Plan under "Compensation Pursuant to Plans" above for a description of contributions by Holiday to the accounts of executive officers in 1985 under the current plan. If the 100% matching contribution by Holiday had been in effect for all of 1985, Holiday would have contributed the following estimated amounts: Mr. Rose $18,097, Mr. Goeglein $13,192, Mr. Solomonson $10,880, and Mr. Hamlet $9,104. Mr. Satre did not participate in the plan and therefore the 100% matching contribution would have had no effect on him.

IRS Requirements

The amended Savings and Retirement Plan has been submitted to the Internal Revenue Service for a favorable determination letter. The amended plan is subject to modification based upon requests and/or requirements of the Internal Revenue Service. In addition, legislation is pending in Congress that could restrict certain provisions of the plan. The plan will be amended as necessary to comply with any new legislation or regulations.

RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors, with the concurrence of the Audit Committee and subject to ratification by the stockholders, has appointed Arthur Andersen & Co. as Holiday's independent public accountants for the 1986 fiscal year. Arthur Andersen & Co. has been Holiday's independent public accountants since 1971. A representative of Arthur Andersen & Co. will be present at the meeting and will be given an opportunity to make a statement and answer questions. The Board recommends that the appointment of Arthur Andersen & Co. be ratified. If the appointment is not ratified or if Arthur Andersen & Co. becomes incapable of serving in this capacity, or if their employment is terminated, the Board will appoint independent public accountants whose continued employment after the next Annual Meeting shall be subject to ratification by the stockholders.

OTHER MATTERS

The Board of Directors does not know of any matters to be presented at the meeting other than those mentioned in this Proxy Statement. If any other matters are properly brought before the meeting, it is intended that the proxies will be voted in accordance with the best judgment of the person or persons voting such proxies.

COST OF SOLICITATION

The expense of soliciting proxies and the cost of preparing, assembling and mailing material in connection with the solicitation of proxies will be paid by Holiday. In addition to the use of mails, certain directors, officers or employees of Holiday and its subsidiaries, who receive no compensation for their services other than their regular salaries, may solicit and tabulate proxies personally. Holiday has retained The First National Bank of Boston, to assist in the solicitation of proxies with respect to shares of Common Stock and Series A Stock held of record by brokers, nominees and institutions. The estimated cost of the services of The First National Bank of Boston is $5,000, plus expenses.

STOCKHOLDER PROPOSALS

For any proposal to be considered for inclusion in Holiday's proxy statement and form of proxy for presentation at the 1987 Annual Meeting of Stockholders, it must be received at the Holiday's principal executive offices prior to November 18, 1986.

By Direction of the Board of Directors

Jerome A. Broadhurst

Holiday Corporation
Jerome A. Broadhurst, *Secretary*

Memphis, Tennessee
March 17, 1986