HOLIDAY
CORPORATION

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

March 20, 1987

To Our Stockholders:

You are cordially invited to attend the Holiday Corporation Annual Meeting of Stockholders which will be held on April 24, 1987, at 11:00 a.m. at the Roy Winegardner Auditorium—Dixon Gallery and Gardens, 4339 Park Avenue, Memphis, Tennessee.

Four directors, constituting Class II, will be elected at the Annual Meeting. In addition, you will be asked to ratify the appointment of auditors.

I, and the other members of the Board of Directors, thank you for your continued confidence in Holiday Corporation and we hope you will attend the Annual Meeting in person. Whether or not you intend to do so, please complete, sign, date 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 Roy Winegardner Auditorium—Dixon Gallery and Gardens, 4339 Park Avenue, Memphis, Tennessee, on Friday, April 24, 1987, at 11:00 a.m. to:

1. Elect the directors of Class II;
2. Ratify the appointment of Arthur Andersen & Co., as Holiday Corporation's independent public accountants; and
3. 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 March 5, 1987, 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 20, 1987

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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 24, 1987.

The principal executive offices of Holiday Corporation ("Holiday") are located at 1023 Cherry Road, Memphis, Tennessee, 38117. A copy of Holiday's 1986 Annual Report to Stockholders, this Proxy Statement and accompanying proxy card will be first mailed to stockholders on approximately March 20, 1987.

SHARES ENTITLED TO VOTE

Stockholders of record at the close of business on March 6, 1987 are entitled to vote. At that date 24,363,272 shares of Holiday Corporation Common Stock were outstanding. Each share of Holiday Corporation Common Stock is entitled to one 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.

For participants in the Holiday Corporation Employee Stock Ownership Plan, the Trustee, First Tennessee Bank N.A., Memphis, Tennessee, will vote shares that it holds for a participant's account in accordance with the 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.

SPECIAL MEETING

At a Special Meeting on February 27, 1987, Holiday's stockholders approved a plan of recapitalization for the Company, which provides for, among other things, a special dividend payment of $65 per share; additional incentives to management in the form of new grants of restricted stock; amendment of Holiday's restated certificate of incorporation to limit the voting rights of a stockholder owning more than ten percent of the Company's outstanding stock;

amendment of the restated certificate of incorporation in accordance with recent changes in Delaware corporate law to limit director's monetary liabilities and the form of related indemnification agreements for directors and officers; and amendment of the restated certificate of incorporation to make technical and conforming changes, including the elimination of provisions relating to Holiday's Stock Dividend Convertible Special Stock, Series A, par value $1.125 per share, which was called for redemption in January, 1987.

In connection with the plan of recapitalization, the New York Stock Exchange on February 2, 1987, established a second trading market in Holiday Common Stock. Holiday stock presently trades both the regular way and "ex-dividend". The "ex-dividend" stock is treated as "when-issued" stock and does not carry the right to receive the special dividend of $65 per share. This dual market will be discontinued following payment of the special dividend.

ELECTION OF DIRECTORS

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 certificate of incorporation, Holiday's Board of Directors is divided into three classes with staggered terms. Each class of directors is elected for a term of three years.

In connection with his pending retirement, Mr. Charles D. Solomonson resigned from the Board on October 31, 1986 and Mr. Stephen F. Bollenbach was elected by the Board to fill the vacancy created by Mr. Solomonson's resignation. The current Holiday Board of Directors consists of twelve directors.

Four directors, constituting Class II, are to be elected at the 1987 Annual Meeting for a three-year term. Upon recommendation from the Committee on Directors, Messrs. Bollenbach, Dunavant, Farley, and Salmon 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, 1987, the directors and officers as a group beneficially owned 443,463 shares which represents approximately 1.8% of the outstanding Common Stock. Of such shares, 15,065 shares may be acquired by the exercise of stock options. Each director or officer owns less than 1% of the shares outstanding. 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 beneficially owned on February 27, 1987. See "1985 Restricted Stock Plan" for further information on shares of Holiday Common Stock to be held by officers and directors following completion of the plan of recapitalization.

NOMINEES: CLASS II

STEPHEN F. BOLLENBACH

Mr. Bollenbach, 44, has been Senior Vice President and Chief Financial Officer of Holiday since October 1986 and Treasurer since November 1986. Prior to that time, Mr. Bollenbach was for five years, Senior Vice President—Finance and Treasurer of Marriott Corporation. He has been a Holiday director since 1986 and is a member of the Executive Committee. Mr. Bollenbach beneficially owns 31,474 shares.

WILLIAM B. DUNAVANT, JR.

Mr. Dunavant, 54, is and for more than thirty years has been, Chairman of the Board and Chief Executive Officer of Dunavant Enterprises, Inc. He is also a director of National Commerce Bancorporation and a member of the Board of Managers of the New York Cotton Exchange. Mr. Dunavant became a Holiday director in 1986 and is a member of the Audit Committee and Executive Committee. He owns 1,000 shares.

JAMES B. FARLEY

Mr. Farley, 56, is Senior Chairman of Booz, Allen and Hamilton, Inc. He has been an officer of Booz, Allen and Hamilton for more than twenty years and 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 206 shares.

WALTER J. SALMON

Mr. Salmon, 56, 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 700 shares.

DIRECTORS: CLASS I

WILLIE W. HERENTON

Dr. Herenton, 46, 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 and Executive Committee. He owns 100 shares.

BOAKE A. SELLS

Mr. Sells, 49, is President, Chief Operating Officer 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 Chairman of the Executive Compensation Committee and a member of the Committee on Directors. He owns 2,500 shares.

SHIRLEY YOUNG

Ms. Young, 51, 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 III

NICHOLAS M. EVANS

Mr. Evans, 56, is President of the Consumer Products Group, a division of the Bristol-Myers Company 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 a member of the Executive Compensation Committee. Mr. Evans owns 100 shares.

RICHARD J. GOEGLEIN

Mr. Goeglein, 52, 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. He is also a director of AST Research Inc. and Perkins Family Restaurants, L.P. Mr. Goeglein has been a Holiday director since 1978 and is a member of the Executive Committee. He beneficially owns 56,206 shares, of which 1,156 shares may be acquired by the exercise of stock options.

ARCHIBALD McCLURE

Mr. McClure, 64, 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. Mr. McClure has been a Holiday director since 1976 and is a member of the Audit Committee. He owns 600 shares.

MICHAEL D. ROSE

Mr. Rose, 45, 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 beneficially owns 240,581 shares, of which 3,301 shares may be acquired by the exercise of stock options.

RONALD TERRY

Mr. Terry, 56, is and for more than fifteen 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 7,200 shares of which 7,000 are "ex-dividend" 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 termination rate based on a calculated prime interest rate or at a retirement rate which is set annually by Holiday's Executive Compensation Committee. The termination rate for 1986 was 8.625% and the retirement rate was 18%. The retirement rate is established as an incentive to encourage long-term service. Therefore, only those participants meeting the plan's 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, certain officers and key employees. 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 seven times during 1986. Eight 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 Committees on which they served.

Audit Committee

The Audit Committee, which met four times in 1986, (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 three times in 1986, 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 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. Two meetings of the Executive Committee were held during 1986.

Executive Compensation Committee

The Executive Compensation Committee, which met six times in 1986, determines the annual salary of top-level corporate officers and administers Holiday's bonus, restricted stock, stock option and other incentive plans.

EXECUTIVE COMPENSATION

The following table shows the cash compensation earned by each of the six most highly compensated executive officers and the cash compensation earned by all executive officers as a group for fiscal year 1986. 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	$ 604,088
Richard J. Goeglein	President and Chief Operating Officer	368,993
Charles D. Solomonson (5)	Executive Vice President, Chief Financial and Administrative Officer	334,719
Philip G. Satre	President and Chief Executive Officer, Gaming Group	279,919
Kenneth B. Hamlet	President and Chief Executive Officer, Holiday Inn Hotel Group	252,707
Stephen F. Bollenbach (6)	Senior Vice President, Chief Financial Officer and Treasurer	86,538
All executive officers as a group (15) including the above		$3,794,367

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

(2) Includes executive auto 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 two compensation deferral programs. In 1986 one compensation deferral program permitted an executive to defer up to 12% of salary and 100% of any bonus payment. The second compensation deferral program allowed an executive, during 1986, to defer from 4% to 25% of annual compensation (salary plus bonus). For a further description of the compensation deferral programs see "Compensation of Directors" and "Executive Deferred Compensation Plan".

(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.

(5) Charles D. Solomonson, former Holiday Executive Vice President, Chief Financial and Administrative Officer retired on January 2, 1987.

(6) Stephen F. Bollenbach joined Holiday as Senior Vice President and Chief Financial Officer on October 13, 1986.

COMPENSATION PURSUANT TO PLANS

Savings and Retirement Plan

Holiday maintains a savings and retirement plan for 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. Holiday contributes an amount equal to 100% of the participant's contribution up to 6% of eligible earnings.

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 at age 65 or termination of employment. Termination of employment prior to retirement at age 65 or eight years of credited service results in reduced payment of the accumulated Holiday contribution with gains or losses thereon. Contributions by Holiday to the accounts of executive officers listed in the compensation table for fiscal year 1986 were as follows: Mr. Rose $15,000; Mr. Goeglein $15,000; Mr. Solomonson $12,575; Mr. Satre $10,262; and Mr. Hamlet $8,944. Mr. Bollenbach did not participate in the plan during 1986. Matching contributions for the 15 executive officers as a group were $118,935.

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 1986 amounted to 63% of that officer's base salary. Holiday paid $7,620,390 in annual bonus awards for 1986 to 807 key employees of Holiday and its subsidiaries.

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 of the Board of Directors (the "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 was to be transferred to Mr. Rose in five annual installments commencing January 1, 1987. In January, 1986, Mr. Goeglein was awarded the right to receive 15,000 shares; ownership of these shares was to be transferred to Mr. Goeglein in five annual installments commencing January 1, 1987. On September 12, 1986, a total of 9,000 shares were awarded to five senior executives, including, Mr. Bollenbach 3,000 shares (effective upon his employment on October 13, 1986) and Mr. Satre 1,000 shares. The shares awarded to these five senior executives vest over varying periods ranging from two to four years. Mr. Rose's 1984 award and Mr. Goeglein's 1986 award (collectively, the "Restricted Stock Agreements") were amended by the Committee on October 31, 1986. Pursuant to the amendments approved by the Committee, 60,000 shares were issued to Mr. Rose and 15,000 shares were issued to Mr. Goeglein, subject to restriction. Restrictions on these shares will lapse in installments commencing January 1, 1988. Dividends which had accrued under the Restricted Stock Agreements since the original grant dates have been paid, together with accrued interest. Messrs. Rose and Goeglein received $137,200 and $17,581 respectively. Also, the Restricted Stock Agreements were amended to provide that in the event of a change in control of Holiday, Mr. Rose's 60,000-share award and Mr. Goeglein's 15,000-share award will immediately vest and be payable in cash. 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.

As of January 2, 1987, 14,000 shares remained unissued under the 1981 Restricted Stock Incentive Plan, however, in connection with Holiday's plan of recapitalization, the 1981 Restricted Stock Incentive Plan was terminated and no further grants will be made under such plan. All shares awarded under the plan which were subject to restriction at the time the plan was terminated will vest in accordance with their original vesting schedules.

The value of the January 1, 1987 installments, including the supplemental cash payments to executive officers listed in the compensation table were as follows: Mr. Goeglein $210,563; Mr. Satre $63,169; and Mr. Hamlet $105,281 (Messrs. Rose, Solomonson and Bollenbach were not entitled to receive a January 1, 1987 installment payment); and for the 15 executive officers as a group $554,516.

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. On February 27, 1986, the Committee added another factor to evaluate Holiday's performance against the performance ranking of competitors. Final awards are generally paid half in Holiday Common Stock and half in immediate or deferred cash payments.

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. In the event of a change in control of Holiday, final awards will be calculated for the period through the change in control and will be paid in cash to all participants. A final award in such event cannot be less than the initial award.

There are currently initial awards outstanding for one performance period under the 1977 Plan. Such performance period ended in 1986, and final payments for it, if any, will be paid in cash 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. In connection with Holiday's plan of recapitalization, the payment of final awards under the 1985 Plan will be accelerated and the performance period 1985 through 1988 will be terminated in 1987. The awards for such performance period will be adjusted by the Committee and final awards, if paid, will be paid in cash in 1987. It is contemplated that no further awards will be made under the 1985 Plan.

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 $2,591 each for Messrs. Rose, Goeglein, Solomonson and Hamlet, $540 for Mr. Bollenbach, and $26,454 for 13 executive officers as a group in 1986. Mr. Satre participates in the group term insurance, dental and health plans which are provided to all Harrah's employees on a non-contributory basis.

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 1986, Holiday contributed $2,282,401 in cash and Holiday stock to the ESOP for the 1985 plan year. As of January 2, 1987, the ESOP held 104,546 shares.

During the time such shares are held by the ESOP, the participants are entitled to direct the Trustee of the ESOP to vote shares held in their accounts under the ESOP and the ESOP must reinvest all funds received in respect of such shares in new shares to be held by the ESOP. Each eligible employee including executive officers received the equivalent of approximately 1.71 shares from the 1985 contribution. Under the Code, Holiday receives tax credits equal to its contributions to the ESOP. The 1986 contribution will be made in 1987. The tax credit ends after 1986.

1985 Restricted Stock Plan

Under the 1985 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 of the Board of Directors (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 330 key employees were eligible to receive awards under the plan during 1986. A maximum of 650,000 shares could be awarded under the plan and as of November 8, 1986, 465,196 shares (which includes forfeitures through November 8, 1986) remained in the plan for future issuance. The Board awarded 465,000 of these shares on November 11, 1986 to twenty senior officers. 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. On September 12, 1986, the Committee approved full acceleration of vesting for all awards then outstanding under the plan in the event of a change in control of Holiday.

In general, 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. In the discretion of the Committee, the 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 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 1986, awards were made under the plan as follows: (excluding the grant of 465,000 shares made on November 11, 1986): 574 shares were awarded to Mr. Bollenbach; and 3,392 shares were awarded to four of the 15 executive officers as a group.

Pursuant to actions taken by the Board of Directors and the Committee at meetings held November 11, 1986, 465,000 shares were granted in connection with the plan of recapitalization to twenty senior officers of the Company, including, those officers named in the compensation table except for Mr. Solomonson (the "Management Group"). The Board also approved amendments to the plan, which were approved by stockholders at the Special Meeting, to provide that (a) such 465,000 shares will not be entitled to receive the special $65 dividend under the plan of recapitalization, but instead will be entitled to an additional 1,535,000 shares upon payment of the dividend as an adjustment for non-receipt of the dividend, and (b) the voting rights of the shares and all shares to be granted in the future under such plan may be assigned to certain voting trusts with the approval of the Committee. Pursuant to the terms of the respective grants, the shares are subject to the performance and employment vesting requirements set forth below.

Pursuant to the plan of recapitalization, the plan was amended to allow for the issuance of an aggregate of 2,700,000 restricted shares and to effect the foregoing amendments. Shares will be granted under the plan to other officers and key employees of Holiday so that, after giving effect to the recapitalization, management will hold restricted shares representing approximately 10% of the outstanding shares on a fully diluted basis. The approximately 85,000 restricted shares remaining in the plan after the above referenced grants, plus those shares returned to the plan as a result of forfeiture, are expected to be awarded under the plan from time to time to key employees and officers.

All new shares granted to the Management Group will vest over a period of eight years in equal annual increments, with 50% of the amount eligible for vesting in any year to vest if the holder of such shares is still employed by Holiday at the end of such year and 50% of the amount eligible for vesting in any year to vest for persons then employed by Holiday if Holiday has met the performance criteria for such year established by the Board of Directors at the beginning of such year. The Board of Directors will have broad discretion to set and modify such performance criteria and, in its sole discretion, will be able to vary the performance standards among holders of new shares and will be able to waive any performance standards previously set.

New shares which vest on the basis of longevity will vest on the death or disability of the participant. Any unvested shares (whether performance or longevity based) will be forfeited upon a participant's retirement or other termination of employment, unless the Board of

Directors, in its discretion and on the recommendation of the Committee, provides for vesting of such shares. Any new shares which do not vest in any year will be forfeited and will then be available for future grant under the plan. Upon a change in control of Holiday prior to November 11, 1989, 50% of the then unvested new shares will vest and the remainder will be forfeited. Upon a change in control of Holiday occurring after such date, all remaining unvested new shares will vest.

Following completion of the plan of recapitalization, the new shares will be held by (i) the executive officers listed in the compensation table, (ii) all executive officers as a group, (iii) management group members, and (iv) other members of management as indicated in the following table:

Individual or Group	Total New Restricted Shares
Michael D. Rose	600,000
Richard J. Goeglein	140,000
Philip G. Satre	120,000
Kenneth B. Hamlet	120,000
Steph[illegible]. Bollenbach	120,000
Al[illegible]nt executive officers as a group (12) including those named above	1,680,000
[illegible]agement Group Members (20) including those named above	2,000,000
All other members of management	425,000

The 2,000,000 new restricted shares granted to the Management Group in connection with the plan of recapitalization are expected to be placed in a voting trust.

Stock Option Plan

Under the 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 (the "Committee") 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 those 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. According to the terms of the plan, no options may be granted after December 31, 1986.

In February 1987, stockholders approved an amendment to the plan which provided that the number of shares covered by and the exercise price of each outstanding option will be adjusted to reflect the expected decrease in the market value of each share after Holiday's recapitalization and to increase the total number of shares which may be optioned under the plan to provide for such adjustment. Pursuant to such adjustment, each outstanding option will cover five shares for each share now covered and the per-share exercise price of each option will equal the pre-recapitalization exercise price divided by five. In addition, the Stock Option Plan has been amended to permit the granting of stock appreciation rights with respect to shares covered by previously granted options. The amendment enables certain Holiday employees who, at the time they were granted stock options, were not eligible under the policies of the Committee to receive stock appreciation rights, but subsequently became eligible through promotion to an officer position to receive such rights. All stock appreciation rights, including those granted in connection with this amendment, will, in accordance with their terms, reflect the equitable adjustments made to the outstanding stock options covered by such stock appreciation rights.

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 1986, (ii) the average per share exercise price of options granted, (iii) the number of shares subject to options exercised during fiscal year 1986, and (iv) the net value realized (market value less any exercise price) in shares or cash on options exercised.

	Options Granted January 4, 1986 through January 2, 1987		Options Exercised January 4, 1986 through January 2, 1987	
	Number of Shares	Average Per Share Exercise Price	Number of Shares(a)	Net Value Realized
Michael D. Rose	—	—	—	—
Richard J. Goeglein	—	—	—	—
Charles D. Solomonson	—	—	1,644	$50,095
Philip G. Satre	—	—	—	—
Kenneth B. Hamlet	—	—	—	—
Stephen F. Bollenbach	—	—	—	—
All current executive officers as a group (12) including those named above(b)	—	—	1,978	$80,246

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

(b) Amounts exclude Charles D. Solomonson who retired on January 2, 1987.

As of January 2, 1987, there were 425 employees eligible to participate in the stock option plan, including the 12 current executive officers. As of January 2, 1987, $40.52 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.

Executive Deferred Compensation Plan

Holiday established an unfunded executive deferred compensation plan ("EDCP") for directors and certain senior executives in 1985. Currently, seven non-management directors and 17 senior executives are participating in the plan. See "Compensation of Directors" for a description of the plan's applicability to non-management directors. Senior executive participants may defer up to 25% of their annual compensation (salary plus bonus) into the plan. Starting in 1987, they may defer 25% of their salary and up to 100% of their annual bonus and their cash payments payable under the Long-Term Performance Plans. Under the EDCP, amounts, while deferred, earn interest at two different rates—a termination rate or a retirement rate. The termination rate is calculated at the prime interest rate and generally is payable to an executive who leaves employment prior to age 55 with 10 years of service. The retirement rate is established as an incentive to encourage long-term service. The retirement rate is set annually by the Executive Deferred Compensation Committee, subject to review by the Executive Compensation Committee of the Board of Directors, and is payable to executives if they terminate employment in the following circumstances: (a) upon age 60, (b) upon age 55 with 10 years or more of service, (c) death, (d) disability, or (e) within 2 years after a change in control of Holiday. Mr. Rose is entitled to the retirement rate if he remains employed until the earlier of a change in control of Holiday or January 1, 1992. The Executive Deferred Compensation Committee set the retirement rate at 18% for 1985, 1986 and 1987. The EDCP was amended on October 31, 1986 to provide that the retirement rate cannot be set lower than a certain rate established pursuant to a formula specified in the plan. Participants may elect that payments from the plan be paid out in a lump sum or over a period of up to 15 years starting upon termination of employment. Mr. Rose may elect to begin his payments at a later date. Account balances accrue interest at the termination rate or the retirement rate, as the case may be, until the balance is paid to the executive.

Holiday has established an escrow fund and deposited 71 insurance policies having a cash surrender value of $4,625,000 into the escrow fund. This escrow fund was established to assure the payment of benefits, as they accrue, to approximately 24 senior executives and nine directors which are payable under the EDCP and under other Holiday deferred compensation plans. Additionally, the escrow fund assures payment of certain supplemental retirement benefits, having a present value of approximately $300,000, due to Mr. Solomonson. Upon occurrence of a potential change in control, Holiday also will place into this escrow fund the Severance Payments payable under the Severance Agreements (as defined in Certain Relationships) which only become payable to 14 executives following a change in control. Holiday intends to increase the escrow fund, if necessary, to assure the payment of future deferrals and also has the right to increase the escrow fund to pay premiums on the insurance policies and interest on policy loans. The escrow fund is subject to the claims of Holiday's creditors in the case of the Company's insolvency or bankruptcy.

CERTAIN RELATIONSHIPS

On January 1, 1982, Holiday entered into a five-year employment agreement with Michael D. Rose that expired December 31, 1986. In December 1986, Mr. Rose's agreement was extended through June 30, 1987. Under the extended agreement, Mr. Rose continued his employment as Chairman and Chief Executive Officer at a current annual salary of $405,800 per year plus employee benefits.

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 currently is serving as President and Chief Operating Officer, for five years at a minimum base salary of $265,000 per year plus employee benefits. Mr. Goeglein's current annual salary is $300,300.

On September 12, 1986, Holiday entered into individual Severance Agreements (the "Severance Agreements') with fourteen executives, includ[illegible]e executive officers listed in the compensation table and all twelve of the current executive officers. The Severance Agreements each provide for a compensation payment of 2.99 times the average annual compensation paid to such executive for the five preceding calendar years (the "Compensation Payment"), as well as accelerated payment of any compensation or awards payable to such executive under any Holiday incentive compensation or stock option plan if the executive is terminated subsequent to a change in control of Holiday, as defined in the Severance Agreements (the "Accelerated Payment") (collectively, the "Severance Payments"), with certain exceptions described below. In connection with the plan of recapitalization, the Severance Agreements were amended so that a change in control is defined to occur whenever: (i) any person becomes the beneficial owner of 25% or more of Holiday's then outstanding voting securities regardless of comparative voting power of such securities; (ii) within a two-year period, members of the Board of Directors at the beginning of such period and approved successors no longer constitute a majority of such Board; or (iii) holders of securities entitled to vote thereon approve a merger or consolidation (with certain exceptions) or a plan of complete liquidation. The executives are not entitled to the Severance Payments subsequent to a change in control if their termination is: (i) by Holiday for cause (as defined); or (ii) a result of retirement or disability; or (iii) voluntary and not for good reason.

Mr. Rose is entitled to the Severance Payments if he resigns after a change in control of Holiday. The other executives are entitled to the Severance Payments subsequent to a change in control of Holiday if the executive resigns with good reason (as defined) or if the resignation follows a change in the majority of the Board of Directors, without approval of the existing Board of Directors.

In addition, the Severance Agreements each provide that in the event of a potential change in control of Holiday (as defined below): (i) Holiday will deposit in escrow a sum of money sufficient to fund the Severance Payments in the event of a change in control of Holiday; and (ii) each executive will agree to remain in the employ of Holiday for a certain period of time. A potential change in control of Holiday is defined to occur whenever (i) Holiday enters into an agreement which would result in a change in control of Holiday, (ii) any person publicly announces an intention to take action which would result in a change of control of Holiday, (iii) any person, other than the trustee of an employee benefit plan of Holiday, who is or becomes a beneficial owner of 9.5% of the combined voting power of Holiday's then outstanding securities, increases his beneficial ownership of such securities by 5% of the percentage previously owned on the date of the Severance Agreement, or (iv) the Board adopts a resolution to the effect that a potential change in control of Holiday has occurred.

In the event that an executive becomes entitled to Severance Payments, which are subject to taxation under Section 4999 of the Code (the "Excise Tax"), the Severance Agreements provide that Holiday shall pay the executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the executive after deduction of any Excise Tax on the Severance Payments and all Excise Tax and other taxes on the Gross-Up Payment, shall equal the initial Severance Payments.

In connection with the recapitalization, the Severance Agreements will be amended to provide that no Gross-Up Payments will be paid with respect to any Excise Tax attributable to the acceleration and vesting, upon a change in control of Holiday, of the 2,000,000 new restricted shares received by the Management Group. However, in the event that receipt by an executive of payments resulting from the acceleration and vesting of such new restricted shares triggers an Excise Tax on other Severance Payments to such executive, Gross-Up Payments shall be paid to the extent that such Excise Tax is deducted from Severance Payments not attributable to the acceleration and vesting of such shares. The maximum amount of compensation that would be payable to all executive officers as Compensation Payments and Accelerated Payments if such executives were terminated as of January 3, 1987 would be approximately $11,000,000 and $19,000,000, respectively, excluding any amounts related to the new restricted shares. The maximum amount of compensation that would be payable under the Severance Agreements to the five most highly compensated current executive officers if such executives were terminated as of January 3, 1987, would be Mr. Rose $11,800,000, Mr. Goeglein $4,900,000, Mr. Satre $1,300,000, Mr. Hamlet $1,700,000 and Mr. Bollenbach $1,100,000.

Charles D. Solomonson, former Executive Vice President and Chief Financial and Administrative Officer of Holiday, retired on January 2, 1987. Pursuant to an agreement between Holiday and Mr. Solomonson, Mr. Solomonson is entitled to receive (i) annual lifetime retirement payments of approximately $42,500, a portion of which is funded under the Company's now terminated retirement plan and the remainder of which is funded by Holiday; (ii) lifetime coverage under Holiday's medical and dental plans with such coverage to be modified in the future to take into account any Medicare benefits he would be entitled to; and (iii) monthly payments in connection with Holiday's Executive Deferred Compensation Plan. Upon a change in control of Holiday, the Company has agreed to pay Mr. Solomonson a sum equal to the present value of the unfunded portion of all of his annual payments, discounted at the rate of 8%. Mr. Solomonson's spouse is entitled to receive 75% of Mr. Solomonson's annual retirement payments following his death.

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 bore interest at 13% per annum, payable quarterly, and was unsecured. The loan principal was due on August 29, 1989. Mr. Goeglein repaid this loan in full on December 19, 1986.

In connection with Mr. Bollenbach's appointment as Senior Vice President, Chief Financial Officer and Treasurer, Holiday loaned him $245,000 on November 10, 1986 to assist him in the purchase of a residence upon his relocation to Memphis. The loan was unsecured and bore interest at the prime rate of First Tennessee Bank. Mr. Bollenbach repaid this loan in full on December 18, 1986.

Mr. Terry is Chairman and Chief Executive Officer of First Tennessee National Corporation, Memphis, ("First Tennessee"). First Tennessee acted as agent in connection with a $100,000,000 revolving credit and term loan facility made available to certain Holiday subsidiaries in 1985. First Tennessee received a fee of $55,000 for this service. First Tennessee 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 1986, $18,380,000 remained outstanding to First Tennessee under the revolving credit and term loan. Holiday plans to repay this loan in full and terminate the facility in connection with the plan of recapitalization. First Tennessee has also granted to certain Holiday subsidiaries lines of credit totaling $6,500,000 with interest at market rates. Such lines were used to issue letters of credit to certain Holiday subsidiaries during fiscal year 1986. At fiscal year end 1986, $2,746,747 remained outstanding on such letters of credit. Holiday anticipates that this line of credit will be replaced by bank financing in connection with the plan of recapitalization and the outstanding letters of credit will be allowed to expire. First Tennessee anticipates that it will participate in such bank financing in the amount of $25 million.

In addition, some Holiday subsidiaries maintain deposit accounts with First Tennessee. The average deposit balance during 1986 was $3,905,000, and the deposit balance on January 2, 1987, was $2,830,720. First Tennessee is the sole trustee of Holiday's ESOP and the Stock Option Plan. Fees paid to the bank for services in such capacities during 1986 amounted to $13,809. Holiday had miscellaneous other transactions with First Tennessee in 1986, but the aggregate amount of all such transactions was not significant.

PRINCIPAL STOCKHOLDERS

The table below sets forth as of March 17, 1987, certain information regarding the beneficial owners of more than 5% of Holiday's Common Stock.

Title of Class	Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Common Stock	Michael H. Steinhardt		
	• Individually 605 Third Avenue New York, NY 10158	325,700	1.3
	• Steinhardt Partners 605 Third Avenue New York, NY 10158	879,100	3.6
	• Institutional Partners, L. P. 605 Third Avenue New York, NY 10158	400,000	1.6
		1,604,800	6.5

Michael H. Steinhardt has sole voting and investment power over 325,700 shares, and shared voting and investment power over 1,279,100 shares. Steinhardt Partners has shared voting and investment power over 879,100 shares. Institutional Partners, L.P. has shared voting and investment power over 400,000 shares.

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 1987 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. Holiday has retained The First National Bank of Boston, to assist in the solicitation of proxies with respect to shares of Common 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 1988 Annual Meeting of Stockholders, it must be received at Holiday's principal executive offices prior to November 20, 1987.

By Direction of the Board of Directors

Jerome A. Broadhurst

Holiday Corporation
Jerome A. Broadhurst, *Secretary*

Memphis, Tennessee
March 20, 1987