

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 8-K

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

OCTOBER 15, 2001 (OCTOBER 1, 2001)
(DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED))

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

DELAWARE
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR
ORGANIZATION)

1-10308
(COMMISSION FILE NO.)

06-0918165
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

9 WEST 57TH STREET
NEW YORK, NY
(ADDRESS OF PRINCIPAL
EXECUTIVE OFFICE)

10019
(ZIP CODE)

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

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

GALILEO ACQUISITION. On October 1, 2001, Cendant Corporation, a Delaware corporation (the "Company"), acquired all of the issued and outstanding shares of common stock, par value \$.01 per share (the "Galileo Common Stock"), of Galileo International, Inc., a Delaware corporation ("Galileo"), pursuant to the Agreement and Plan of Merger, dated as of June 15, 2001 (the "Merger Agreement"), by and among the Company, Galaxy Acquisition Corp., a Delaware corporation and direct, wholly owned subsidiary of the Company (the "Merger Sub"), and Galileo. Pursuant to the Merger Agreement, Merger Sub was merged with and into Galileo (the "Merger"), with Galileo continuing as the surviving corporation and becoming a direct, wholly owned subsidiary of the Company. As a result of the Merger, the Galileo Common Stock has been deregistered under the Securities Act of 1933, as amended, and delisted from the New York Stock Exchange.

Upon the consummation of the Merger, each share of Galileo Common Stock issued and outstanding was converted into the right to receive approximately \$4.08 in cash, without interest thereon, and 1.328 shares of common stock, par value \$.01 per share, designated as CD common stock (the "CD Common Stock") (other than (i) shares of Galileo Common Stock held by stockholders who perfect their appraisal rights under the DGCL, (ii) each share of Galileo Common Stock held in Galileo's treasury, which were cancelled and retired without payment therefore and (iii) each share of Galileo Common Stock owned by the Company or any subsidiary of the Company, which were cancelled and retired without payment therefore). The aggregate cash and CD Common Stock paid to the former stockholders of Galileo in respect of their shares of Galileo Common Stock was equal to approximately \$1.8 billion. Cendant also assumed approximately \$575 million of Galileo net debt at closing of which \$540 million was repaid. In addition, pursuant to the Merger Agreement, holders of options to purchase shares of Galileo Common Stock were entitled, upon consummation of the Merger, to convert their options into options to purchase shares of CD Common Stock with approximately the same value. As a result, the former option holders of Galileo received from the Company options to purchase approximately 6,070,342 shares of CD Common Stock.

SOURCE AND AMOUNT OF FUNDS. The Company used approximately \$900 million of available cash on hand (i) to pay to Galileo stockholders the cash portion of the merger consideration and (ii) to retire \$540 million of Galileo's net debt.

CERTAIN RELATIONS BETWEEN CENDANT AND GALILEO. On July 19, 2001, Travel Portal, Inc., an affiliate of the Company ("Travel Portal"), signed an agreement with Galileo whereby TRIP.com, a subsidiary of Galileo, will provide consulting services, technology expertise and functionality for the development of Travel Portal's travel website. Travel Portal will relaunch a new site under the TRIP.com brand during the fourth quarter of 2001.

Galileo is a diversified, global technology leader. Its core business is providing electronic global distribution services for the travel industry through its computerized reservation systems, leading-edge products and innovative Internet-based solutions. Galileo is a value-added distributor of travel inventory dedicated to supporting its travel agency and corporate customers and, through them, expanding traveler choice. Among Galileo's subsidiaries are TRIP.com, an award-winning online travel service and technology provider; and Quantitude, which delivers advanced telecommunications services and enterprise networking solutions. Galileo also offers secure, flexible and cost-effective managed hosting services.

See Exhibits 99.1, 99.2 and 99.3 for the financial statements of Galileo and proforma financial information giving effect to the acquisition.

ITEM 5. OTHER EVENTS

CREDIT FACILITY. On October 8, 2001, the Company announced that it had completed a \$1.15 billion revolving credit facility with a banking group led by J.P. Morgan Chase. Copies of the Amended and Restated Credit Agreement and the press release announcing the completion of the credit facility are attached as Exhibits 10.1 and 99.4, respectively, to this Form 8-K and are incorporated by reference herein.

FORWARD-LOOKING STATEMENTS. Attached hereto as Exhibit 99.5 is a Note Regarding Forward-Looking Statements which may be made by the Company in its public filings and other public statements and includes important factors and assumptions which could cause actual results to differ materially from those expressed in such forward-looking statements.

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

(a) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED.

See Exhibit 99.1 attached hereto for the Audited Financial Statements of Galileo as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000.

See Exhibit 99.2 Attached hereto for the Unaudited Financial Statements of Galileo as of June 30, 2001 and for the six months ended June 30, 2001 and 2000.

The financial statements of Avis Group Holdings, Inc. are incorporated by reference from Avis' Annual Report on Form 10-K for the year ended December 31, 2000 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001, previously filed with the Commission on March 28, 2001 and August 14, 2001, respectively.

(b) PRO FORMA FINANCIAL INFORMATION.

See Exhibit 99.3 attached hereto for Pro Forma Financial Information giving effect to the acquisition of Galileo, the March 1, 2001 acquisition of Avis and various finance-related activities which occurred during the first and second quarters of 2001.

(c) EXHIBITS.

See Exhibit Index.

SIGNATURES

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

CENDANT CORPORATION

/s/ KEVIN M. SHEEHAN

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

/s/ TOBIA IPPOLITO

Tobia Ippolito
Executive Vice President, Finance and
Chief Accounting Officer

Date: October 15, 2001

CENDANT CORPORATION
CURRENT REPORT ON FORM 8-K

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
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2.1	Agreement and Plan of Merger by and among Cendant Corporation, Galaxy Acquisition Corp. and Galileo International, Inc., dated as of June 15, 2001 (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-4 filed on July 6, 2001).
10.1	Amended and Restated Credit Agreement by and among Cendant Corporation, the Chase Manhattan Bank, Bank of America, N.A., the Bank of Nova Scotia and Credit Lyonnais New York Branch, dated as of October 5, 2001.
23.1	Consent of KPMG LLP, relating to Galileo International, Inc.

- 99.1 Audited Financial Statements of Galileo International, Inc. as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000.
- 99.2 Unaudited Financial Statements of Galileo International, Inc. as of June 30, 2001 and for the six months ended June 30, 2001 and 2000.
- 99.3 Pro Forma Financial Information (unaudited).
- 99.4 Press Release issued by Cendant Corporation on October 8, 2001 announcing the completion of the credit facility referred to in Exhibit 10.1 above.
- 99.5 Note Regarding Forward-Looking Statements

CONFORMED COPY

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\$1,150,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of October 5, 2001

among

CENDANT CORPORATION

as Borrower

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

THE BANK OF NOVA SCOTIA,
CREDIT LYONNAIS NEW YORK BRANCH and
CITIBANK N.A.,
as Co-Documentation Agents

BANK OF AMERICA, N.A., as Syndication Agent

J.P. MORGAN SECURITIES INC., as Lead Arranger

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AMENDED AND RESTATED CREDIT AGREEMENT (the "AGREEMENT") dated as of October 5, 2001, among CENDANT CORPORATION, a Delaware corporation (the "BORROWER"), the Lenders referred to herein and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent (the "ADMINISTRATIVE AGENT") for the Lenders.

INTRODUCTORY STATEMENT

The Borrower has requested that the Lenders amend and restate the Term Loan Agreement, dated as of February 22, 2001 (the "EXISTING TERM LOAN AGREEMENT"), among the Borrower, certain Lenders and the Administrative Agent to convert the \$650,000,000 term loan facility provided thereunder into a revolving credit facility and to increase such facility by the amount of \$500,000,000 to establish a \$1,150,000,000 committed revolving credit facility pursuant to which Revolving Credit Loans may be made to, and Letters of Credit issued for the account of, the Borrower (of which not more than the amounts described herein at any time shall consist of Letters of Credit).

Subject to the terms and conditions set forth herein, each Lender party to the Existing Term Loan Agreement is willing to have its Term Loans under (and as defined in) the Existing Term Loan Agreement converted into Revolving Credit Loans hereunder and to make other Loans to the Borrower and to participate in Letters of Credit.

Accordingly, the parties hereto hereby agree to amend and restate the Existing Term Loan Agreement as follows:

1. DEFINITIONS

For the purposes hereof unless the context otherwise requires, the following terms shall have the meanings indicated, all accounting terms not otherwise defined herein shall have the respective meanings accorded to them under GAAP and all terms defined in the New York Uniform Commercial Code and not otherwise defined herein shall have the respective meanings accorded to them therein:

"ABR BORROWING" shall mean a Borrowing comprised of ABR Loans.

"ABR LOAN" shall mean any Revolving Credit Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article 2.

"ADDENDUM" shall mean an instrument, substantially in the form of Exhibit G hereto, by which a Lender becomes a party to this Agreement.

"AESOP FINANCING PROGRAM" means the transactions contemplated by that certain Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and the Bank of New York, as Trustee, as it may be from time to time further amended, supplemented or modified, and the instruments and agreements referenced therein and otherwise executed in connection therewith.

"AFFILIATE" shall mean any Person which, directly or indirectly, is

in control of, is controlled by, or is under common control with, the Borrower. For purposes of this definition, a Person shall be deemed to be "controlled by" another if such latter Person possesses, directly or indirectly, power either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such controlled Person or (ii) direct or cause the direction of the management and policies of such controlled Person whether by contract or otherwise.

"ALTERNATE BASE RATE" shall mean, for any day, a rate per annum (rounded upwards to the nearest 1/16 of 1% if not already an integral multiple of 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect for such day, (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1% or (c) the Base CD Rate in effect for such day plus 1%. For purposes hereof, "PRIME RATE" shall mean the

rate per annum publicly announced by the Administrative Agent from time to time as its prime rate in effect at its principal office in New York City. For purposes of this Agreement, any change in the Alternate Base Rate due to a change in the Prime Rate shall be effective on the date such change in the Prime Rate is announced as effective. "FEDERAL FUNDS EFFECTIVE RATE" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. "BASE CD RATE" shall mean the sum of (a) the product of (i) the Average Weekly Three-Month Secondary CD Rate times (ii) a fraction of which the numerator is 100% and the denominator is 100% minus the aggregate rates of (A) basic and supplemental reserve requirements in effect on the date of effectiveness of such Average Weekly Three-Month Secondary CD Rate, as set forth below, under Regulation D of the Board applicable to certificates of deposit in units of \$100,000 or more issued by a "member bank" located in a "reserve city" (as such terms are used in Regulation D) and (B) marginal reserve requirements in effect on such date of effectiveness under Regulation D applicable to time deposits of a "member bank" and (b) the Assessment Rate. "AVERAGE WEEKLY THREE-MONTH SECONDARY CD RATE" shall mean the three-month secondary certificate of deposit ("CD") rate for the most recent weekly period covered therein in the Federal Reserve Statistical release entitled "Weekly Summary of Lending and Credit Measures (Averages of daily figures)" released in the week during which occurs the day for which the CD rate is being determined. The CD rate so reported shall be in effect, for the purposes of this definition, for each day of the week in which the release date of such publication occurs. If such publication or a substitute containing the foregoing rate information is not published by the Federal Reserve for any week, such average rate shall be determined by the Administrative Agent on the basis of quotations received by it from three New York City negotiable certificate of deposit dealers of recognized standing on the first Business Day of the week succeeding such week for which such rate information is not published. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or Federal Funds

Effective Rate, or both, for any reason, including, without limitation, the inability or failure of the Administrative Agent to obtain sufficient bids or publications in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Average Weekly Three-Month Secondary CD Rate shall be effective on the effective date of such change in the CD Rate. Any change in the Alternate Base Rate due to a change in the Federal Funds Effective Rate shall be effective on the effective date of such change in the Federal Funds Effective Rate.

"APPLICABLE LAW" shall mean all provisions of statutes, rules, regulations and orders of governmental bodies or regulatory agencies applicable to a Person, and all orders and decrees of all courts and arbitrators in proceedings or actions in which the Person in question is a party.

"ASSESSMENT RATE" shall mean, for any day, the net annual assessment rate (rounded upwards, if necessary, to the next higher Basis Point) as most recently estimated by the Administrative Agent for determining the then current annual assessment payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in dollars at the Administrative Agent's domestic offices.

"ASSIGNMENT AND ACCEPTANCE" shall mean an agreement in the form of Exhibit C hereto, executed by the assignor, assignee and the other parties as contemplated thereby.

"AVIS" shall mean Avis Group Holdings, Inc., a Delaware corporation.

"AVIS DEBT DOCUMENTS" shall mean the instruments and agreements pursuant to which any indebtedness of Avis or any of its Subsidiaries has been issued, is outstanding or permitted to exist.

"AVIS MERGER" shall mean the transaction pursuant to the Agreement and Plan of Merger, dated as of November 11, 2000 (the "MERGER AGREEMENT"), by and among Avis, the Borrower, PHH and Avis Acquisition Corp., a Delaware corporation and an indirect wholly-owned subsidiary of the Borrower ("MERGER SUB") in which Merger Sub will merge with and into Avis and each outstanding share of class A common stock, par value \$.01 per share of Avis (the "COMMON STOCK"), other than shares of Common Stock held by any subsidiary of Avis, held in Avis' treasury, held by Cendant or any subsidiary of Cendant or held by stockholders who perfect their appraisal rights under Delaware law, will be converted into the right to receive \$33.00 in cash.

"AVIS SECURITIZATION ENTITY" means a Subsidiary of Avis (or another Person in which Avis or any of its Subsidiaries makes an

investment or to which Avis or any of its Subsidiaries transfers Permitted Vehicle Collateral or an interest in Permitted Vehicle Collateral) which engages in no activities other than in connection with the ownership, leasing, operation and financing of Eligible Vehicles and other Permitted Vehicle

Collateral and which is designated by the board of directors of Avis as a Securitization Entity and as to which:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Borrower or any of its Subsidiaries (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Borrower or any of its Subsidiaries in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Borrower or any of its Subsidiaries (other than a Securitization Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) neither the Borrower nor any of its Subsidiaries has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Securitization Transaction) other than on terms no less favorable to the Borrower or such Subsidiary of the Borrower than those that might be obtained at the time from Persons that are not Affiliates of the Borrower, other than fees payable in the ordinary course of business in connection with servicing Permitted Vehicle Collateral; and

(3) neither the Borrower nor any of its Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"AVIS SECURITIZATION INDEBTEDNESS" means (i) Indebtedness that finances or refinances Eligible Vehicles (but only to the extent actually used to finance or refinance Eligible Vehicles) and (ii) Indebtedness secured by Permitted Vehicle Collateral.

"BASIS POINT" shall mean 1/100th of 1%.

"BOARD" shall mean the Board of Governors of the Federal Reserve System.

"BORROWING" shall mean a group of Loans of a single Interest Rate Type made by the Lenders (or in the case of a Competitive Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.4) on a single date and as to which a single Interest Period is in effect.

"BUSINESS DAY" shall mean any day other than a Saturday, Sunday or other day on which banks in the State of New York are permitted to close; PROVIDED, HOWEVER, that when used in connection with a LIBOR Loan, the term "Business Day" shall also exclude

any day on which banks are not open for dealings in Dollar deposits on the London Interbank Market.

"CAPITAL LEASE" shall mean as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"CASH COLLATERAL ACCOUNT" shall mean a collateral account established with the Administrative Agent, in the name of the Administrative Agent and under its sole dominion and control, into which the Borrower shall from time to time deposit Dollars pursuant to the express provisions of this Agreement requiring such deposit.

"CASH EQUIVALENTS" shall mean any of the following, to the extent acquired for investment and not with a view to achieving trading profits: (i) obligations fully backed by the full faith and credit of the United States of America maturing not in excess of twelve months from the date of acquisition, (ii) commercial paper maturing not in excess of twelve months from the date of acquisition and rated "P-1" by Moody's or "A-1" by S&P on the date of such acquisition, (iii) the following obligations of any Lender or any domestic commercial bank having capital and surplus in excess of \$500,000,000, which has, or the holding company of which has, a commercial paper rating meeting the requirements specified in clause (ii) above: (a) time deposits, certificates of deposit and acceptances maturing not in excess of twelve months from the date of acquisition, or (b) repurchase obligations with a term of not more than thirty (30) days for underlying securities of the type referred to in clause (i) above, (iv) money market funds that invest exclusively in interest bearing, short-term money market instruments: (a) having an average remaining

maturity of not more than twelve months and (b)(1) rated at least "P-1" by Moody's or "A-1" by S&P or (2) which are issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof, and (v) municipal securities: (a) for which the pricing period in effect is not more than twelve months long and (b) rated at least "P-1" by Moody's or "A-1" by S&P.

"CHANGE IN CONTROL" shall mean (i) the acquisition by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the Closing Date), directly or indirectly, beneficially or of record, of ownership or control of in excess of 30% of the voting common stock of the Borrower on a fully diluted basis at any time or (ii) if at any time, individuals who at the Closing Date constituted the Board of Directors of the Borrower (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Borrower, as the case may be, was approved by a vote of the majority of the directors then still in office who were either directors at the Closing Date or whose election or a nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Borrower then in office.

"CHASE" shall mean The Chase Manhattan Bank, a New York banking corporation.

"CLOSING DATE" shall mean the date on which the conditions precedent to the effectiveness of this Agreement as set forth in Section 4.1 have been satisfied or waived, which shall in no event be later than October 5, 2001.

"CODE" shall mean the Internal Revenue Code of 1986 and the rules and regulations issued thereunder, as now and hereafter in effect, or any successor provision thereto.

"COMMITMENT" shall mean, with respect to each Lender, the commitment of such Lender as set forth (i) on Schedule 2.1 hereto and/or (ii) any applicable Assignment and Acceptance to which it may be a party, as the case may be, as such Lender's Commitment may be permanently terminated, reduced or increased from time to time pursuant to Section 2.12 or Article 7. The Commitments shall automatically and permanently terminate on the earlier of (a) the Maturity Date or (b) the date of termination in whole pursuant to Section 2.12 or Article 7.

"COMMITMENT PERCENTAGE" shall mean, as to any Lender at any time, the percentage which such Lender's Commitment then constitutes of the Total Commitment or, at any time after the Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Loans and L/C Exposure then outstanding constitutes of the aggregate principal amount of the Loans and L/C Exposure then outstanding.

"COMPETITIVE BID" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.4 in the form of Exhibit E-3.

"COMPETITIVE BID ACCEPT/REJECT LETTER" shall mean a notification made by the Borrower pursuant to Section 2.4(d) in the form of Exhibit E-4.

"COMPETITIVE BID RATE" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.4(b), (a) in the case of a LIBOR Loan, the Margin and (b) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"COMPETITIVE BID REQUEST" shall mean a request made pursuant to Section 2.4 in the form of Exhibit E-1.

"COMPETITIVE BORROWING" shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.4.

"COMPETITIVE LOAN" shall mean a Loan from a Lender to the Borrower pursuant to the bidding procedure described in Section 2.4. Each Competitive Loan shall be a LIBOR Competitive Loan or a Fixed Rate Loan.

"COMPETITIVE NOTE" shall have the meaning assigned to such term in Section 2.8.

"CONSOLIDATED ASSETS" shall mean, at any date of determination, the total assets of the Borrower and its Consolidated Subsidiaries determined in accordance with GAAP.

"CONSOLIDATED EBITDA" shall mean, without duplication, for any period for which such amount is being determined, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) provision for taxes based on income, (iii) depreciation expense (excluding any such expense attributable to depreciation of Eligible Vehicles which are included in a Qualified Securitization Transaction), (iv) Consolidated Interest Expense, (v) amortization expense, (vi) other non-cash items reducing Consolidated Net Income, plus (vii) any cash

contributions by the Borrower and its Subsidiaries during such period into the Settlement Trust minus (viii) any cash expenditures during such period to the extent such cash expenditures (x) did not reduce Consolidated Net Income for such period and (y) were applied against reserves that constituted non-cash items which reduced Consolidated Net Income during prior periods, all as determined on a consolidated basis for the Borrower and its Consolidated Subsidiaries in accordance with GAAP. Notwithstanding the foregoing, in calculating Consolidated EBITDA pro forma effect shall be given to each acquisition of a Subsidiary or any entity acquired in a merger in any relevant period for which the covenants set forth in Sections 6.7 and 6.8 are being calculated as if such acquisition had been made on the first day of such period.

"CONSOLIDATED INTEREST EXPENSE" shall mean for any period for which such amount is being determined, total interest expense paid or payable in cash (including that properly attributable to Capital Leases in accordance with GAAP but excluding in any event all capitalized interest and amortization of debt discount and debt issuance costs) of the Borrower and its Consolidated Subsidiaries on a consolidated basis including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net cash costs (or minus net profits) under Interest Rate Protection Agreements MINUS, without duplication, any interest income of the Borrower and its Consolidated Subsidiaries on a consolidated basis during such period. Notwithstanding the foregoing, interest expense on any Avis Securitization Indebtedness or any Timeshare Loan Indebtedness, shall be deemed not to be included in Consolidated Interest Expense.

"CONSOLIDATED NET INCOME" shall mean, for any period for which such amount is being determined, the net income (or loss) of the Borrower and its Consolidated Subsidiaries during such period determined on a consolidated basis for such period taken as a single accounting period in accordance with GAAP, provided that there shall be excluded (i) income (loss) of any Person (other than a Consolidated Subsidiary of the Borrower) in which the Borrower or any of its Consolidated Subsidiaries has any equity investment or comparable interest, except to the extent of the amount of dividends or

other distributions actually paid to the Borrower or its Consolidated Subsidiaries by such Person during such period, (ii) the income of any Consolidated Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by that Consolidated Subsidiary of the income is not at the time permitted by operation of the terms of its charter, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Consolidated Subsidiary, (iii) any extraordinary after-tax gains and (iv) any extraordinary or unusual pretax losses.

"CONSOLIDATED NET WORTH" shall mean, as of any date of determination, all items which in conformity with GAAP would be included under shareholders' equity on a consolidated balance sheet of the Borrower and its Subsidiaries at such date plus mandatorily redeemable preferred securities issued by Subsidiaries of the Borrower (other than PHH and its Subsidiaries) plus 80% of the aggregate amount outstanding under the Upper DECS which is, at the date as of which Consolidated Net Worth is to be determined, includable as a liability on a consolidated balance sheet of the Borrower and its Subsidiaries. Consolidated Net Worth shall include the Borrower's equity interest in PHH.

"CONSOLIDATED SUBSIDIARIES" shall mean all Subsidiaries of the Borrower that are required to be consolidated with the Borrower for financial reporting purposes in accordance with GAAP.

"CONSOLIDATED TOTAL INDEBTEDNESS" shall mean (i) the total amount of Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis using GAAP principles of consolidation, which is, at the dates as of which Consolidated Total Indebtedness is to be determined, includable as liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries, plus (ii) without duplication of any items included in Indebtedness pursuant to the foregoing clause (i), Indebtedness of others which the Borrower or any of its Consolidated Subsidiaries has directly or indirectly assumed or guaranteed (but only to the extent so assumed or guaranteed) or otherwise provided credit support therefor, including without limitation, Guaranties; PROVIDED that, for purposes of this definition, (a) any Avis Securitization Indebtedness shall not be deemed Indebtedness, (b) any Timeshare Loan Indebtedness shall not be deemed Indebtedness and (c) only 20% of the aggregate amount outstanding under the Upper DECS which is, at the dates as of which Consolidated Total Indebtedness is to be determined, includable as a liability on a consolidated balance sheet of the Borrower and its Subsidiaries, shall be deemed Indebtedness. In addition, for purposes of this definition, the amount of Indebtedness at any time shall be reduced (but not to less than zero) by the amount of Excess Cash.

"DEBT TO CAPITALIZATION RATIO" shall mean at any time the ratio of (x) Consolidated Total Indebtedness to (y) the sum of (i) Consolidated Total Indebtedness plus (ii) Consolidated Net Worth.

"DEFAULT" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"DOLLARS" and "\$" shall mean lawful money of the United States of America.

"ELIGIBLE LEASES" means open-end and closed-end automobile fleet leases originated by or on behalf of Avis or any of its Subsidiaries which are of a type customarily eligible for inclusion in a Qualified Securitization Transaction.

"ELIGIBLE VEHICLES" shall mean the motor vehicle inventory of Avis or any of its Subsidiaries, in each case, whether held for sale, lease or rental purposes which are of a type customarily eligible for inclusion in a Qualified Securitization Transaction.

"ENVIRONMENTAL LAWS" shall mean any and all federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any Governmental Authority regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material or environmental protection or health and safety, as now or may at any time hereafter be in effect, including without limitation, the Clean Water Act also known as the Federal Water Pollution Control Act ("FWPCA") 33 U.S.C.ss. 1251 ET SEQ., the Clean Air Act ("CAA"), 42 U.S.C.ss.ss. 7401 ET SEQ., the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"), 7 U.S.C.ss.ss. 136 ET SEQ., the Surface Mining Control and Reclamation Act ("SMCRA"), 30 U.S.C.ss.ss. 1201 ET SEQ., the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C.ss. 9601 ET SEQ., the Superfund Amendment and Reauthorization Act of 1986 ("SARA"), Public Law 99-499, 100 Stat. 1613, the Emergency Planning and Community Right to Know Act ("EPCRA"), 42 U.S.C.ss. 11001 ET SEQ., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C.ss. 6901 ET SEQ., the Occupational Safety and Health Act as amended ("OSHA"), 29 U.S.C.ss. 655 and ss. 657, together, in each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

"ENVIRONMENTAL LIABILITIES" shall mean any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as such Act may be amended, and the regulations promulgated thereunder.

"EXCESS CASH" shall mean all cash and cash equivalents of the Borrower and its Consolidated Subsidiaries at such time determined on a consolidated basis in accordance with GAAP in excess of \$25,000,000.

"EXISTING TERM LOAN AGREEMENT" shall have the meaning assigned to such term in the Introductory Statement hereof.

"EXTENSIONS OF CREDIT" shall mean the making of a Loan or the issuance of a Letter of Credit.

"EVENT OF DEFAULT" shall have the meaning given such term in Article 7 hereof.

"FACILITY FEE" shall have the meaning given such term in Section 2.7 hereof.

"FAIRFIELD" shall mean Fairfield Resorts Inc., a Delaware corporation (formerly Fairfield Communities, Inc.).

"FAIRFIELD DEBT DOCUMENTS" shall mean the instruments and agreements pursuant to which any indebtedness of Fairfield or any of its Subsidiaries has been issued, is outstanding or permitted to exist.

"FAIRFIELD MERGER" shall mean the transaction pursuant to the Agreement and Plan of Merger, dated as of November 1, 2000, by and among the Borrower, Fairfield and Grand Slam Acquisition Corp., a Delaware corporation and subsidiary of the Borrower.

"FIXED RATE BORROWING" shall mean a Borrowing comprised of Fixed Rate Loans.

"FIXED RATE LOAN" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"FLEET RECEIVABLES" means all receivables generated by Avis or any of its Subsidiaries from obligors under fleet maintenance contracts, fleet management contracts and fuel card contracts and any other service contracts billed together with Eligible Leases, which are of a type customarily eligible for inclusion in a Qualified Securitization Transaction.

"FUNDAMENTAL DOCUMENTS" shall mean this Agreement, any Revolving Credit Notes, any Competitive Notes and any other ancillary documentation which is required to be, or is otherwise, executed by the Borrower and delivered to the Administrative Agent in connection with this Agreement.

"GAAP" shall mean generally accepted accounting principles consistently applied (except for accounting changes in response to FASB releases or other authoritative pronouncements) provided, however, that all calculations made pursuant to Sections 6.7 and 6.8 and the related definitions shall have been computed based on such generally accepted accounting principles as are in effect on the Closing Date.

"GOVERNMENTAL AUTHORITY" shall mean any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, or any court, in each case whether of the United States or foreign.

"GRANTING LENDER" shall have the meaning assigned to such term in Section 9.3(k).

"GUARANTY" shall mean, as to any Person, any direct or indirect obligation of such Person guaranteeing or intended to guarantee any Indebtedness, Capital Lease, dividend or other monetary obligation ("primary obligation") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services, in each case, primarily for the purpose of assuring the owner of any such primary obligation of the repayment of such primary obligation or (d) as a general partner of a partnership or a joint venturer of a joint venture in respect of indebtedness of such partnership or such joint venture which is treated as a general partnership for purposes of Applicable Law. The amount of any Guaranty shall be deemed to be an amount equal to the stated or determinable amount (or portion thereof) of the primary obligation in respect of which such Guaranty is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder); PROVIDED, HOWEVER, that the amount of any Guaranty shall be limited to the extent necessary so that such amount does not exceed the value of the assets of such Person (as reflected on a consolidated balance sheet of such Person prepared in accordance with GAAP) to which any creditor or beneficiary of such Guaranty would have recourse. Notwithstanding the foregoing definition, the term "Guaranty" shall not include any direct or indirect obligation of a Person as a general partner of a general partnership or a joint venturer of a joint venture in respect of Indebtedness of such general partnership or joint venture, to the extent such Indebtedness is contractually non-recourse to the assets of such Person as a general partner or joint venturer (other than assets comprising the capital of such general partnership or joint venture).

"HAZARDOUS MATERIALS" shall mean any flammable materials, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or similar materials defined as such in any Environmental Law.

"HOTEL SUBSIDIARY" shall mean any Subsidiary of the Borrower which (a) is engaged as its principal activity, in the hotel franchising business or related activities or (b) owns or licenses from a Person other than the Borrower or another Subsidiary, any proprietary right related to the hotel franchising business.

"INDEBTEDNESS" shall mean (without double counting), at any time and with respect to any Person, (i) indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase price of property or services purchased (other than amounts constituting trade payables arising in the ordinary course and payable within 180 days); (ii) indebtedness of others which such Person has directly or indirectly assumed or guaranteed (but only to the extent so

assumed or guaranteed) or otherwise provided credit support therefor, including without limitation, Guaranties; (iii) indebtedness of others secured by a Lien on assets of such Person, whether or not such Person shall have assumed such indebtedness (but only to the extent of the fair market value of such assets); (iv) obligations of such Person in respect of letters of credit, acceptance facilities, or drafts or similar instruments issued or accepted by banks and other financial institutions for the account of such Person (other than trade payables arising in the ordinary course and payable within 180 days); or (v) obligations of such Person under Capital Leases.

"INTEREST COVERAGE RATIO" shall mean, for each period for which it is to be determined, the ratio of (i) Consolidated EBITDA to (ii) Consolidated Interest Expense.

"INTEREST PAYMENT DATE" shall mean, with respect to any

Borrowing, the last day of the Interest Period applicable thereto and, in the case of a LIBOR Borrowing with an Interest Period of more than three months' duration or a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months, duration or 90 days' duration, as the case may be, been applicable to such Borrowing, and, in addition, the date of any refinancing or conversion of a Borrowing with, or to, a Borrowing of a different Interest Rate Type.

"INTEREST PERIOD" shall mean (a) as to any LIBOR Borrowing, the period commencing on the date of such Borrowing, and ending on the numerically corresponding day (or, if there is no numerically corresponding day or if the date of the LIBOR Borrowing is the last day of any month, on the last day) in the calendar month that is 1, 2, 3, 6 or, subject to each Lender's approval, 12 months thereafter, as the Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing and ending on the earliest of (i) the next succeeding March 31, June 30, September 30 or December 31, (ii) the Maturity Date and (iii) the date such Borrowing is refinanced with a Borrowing of a different Interest Rate Type in accordance with Section 2.6 or is prepaid in accordance with Section 2.13 and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than one day after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, HOWEVER, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of LIBOR Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) no Interest Period may be selected which would extend beyond the Maturity Date. Interest shall accrue from, and including, the first day of an Interest Period to, but excluding, the last day of such Interest Period.

"INTEREST RATE PROTECTION AGREEMENT" shall mean any interest rate swap agreement, interest rate cap agreement or other similar financial agreement or arrangement.

"INTEREST RATE TYPE" when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, "Rate" shall include LIBOR, the Alternate Base Rate and the Fixed Rate.

"ISSUING LENDER" shall mean Chase or its Affiliates, and/or such other of the Lenders as may be designated in writing by the Borrower and which agree in writing to act as such in accordance with the terms hereof.

"L/C EXPOSURE" shall mean, at any time, the amount expressed in Dollars of the aggregate face amount of all drafts which may then or thereafter be presented by beneficiaries under all Letters of Credit then outstanding plus (without duplication) the face amount of all drafts which have been presented under Letters of Credit but have not yet been paid or have been paid but not reimbursed.

"LENDER and "LENDERS" shall mean the financial institutions whose names appear at the foot hereof and any assignee of a Lender pursuant to Section 9.3(b).

"LENDING OFFICE" shall mean, with respect to any of the Lenders, the branch or branches (or affiliate or affiliates) from which any such Lender's LIBOR Loans, Fixed Rate Loans or ABR Loans, as the case may be, are made or maintained and for the account of which all payments of principal of, and interest on, such Lender's LIBOR Loans, Fixed Rate Loans or ABR Loans are made, as notified to the Administrative Agent from time to time.

"LETTER OF CREDIT" shall mean any Letter of Credit issued pursuant to Section 2.23.

"LIBOR" shall mean, with respect to any LIBOR Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next Basis Point) equal to the rate at which Dollar deposits approximately equal in principal amount to (a) in the case of a Revolving Credit Borrowing, Chase's portion of such LIBOR Borrowing and (b) in the case of a Competitive Borrowing, a principal amount that would have been Chase's portion of such Competitive Borrowing had such Competitive Borrowing been a Revolving Credit Borrowing, and for a maturity comparable to such Interest Period, are offered to the principal London office of Chase in immediately available funds in the London Interbank Market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIBOR BORROWING" shall mean a Borrowing comprised of LIBOR Loans.

"LIBOR COMPETITIVE LOAN" shall mean any Competitive Loan bearing interest at a rate determined by reference to LIBOR in accordance with the provisions of Article 2.

"LIBOR LOAN" shall mean any LIBOR Competitive Loan or LIBOR

Revolving Credit Loan.

"LIBOR REVOLVING CREDIT LOAN" shall mean any Revolving Credit Loan bearing interest at a rate determined by reference to LIBOR in accordance with the provisions of Article 2.

"LIBOR SPREAD" shall mean, at any date or any period of determination, the LIBOR Spread that would be in effect on such date or during such period pursuant to the chart set forth in Section 2.22 based on the rating of the Borrower's senior unsecured long-term debt.

"LIEN" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind whatsoever (including any conditional sale or other title retention agreement, any lease in the nature thereof or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction).

"LOAN" shall mean a Competitive Loan or a Revolving Credit Loan, whether made as a LIBOR Loan, an ABR Loan or a Fixed Rate Loan, as permitted hereby.

"MARGIN" shall mean, as to any LIBOR Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to four decimal places) to be added to, or subtracted from, LIBOR in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"MARGIN STOCK" shall be as defined in Regulation U of the Board.

"MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole (it is understood that, for purposes of this definition, the accounting irregularities and errors disclosed in the Borrower's report on Form 10-K for the period ending December 31, 2000 filed with the Securities and Exchange Commission and the class action lawsuits disclosed therein and other class action lawsuits arising as a result of the accounting irregularities and errors disclosed therein do not constitute a Material Adverse Effect).

"MATERIAL SUBSIDIARY" shall mean (i) any Subsidiary of the Borrower which, together with its Subsidiaries at the time of determination hold, or, solely with respect to Sections 7(f) and 7(g), any group of Subsidiaries which, if merged into each other at the time of determination would hold, assets constituting 10% or more of Consolidated Assets or accounts for 10% or more of Consolidated EBITDA for the Rolling Period immediately preceding the date of determination or (ii) any Subsidiary of the Borrower which holds material trademarks, tradenames or other intellectual property rights.

"MATURITY DATE" shall mean February 22, 2004.

"MOODY'S" shall mean Moody's Investors Service Inc.

"MULTIEMPLOYER PLAN" shall mean a plan described in Section 3(37) of ERISA.

"NOTES" shall mean the Competitive Notes and the Revolving Credit Notes.

"OBLIGATIONS" shall mean the obligation of the Borrower to make due and punctual payment of principal of, and interest on, the Loans, the Facility Fee, the Utilization Fee, reimbursement obligations in respect of Letters of Credit and all other monetary obligations of the Borrower to the Administrative Agent, any Issuing Lender or any Lender under this Agreement, the Notes or the Fundamental Documents or with respect to any Interest Rate Protection Agreements entered into between the Borrower and any Lender.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any successor thereto.

"PERMITTED ENCUMBRANCES" shall mean Liens permitted under Section 6.5 hereof.

"PERMITTED TIMESHARE COLLATERAL" means, as of any date of determination:

(1) the collateral securing Timeshare Loan Indebtedness and consisting of Timeshare Loans or a beneficial interest therein and the proceeds thereof;

(2) Timeshare Loans or a beneficial interest therein, transferred to a Securitization Entity in connection with a Qualified Securitization Transaction and the proceeds thereof;

(3) any related assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving Timeshare Loans; and

(4) any proceeds of any of the foregoing.

"PERMITTED VEHICLE COLLATERAL" means, as of any date of determination:

(1) the collateral securing Avis Securitization Indebtedness and consisting of Eligible Vehicles and receivables, or a beneficial interest therein, arising from the disposition of Eligible Vehicles and the proceeds thereof;

(2) Eligible Leases and Fleet Receivables, or a beneficial interest therein, transferred to a Securitization Entity in connection with a Qualified Securitization Transaction and the proceeds thereof;

(3) any related assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving Eligible Vehicles or Eligible Leases; and

(4) any proceeds of any of the foregoing.

"PERSON" shall mean any natural person, corporation, division of a corporation, partnership, trust, joint venture, association, company, estate, unincorporated organization or government or any agency or political subdivision thereof.

"PHH" shall mean PHH Corporation, a Maryland corporation.

"PLAN" shall mean an employee pension benefit plan described in Section 3(2) of ERISA, other than a Multiemployer Plan.

"PRO FORMA BASIS" shall mean in connection with any transaction for which a determination on a Pro Forma Basis is required to be made hereunder, that such determination shall be made (i) after giving effect to any issuance of Indebtedness, any acquisition, any disposition or any other transaction (as applicable) and (ii) assuming that the issuance of Indebtedness, acquisition, disposition or other transaction and, if applicable, the application of any proceeds therefrom, occurred at the beginning of the most recent Rolling Period ending at least thirty (30) days prior to the date on which such issuance of Indebtedness, acquisition, disposition or other transaction occurred.

"PURCHASE MONEY NOTE" means a promissory note of a Securitization Entity evidencing a line of credit, which may be irrevocable, from Avis or any of its Subsidiaries or a Timeshare Subsidiary to a Securitization Entity or representing the deferred purchase price for the purchase of assets by such Securitization Entity from Avis or any of its Subsidiaries or Timeshare Subsidiary, as the case may be, in each case in connection with a Qualified Securitization Transaction, which note is repayable from cash available to the Securitization Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of Eligible Vehicles, Eligible Leases, Fleet Receivables or a beneficial interest therein, in the case of an Avis Securitization Entity, or a Timeshare Loan, in the case of a Timeshare Securitization Entity.

"QUALIFIED SECURITIZATION TRANSACTION" means (x) any transaction or series of transactions that may be entered into by Avis or any of its Subsidiaries pursuant to which Avis or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Securitization Entity (in the case of a transfer by Avis or any of its Subsidiaries) or (2) any other Person (in the case of a transfer by a Securitization Entity), or may grant a security interest in, any Permitted Vehicle Collateral (whether now existing or arising in the future) of Avis or any of its Subsidiaries, and any assets related thereto including, without limitation, the proceeds of such Permitted Vehicle Collateral or (y) any transaction or series of transactions that may be entered into by any Timeshare Subsidiary pursuant to which any Timeshare Subsidiary may sell, convey or otherwise transfer to (1) a Securitization Entity (in the case of a transfer by any Timeshare Subsidiary) or (2) any other Person (in the case of a transfer by a Securitization Entity), or may grant a security interest in, any Permitted Timeshare Collateral (whether now existing or arising in the future) of any Timeshare Subsidiary, and any assets related thereto including, without limitation, the proceeds of such Permitted Timeshare Collateral.

"REPORTABLE EVENT" shall mean any reportable event as defined in Section 4043(b) of ERISA, other than a reportable event as to which provision for 30-day notice to the PBGC would be waived under applicable regulations had the regulations in effect on the Closing Date been in effect on the date of occurrence of such reportable event.

"REQUIRED LENDERS" shall mean at any time, Lenders holding Commitments representing 51% of the Total Commitment, except that (i) for purposes of determining the Lenders entitled to declare the principal of and the interest on the Loans and the Notes and all other amounts payable hereunder or thereunder to be forthwith due and payable

pursuant to Article 7 and (ii) at all times after the termination of the Total Commitment in its entirety, "Required Lenders" shall mean Lenders holding 51% of the aggregate principal amount of the Loans and L/C Exposure at the time outstanding.

"REVOLVING CREDIT BORROWING" shall mean a Borrowing consisting of simultaneous Revolving Credit Loans from each of the Lenders.

"REVOLVING CREDIT BORROWING REQUEST" shall mean a request made pursuant to Section 2.5 in the form of Exhibit F.

"REVOLVING CREDIT LOANS" shall mean the Loans made by the Lenders to the Borrower pursuant to a notice given by the Borrower under Section 2.5. Each Revolving Credit Loan shall be a LIBOR Revolving Credit Loan or an ABR Loan.

"REVOLVING CREDIT NOTE" shall have the meaning assigned to such term in Section 2.8.

"ROLLING PERIOD" shall mean with respect to any fiscal quarter, such fiscal quarter and the three immediately preceding fiscal quarters considered as a single accounting period.

"SECURITIZATION ENTITY" means an Avis Securitization Entity or a Timeshare Securitization Entity.

"SETTLEMENT" shall mean the settlement of a consolidated class action lawsuit pending against the Borrower styled In re Cendant Corporation Litigation, No. 98-CV-1664 (WHW)(D.N.J.).

"SETTLEMENT AGREEMENT" shall mean the Stipulation of Settlement with the Borrower and Certain Other Defendants, executed March 17, 2000.

"SETTLEMENT TRUST" shall mean the escrow account established pursuant to the Settlement Agreement.

"S&P" shall mean Standard & Poor's Ratings Services.

"SPC" shall have the meaning assigned to such term in Section 9.3(k).

"STANDARD SECURITIZATION UNDERTAKINGS" means representations, warranties, guaranties, covenants and indemnities entered into by Avis or any of its Subsidiaries or any Timeshare Subsidiary which are reasonably customary in securitizations.

"STATUTORY RESERVES" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other banking authority to which the Administrative Agent or any Lender is subject, for Eurocurrency Liabilities (as defined in Regulation D). Such reserve percentages shall include those imposed under Regulation D. LIBOR Loans shall be deemed to constitute Eurocurrency Liabilities and as such shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exceptions or offsets which may be available from time to time to any Lender under Regulation D. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBSIDIARY" shall mean with respect to any Person, any corporation, association, joint venture, partnership or other business entity (whether now existing or hereafter organized) of which at least a majority of the voting stock or other ownership interests having ordinary voting power for the election of directors (or the equivalent) is, at the time as of which any determination is being made, owned or controlled by such Person or one or more subsidiaries of such Person or by such Person and one or more subsidiaries of such Person; PROVIDED that for purposes of Sections 6.1, 6.5, 6.6, 6.7 and 6.8 hereof, PHH and its Subsidiaries shall be deemed not to be Subsidiaries of the Borrower except that (a) Consolidated Net Worth shall be calculated in accordance with the definition thereof and (b) in calculating Consolidated EBITDA for any fiscal quarter the amount of any cash dividends or any other cash distributions actually paid by PHH or any Subsidiary of PHH to the Borrower and its Subsidiaries (excluding the Subsidiaries of PHH) (i) during such period and (ii) up to the time of the delivery of the certificate pursuant to Section 5.1(c) hereof related to such period shall be included in such calculation. Any such cash dividends and distributions received from PHH and its Subsidiaries in one period and included in calculating Consolidated EBITDA for any prior period shall not be included in calculating Consolidated EBITDA for any fiscal quarter ending on or after the first anniversary of the date such dividends and distributions are received.

"TIMESHARE DEBT DOCUMENTS" shall mean the instruments and agreements pursuant to which any indebtedness of any Timeshare Subsidiary has been issued, is outstanding or is permitted to exist.

"TIMESHARE LOAN INDEBTEDNESS" shall mean any Indebtedness secured by or payable from Permitted Timeshare Collateral.

"TIMESHARE LOAN" shall mean any loan made to finance the acquisition of a timeshare, including a timeshare that has not yet been

completed, any installment contract

for the purchase of a timeshare, or any other arrangement in the nature of a financing of the purchase of a timeshare, and all security therefor and proceeds thereof.

"TIMESHARE PROPERTY" shall mean any property used or intended to be used for development, in whole or in part, of a timeshare regime, including but not limited to real property, improvements thereon, any condominium, any portion of such a development, any unit or units subjected to a timeshare regime, any fixed week intervals, any undivided interests, any notional "points" afforded to owners of timeshares, any common areas, and any other form of ownership of, or entitlement to occupy real estate that forms a part of, or is subject to, a timeshare regime under applicable state law.

"TIMESHARE SECURITIZATION ENTITY" means in the case of a Subsidiary of a Timeshare Subsidiary (or another Person in which a Timeshare Subsidiary makes an investment or to which any Timeshare Subsidiary transfers Permitted Timeshare Collateral or an interest in Permitted Timeshare Collateral) which engages in no activities other than in connection with the ownership, leasing, operation and financing of Timeshare Properties and other Permitted Timeshare Collateral and which is designated by the board of directors of a Timeshare Subsidiary as a Securitization Entity and as to which:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Borrower or any of its Subsidiaries (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Borrower in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Borrower or any of its Subsidiaries (other than a Securitization Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) neither the Borrower nor any of its Subsidiaries has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Securitization Transaction) other than on terms no less favorable to the Borrower or such Subsidiary of the Borrower than those that might be obtained at the time from Persons that are not Affiliates of the Borrower, other than fees payable in the ordinary course of business in connection with servicing Permitted Timeshare Collateral; and

(3) neither the Borrower nor any of its Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"TIMESHARE SUBSIDIARY" shall mean Fairfield, its Subsidiaries, or any other direct or indirect Subsidiary of the Borrower that is in the business of developing, owning, selling, managing or financing Timeshare Properties.

"TOTAL COMMITMENT" shall mean, at any time, the aggregate amount of the Lenders' Commitments as in effect at such time.

"UPPER DECS" shall mean the securities, consisting of 6.75% senior notes of the Borrower due 2006 and forward purchase contracts to purchase the Borrower's common stock in August 2004, issued on July 27, 2001 pursuant to the Prospectus Supplement, dated as of July 20, 2001.

"UTILIZATION FEE" shall have the meaning assigned to such term in Section 2.7 hereof.

2. THE LOANS

SECTION 2.1. COMMITMENTS.

(a) Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Credit Loans to the Borrower, at any time and from time to time on and after the Closing Date and until the earlier of the Maturity Date and the termination of the Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Lender's Commitment minus the sum of such Lender's pro rata share of the then current L/C Exposure plus the amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Lender's Commitment pursuant to Section 2.18 subject, however, to the conditions that (a) at no time shall (i) the sum of (A) the outstanding aggregate principal amount of all Revolving Credit Loans made by all Lenders plus (B) the then current L/C Exposure plus (C) the outstanding aggregate principal amount of all Competitive Loans made by all Lenders exceed (ii) the Total Commitment and (b) at all times

the outstanding aggregate principal amount of all Revolving Credit Loans made by each Lender shall equal the product of (i) the percentage that its Commitment represents of the Total Commitment times (ii) the outstanding aggregate principal amount of all Revolving Credit Loans made pursuant to a notice given by the Borrower under Section 2.5. The Commitments of the Lenders may be terminated or reduced from time to time pursuant to Section 2.12 or Article 7.

(b) Within the foregoing limits, the Borrower may borrow, pay or repay and reborrow hereunder, on and after the Closing Date and prior to the Maturity Date, upon the terms and subject to the conditions and limitations set forth herein.

(c) The Term Loans outstanding under (and as defined in) the Existing Term Loan Agreement at the close of business on the Closing Date shall convert on such date into Revolving Credit Loans hereunder, which Revolving Credit Loans may from time to time be (a) LIBOR Loans, (b) ABR Loans or (c) a combination thereof, as determined by the Borrower and notified to the Administrative Agent in accordance with Section 2.6.

SECTION 2.2. LOANS.

(a) Each Revolving Credit Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their Commitments; PROVIDED, HOWEVER, that the failure of any Lender to make any Revolving Credit Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.4. The Revolving Credit Loans or Competitive Loans comprising any Borrowing shall be (i) in the case of Competitive Loans and LIBOR Loans, in an aggregate principal amount that is an integral multiple of \$5,000,000 and not less than \$10,000,000 and (ii) in the case of ABR Loans, in an aggregate principal amount that is an integral multiple of \$500,000 and not less than \$5,000,000 (or if less, an aggregate principal amount equal to the remaining balance of the available Total Commitment).

(b) Each Competitive Borrowing shall be comprised entirely of LIBOR Competitive Loans or Fixed Rate Loans, and each Revolving Credit Borrowing shall be comprised entirely of LIBOR Revolving Credit Loans or ABR Loans, as the Borrower may request pursuant to Section 2.4 or 2.5, as applicable. Each Lender may at its option make any LIBOR Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, PROVIDED that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement and the applicable Note. Borrowings of more than one Interest Rate Type may be outstanding at the same time; PROVIDED, HOWEVER, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in an aggregate of more than 9 separate Revolving Credit Loans of any Lender being outstanding hereunder at any one time. For purposes of the calculation required by the immediately preceding sentence, LIBOR Revolving Credit Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Loans and all Loans of a single Interest Rate Type made on a single date shall be considered a single Loan if such Loans have a common Interest Period.

(c) Subject to Section 2.6, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by making funds available at the offices of the Administrative Agent's Agent Bank Services Department, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention: Sharon Hambousi, for credit to Cendant Corporation Clearing Account, Account No. 144812905 (Reference: Cendant Corporation Credit Agreement dated as of October 5, 2001) no later than 1:00 P.M. New York City time (2:00 P.M. New York City time, in the case of an ABR Borrowing) in Federal or other immediately available funds. Upon receipt of the funds to be made available by the Lenders to fund any Borrowing hereunder, the Administrative Agent shall disburse such funds by depositing them into an account of the Borrower maintained with the Administrative Agent. Competitive Loans shall be made by the Lender or Lenders whose Competitive Bids therefor are accepted pursuant to Section 2.4 in the amounts so accepted and Revolving Credit Loans shall be made by all the Lenders pro rata in accordance with Section 2.1 and this Section 2.2.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.3. USE OF PROCEEDS.

The proceeds of the Loans shall be used for working capital and general corporate purposes of the Borrower and its Subsidiaries, including, without limitation, for acquisitions, and support of the Borrower's commercial paper program.

SECTION 2.4. COMPETITIVE BID PROCEDURE.

(a) In order to request Competitive Bids, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request in the form of Exhibit E-1, to be received by the Administrative Agent (i) in the case of a LIBOR Competitive Borrowing, not later than 10:00 a.m., New York City time, four Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before a proposed Competitive Borrowing. No ABR Loan shall be requested in, or made pursuant to, a

Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit E-1 may be rejected in the Administrative Agent's sole discretion, and the Administrative Agent shall promptly notify the Borrower of such rejection by telecopier. Such request for Competitive Bids shall in each case refer to this Agreement and specify (i) whether the Borrowing then being requested is to be a LIBOR Borrowing or a Fixed Rate Borrowing, (ii) the date of such Borrowing (which shall be a Business Day) and the aggregate principal amount thereof, which shall be in a minimum principal amount of \$10,000,000 and in an integral multiple of \$5,000,000, and (iii) the Interest Period with respect thereto (which may not end after the Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Administrative Agent shall invite by telecopier (in the form set forth in Exhibit E-2) the Lenders to bid, on the terms and subject to the conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may, in its sole discretion, make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent via telecopier, in the form of Exhibit E-3, (i) in the case of a LIBOR Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing. Multiple bids will be accepted by the Administrative Agent. Competitive Bids that do not conform substantially to the format of Exhibit E-3 may be rejected by the Administrative Agent after conferring with, and upon the instruction of, the Borrower, and the Administrative Agent shall notify the Lender making such nonconforming bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (i) the principal amount (which shall be in a minimum principal amount of \$10,000,000 and in an integral multiple of \$5,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the

Lender is willing to make to the Borrower, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make the Competitive Loan or Loans and (iii) the Interest Period or Interest Periods with respect thereto. If any Lender shall elect not to make a Competitive Bid, such Lender shall so notify the Administrative Agent via telecopier (i) in the case of LIBOR Competitive Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; PROVIDED, HOWEVER, that failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Loan as part of such proposed Competitive Borrowing. A Competitive Bid submitted by a Lender pursuant to this paragraph (b) shall be irrevocable.

(c) The Administrative Agent shall promptly notify the Borrower by telecopier of all the Competitive Bids made, the Competitive Bid Rate or Rates and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Lender that made each bid. The Administrative Agent shall send a copy of all Competitive Bids to the Borrower for its records as soon as practicable after completion of the bidding process set forth in this Section 2.4.

(d) The Borrower may in its sole and absolute discretion, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid referred to in paragraph (c) above. The Borrower shall notify the Administrative Agent by telephone, promptly confirmed by telecopier in the form of a Competitive Bid Accept/Reject Letter whether and to what extent it has decided to accept or reject any or all of the bids referred to in paragraph (c) above, (i) in the case of a LIBOR Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; PROVIDED, HOWEVER, that (A) the failure by the Borrower to give such notice shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (B) the Borrower shall not accept a bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a bid made at a lower Competitive Bid Rate, (C) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (D) if the Borrower shall accept a bid or bids made at a particular Competitive Bid Rate but the amount of such bid or bids shall cause the total amount of bids to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such bid or bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted at lower Competitive Bid Rates with respect to such Competitive Bid Request (it being understood that acceptance in the case of multiple bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such bid at such Competitive Bid Rate) and (E) except pursuant to clause (D) above, no bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$10,000,000 and an integral multiple of \$5,000,000; PROVIDED FURTHER, HOWEVER, that if a Competitive Loan must be in an amount less than \$10,000,000 because of the provisions of clause (D) above, such Competitive Loan shall be in a minimum principal amount of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (D), the amounts shall be rounded to integral multiples of \$1,000,000 in

a manner that shall be in the discretion of the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each

bidding Lender whether its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by telecopy sent by the Administrative Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Loan in respect of which its bid has been accepted.

(f) A Competitive Bid Request shall not be made within four Business Days after the date of any previous Competitive Bid Request, or such shorter period as may be agreed upon by the Borrower and the Administrative Agent.

(g) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such bid directly to the Borrower one quarter of an hour earlier than the latest time at which the other Lenders are required to submit their bids to the Administrative Agent pursuant to paragraph (b) above.

(h) All notices required by this Section 2.4 shall be given in accordance with Section 9.1.

(i) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Competitive Loans unless at the time of such request the Borrower has a senior unsecured long-term debt rating of BBB- or better from S&P or Baa3 or better from Moody's.

SECTION 2.5. REVOLVING CREDIT BORROWING PROCEDURE.

In order to effect a Revolving Credit Borrowing, the Borrower shall hand deliver or telecopy to the Administrative Agent a Borrowing notice in the form of Exhibit F (a) in the case of a LIBOR Borrowing, not later than 12:00 (noon), New York City time, three Business Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 12:00 (noon), New York City time, on the day of a proposed Borrowing. No Fixed Rate Loan shall be requested or made pursuant to a Revolving Credit Borrowing Request. Such notice shall be irrevocable and shall in each case specify (a) whether the Borrowing then being requested is to be a LIBOR Borrowing or an ABR Borrowing, (b) the date of such Revolving Credit Borrowing (which shall be a Business Day) and the amount thereof and (c) if such Borrowing is to be a LIBOR Borrowing, the Interest Period with respect thereto. If no election as to the Interest Rate Type of a Revolving Credit Borrowing is specified in any such notice, then the requested Revolving Credit Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any LIBOR Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. If the Borrower shall not have given notice in accordance with this Section 2.5 of its election to refinance a Revolving Credit Borrowing prior to the end of the Interest Period in effect for such Borrowing, then the Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing. The

Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.5 and of each Lender's portion of the requested Borrowing.

SECTION 2.6. REFINANCINGS.

The Borrower may refinance all or any part of any Borrowing with a Borrowing of the same or a different Interest Rate Type made pursuant to Section 2.4 or pursuant to a notice under Section 2.5, subject to the conditions and limitations set forth herein and elsewhere in this Agreement, including refinancings of Competitive Borrowings with Revolving Credit Borrowings and Revolving Credit Borrowings with Competitive Borrowings; PROVIDED, HOWEVER, that at any time after the occurrence, and during the continuation, of a Default or an Event of Default, a Revolving Credit Borrowing or portion thereof may only be refinanced with an ABR Borrowing. Any Borrowing or part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.8 with the proceeds of a new Borrowing hereunder and the proceeds of the new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the Lenders to the Administrative Agent or by the Administrative Agent to the Borrower pursuant to Section 2.2(c); PROVIDED, HOWEVER, that (a) if the principal amount extended by a Lender in a refinancing is greater than the principal amount extended by such Lender in the Borrowing being refinanced, then such Lender shall pay such difference to the Administrative Agent for distribution to the Borrower or any Lenders described in clause (b) below, as applicable, (b) if the principal amount extended by a Lender in the Borrowing being refinanced is greater than the principal amount being extended by such Lender in the refinancing, the Administrative Agent shall return the difference to such Lender out of amounts received pursuant to clause (a) above, and (c) to the extent any Lender fails to pay the Administrative Agent amounts due from it pursuant to clause (a) above, any Loan or portion thereof being refinanced with such amounts shall not be deemed repaid in accordance with Section 2.6 and, to the extent of such failure, the Borrower shall pay such amount to the Administrative Agent as required by Section 2.10; and (d) to the extent the Borrower fails to pay to the Administrative Agent any amounts due in accordance with Section 2.10 as a result of the failure of a Lender to pay the Administrative Agent any amounts due as described in clause (c) above, the portion of any refinanced Loan deemed not repaid shall be deemed to be outstanding solely to the Lender which has failed to pay the Administrative Agent amounts due from it pursuant to clause (a) above to the full extent of such Lender's portion of such Loan.

SECTION 2.7. FEES.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, commencing December 31, 2001, and on the date on which the Commitment of such

Lender shall be terminated as provided herein, a facility fee (a "FACILITY FEE"), at the rate per annum from time to time in effect in accordance with Section 2.22, on the average daily amount of the Commitment of such Lender, whether used or unused, during the preceding quarter (or shorter period commencing with the date hereof, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the Closing Date, shall be payable in arrears and shall cease to accrue on

the earlier of the Maturity Date and the termination of the Commitment of such Lender as provided herein.

(b) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, commencing December 31, 2001, and on the date on which the Commitment of such Lender shall be terminated as provided herein and, if applicable, the date on which the Obligations have been paid in full, a utilization fee (a "UTILIZATION FEE"), at a rate per annum equal to 0.25%, on the amount of the Commitment of such Lender (or, following termination of the Commitments, if applicable, the Commitment of such Lender in effect immediately prior to such termination), whether used or unused, for each day during the preceding quarter (or shorter period commencing with the Closing Date, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated) on which the aggregate principal amount of Loans and L/C Exposure exceeds 33% of the aggregate amount of the Total Commitments. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Utilization Fee due to each Lender shall be payable in arrears and shall cease to accrue on the date on which the Obligations, including any outstanding Loans, have been paid in full and the Commitments terminated.

(c) The Borrower agrees to pay the Administrative Agent, for its own account, the fees at the times and in the amounts provided for in the letter agreement dated August 20, 2001 among the Borrower, Chase and J.P. Morgan Securities Inc.

(d) All fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the fees shall be refundable under any circumstances.

SECTION 2.8. REPAYMENT OF LOANS; EVIDENCE OF DEBT.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Credit Loan of such Lender on the Maturity Date (or such earlier date on which the Revolving Credit Loans become due and payable pursuant to Article 7). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Revolving Credit Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.9.

(b) The Borrower unconditionally promises to pay to the Administrative Agent, for the account of each Lender that makes a Competitive Loan, on the last day of the Interest Period applicable to such Competitive Loan, the principal amount of such Competitive Loan. The Borrower further unconditionally promises to pay interest on each such Competitive Loan for the period from and including the date of Borrowing of such Competitive Loan on the unpaid principal amount thereof from time to time outstanding at the applicable rate per annum determined as provided in, and payable as specified in, Section 2.9.

(c) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Revolving Credit Loan and Competitive Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(d) The Administrative Agent shall maintain the Register pursuant to Section 9.3(e), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Revolving Credit Loan and Competitive Loan made hereunder, the Interest Rate Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(e) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.8 shall, to the extent permitted by applicable law, be PRIMA FACIE evidence of the existence and amounts of the obligations of the Borrower therein recorded; PROVIDED, HOWEVER, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Revolving Credit Loans and Competitive Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

(f) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing the Revolving Credit Loans of such Lender, substantially in the form of Exhibit A-1 with appropriate insertions as to date and principal amount (a "REVOLVING CREDIT NOTE").

(g) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing the Competitive Loans of such Lender, substantially in the form of Exhibit A-2 with appropriate insertions as to date and principal amount (a "COMPETITIVE NOTE").

SECTION 2.9. INTEREST ON LOANS.

(a) Subject to the provisions of Section 2.10, the Loans comprising each LIBOR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each LIBOR Revolving Credit Loan, LIBOR for the Interest Period in effect for such Borrowing plus the applicable LIBOR Spread from time to time in effect and (ii) in the case of each LIBOR Competitive Loan, LIBOR for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.5. Interest on each LIBOR Borrowing shall be payable on each applicable Interest Payment Date.

(b) Subject to the provisions of Section 2.10, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a

year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the applicable margin, if any, for ABR Loans from time to time in effect pursuant to Section 2.22.

(c) Subject to the provisions of Section 2.10, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.4.

(d) Interest on each Loan shall be payable in arrears on each Interest Payment Date applicable to such Loan. The LIBOR or the Alternate Base Rate for each Interest Period or day within an Interest Period shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.10. INTEREST ON OVERDUE AMOUNTS.

If the Borrower shall default in the payment of the principal of, or interest on, any Loan or any other amount becoming due hereunder, the Borrower shall on demand from time to time pay interest, to the extent permitted by Applicable Law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable, in the case of amounts bearing interest determined by reference to the Prime Rate and a year of 360 days in all other cases, equal to (a) in the case of the remainder of the then current Interest Period for any LIBOR Loan or Fixed Rate Loan, the rate applicable to such Loan under Section 2.9 plus 2% per annum and (b) in the case of any other Loan or amount, the rate that would at the time be applicable to an ABR Loan under Section 2.9 plus 2% per annum.

SECTION 2.11. ALTERNATE RATE OF INTEREST.

In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a LIBOR Loan, the Administrative Agent shall have determined that Dollar deposits in the amount of the requested principal amount of such LIBOR Loan are not generally available in the London Interbank Market, or that the rate at which such Dollar deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining its portion of such LIBOR Loans during such Interest Period, or that reasonable means do not exist for ascertaining LIBOR, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopier notice of such determination to the Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have determined that circumstances giving rise to such notice no longer exist, (a) any request by the Borrower for a LIBOR Competitive Borrowing pursuant to Section 2.4 shall be of no force and effect and shall be denied by the Administrative Agent and (b) any request by the Borrower for a LIBOR Borrowing pursuant to Section 2.5 shall be deemed to be a request for an ABR Loan. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.12. TERMINATION AND REDUCTION OF COMMITMENTS; INCREASE OF COMMITMENTS.

(a) The Commitments of all of the Lenders shall be automatically terminated on the earlier of (a) the Maturity Date and (b) October 5, 2001 if the Closing Date has not occurred on or prior to such date.

(b) Subject to Section 2.13(b), upon at least three Business Days, prior irrevocable written or telecopy notice to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Total Commitment; PROVIDED, HOWEVER, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of \$5,000,000 and in a minimum principal amount of \$10,000,000 and (ii) the Borrower shall not be entitled to make any such termination or reduction that would reduce the Total Commitment to an amount less than the sum of the aggregate outstanding principal amount of the Loans plus the then current L/C

Exposure.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the Lenders on the date of each termination or reduction in the Total Commitment, the Facility Fees on the amount of the Total Commitment so terminated or reduced accrued to the date of such termination or reduction.

(d) In the event that the Borrower wishes to increase the aggregate Commitments at any time when no Default or Event of Default has occurred and is continuing, it shall notify the Administrative Agent in writing of the amount (the "OFFERED INCREASE AMOUNT") of such proposed increase (such notice, a "COMMITMENT INCREASE NOTICE"). The Borrower may, at its election, (i) offer one or more of the Lenders the opportunity to participate in all or a portion of the Offered Increase Amount pursuant to paragraph (f) below and/or (ii) with the consent of the Administrative Agent (which consent shall not be unreasonably withheld), offer one or more additional banks, financial institutions or other entities the opportunity to participate in all or a portion of the Offered Increase Amount pursuant to paragraph (e) below. Each Commitment Increase Notice shall specify which Lenders and/or banks, financial institutions or other entities the Borrower desires to participate in such Commitment increase. The Borrower or, if requested by the Borrower, the Administrative Agent, will notify such Lenders and/or banks, financial institutions or other entities of such offer.

(e) Any additional bank, financial institution or other entity which the Borrower selects to offer participation in the increased Commitments and which elects to become a party to this Agreement and provide a Commitment in an amount so offered and accepted by it pursuant to Section 2.12(d)(ii) shall execute a New Lender Supplement with the Borrower and the Administrative Agent, substantially in the form of Exhibit H, whereupon such bank, financial institution or other entity (herein called a "NEW LENDER") shall become a Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement, and Schedule 2.1 shall be deemed to be amended to add the name and Commitment of such New Lender, PROVIDED that the Commitment of any such new Lender shall be in an amount not less than \$10,000,000.

(f) Any Lender which accepts an offer to it by the Borrower to increase its Commitment pursuant to Section 2.12(d)(i) shall, in each case, execute a Commitment Increase Supplement with the Borrower and the Administrative Agent, substantially in the form of Exhibit I, whereupon such Lender shall be bound by and entitled to the benefits of this Agreement with respect to the full amount of its Commitment as so increased, and Schedule 2.1 shall be deemed to be amended to so increase the Commitment of such Lender.

(g) Notwithstanding anything to the contrary in this Section 2.12, (i) in no event shall any transaction effected pursuant to this Section 2.12 cause the aggregate Commitments hereunder to exceed \$1,500,000,000 and (ii) no Lender shall have any obligation to increase its Commitment unless it agrees to do so in its sole discretion.

SECTION 2.13. PREPAYMENT OF LOANS.

(a) Prior to the Maturity Date, the Borrower shall have the right at any time to prepay any Revolving Credit Borrowing, in whole or in part, subject to the requirements of Section 2.17 but otherwise without premium or penalty, upon prior written or telecopy notice to the Administrative Agent before 12:00 noon New York City time at least one Business Day in the case of an ABR Loan and at least three Business Days in the case of a LIBOR Loan; PROVIDED, HOWEVER, that each such partial prepayment shall be in an integral multiple of \$5,000,000 and in a minimum aggregate principal amount of \$10,000,000. The Borrower shall not have the right to prepay any Competitive Borrowing without the consent of the relevant lender.

(b) On any date when the sum of the aggregate outstanding Loans (after giving effect to any Borrowings effected on such date) plus the then current L/C Exposure exceeds the Total Commitment, the Borrower shall make a mandatory prepayment of the Revolving Credit Loans in such amount as may be necessary so that the aggregate amount of outstanding Loans plus the then current L/C Exposure after giving effect to such prepayment does not exceed the Total Commitment then in effect. Any prepayments required by this paragraph shall be applied to outstanding ABR Loans up to the full amount thereof before they are applied to outstanding LIBOR Revolving Credit Loans.

(c) Each notice of prepayment pursuant to Section 2.13(a) shall specify the specific Borrowing(s), the prepayment date and the aggregate principal amount of each Borrowing to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing(s) by the amount stated therein. All prepayments under this Section 2.13 shall be accompanied by accrued interest on the principal amount being prepaid, to the date of prepayment.

SECTION 2.14. EURODOLLAR RESERVE COSTS.

The Borrower shall pay to the Administrative Agent for the account of each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of, or including, Eurocurrency Liabilities (as defined in Regulation D of the Board), additional interest on the unpaid principal amount of

each LIBOR Loan made to the Borrower by such Lender, from the date of such Loan

until such Loan is paid in full, at an interest rate per annum equal at all times during the Interest Period for such Loan to the remainder obtained by subtracting (i) LIBOR for such Interest Period from (ii) the rate obtained by multiplying LIBOR as referred to in clause (i) above by the Statutory Reserves of such Lender for such Interest Period. Such additional interest shall be determined by such Lender and notified to the Borrower (with a copy to the Administrative Agent) not later than five Business Days before the next Interest Payment Date for such Loan, and such additional interest so notified to the Borrower by any Lender shall be payable to the Administrative Agent for the account of such Lender on each Interest Payment Date for such Loan.

SECTION 2.15. RESERVE REQUIREMENTS; CHANGE IN CIRCUMSTANCES.

(a) Notwithstanding any other provision herein, if after the date of this Agreement any change in Applicable Law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) (i) shall subject any Lender to, or increase the net amount of, any tax, levy, impost, duty, charge, fee, deduction or withholding with respect to any LIBOR Loan or Fixed Rate Loan, or shall change the basis of taxation of payments to any Lender of the principal of or interest on any LIBOR Loan or Fixed Rate Loan made by such Lender or any other fees or amounts payable hereunder (other than (x) taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or its applicable Lending Office or by any political subdivision or taxing authority therein (or any tax which is enacted or adopted by such jurisdiction, political subdivision or taxing authority as a direct substitute for any such taxes) or (y) any tax, assessment, or other governmental charge that would not have been imposed but for the failure of any Lender to comply with any certification, information, documentation or other reporting requirement), (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender, or (iii) shall impose on any Lender or the London Interbank Market any other condition affecting this Agreement or any LIBOR Loan or Fixed Rate Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBOR Loan or Fixed Rate Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) in respect thereof by an amount deemed in good faith by such Lender to be material, then the Borrower shall pay such additional amount or amounts as will compensate such Lender for such increase or reduction to such Lender upon demand by such Lender.

(b) If, after the date of this Agreement, any Lender shall have determined in good faith that the adoption after the date hereof of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any Lending Office of such Lender) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's

capital or on the capital of the Lender's holding company, if any, as a consequence of its obligations hereunder to a level below that which such Lender (or its holding company) could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies or the policies of its holding company, as the case may be, with respect to capital adequacy) by an amount deemed by such Lender to be material, then, from time to time, the Borrower shall pay to the Administrative Agent for the account of such Lender such additional amount or amounts as will compensate such Lender for such reduction upon demand by such Lender.

(c) A certificate of a Lender setting forth in reasonable detail (i) such amount or amounts as shall be necessary to compensate such Lender as specified in paragraph (a) or (b) above, as the case may be, and (ii) the calculation of such amount or amounts referred to in the preceding clause (i), shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the Administrative Agent for the account of such Lender the amount shown as due on any such certificate within 10 Business Days after its receipt of the same.

(d) Failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any Interest Period shall not constitute a waiver of such Lender's rights to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to such Interest Period or any other Interest Period. The protection of this Section 2.14 shall be available to each Lender regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which shall have been imposed.

(e) Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition that (i) would cause it to incur any increased cost under this Section 2.15, Section 2.16, Section 2.21 or Section 2.23(g) or (ii) would require the Borrower to pay an increased amount under this Section 2.15, Section 2.16, Section 2.21 or Section 2.23(g), it will use reasonable efforts to notify the Borrower of such event or condition and, to the extent not inconsistent with such Lender's internal policies, will use its reasonable efforts to make, fund or maintain the affected Loans of such Lender, or, if applicable to participate in Letters of Credit, through another Lending Office of such Lender if as a result thereof the additional monies which would otherwise be required to be paid or the reduction of amounts receivable by such Lender thereunder in respect of such Loans or Letters of Credit would be materially reduced, or any inability to perform would cease to exist, or the increased costs which would otherwise be required to be

paid in respect of such Loans or Letters of Credit pursuant to this Section 2.15, Section 2.16, Section 2.21 or Section 2.23(g) would be materially reduced or the taxes or other amounts otherwise payable under this Section 2.15, Section 2.16, Section 2.21 or Section 2.23(g) would be materially reduced, and if, as determined by such Lender, in its sole discretion, the making, funding or maintaining of such Loans or Letters of Credit through such other Lending Office would not otherwise materially adversely affect such Loans or Letters of Credit or such Lender.

(f) In the event any Lender shall have delivered to the Borrower a notice that LIBOR Loans are no longer available from such Lender pursuant to Section 2.16, that amounts are due to such Lender pursuant to paragraph (c) hereof or that any of the events designated in paragraph (e) hereof have occurred, the Borrower may (but subject in any such case to the payments required by Section 2.17), provided that there shall exist no Default or Event of Default, upon at least five Business Days' prior written or telecopier notice to such Lender and the Administrative Agent, but not more than 30 days after receipt of notice from such Lender, identify to the Administrative Agent a lending institution reasonably acceptable to the Administrative Agent which will purchase the Commitment, the amount of outstanding Loans and any participations in Letters of Credit from the Lender providing such notice and such Lender shall thereupon assign its Commitment, any Loans owing to such Lender and any participations in Letters of Credit and the Notes held by such Lender to such replacement lending institution pursuant to Section 9.3. Such notice shall specify an effective date for such assignment and at the time thereof, the Borrower shall pay all accrued interest, Facility Fees, Utilization Fees and all other amounts (including without limitation all amounts payable under this Section) owing hereunder to such Lender as at such effective date for such assignment.

SECTION 2.16. CHANGE IN LEGALITY.

(a) Notwithstanding anything to the contrary herein contained, if any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any LIBOR Loan or to give effect to its obligations as contemplated hereby, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

(i) declare that LIBOR Loans will not thereafter be made by such Lender hereunder, whereupon such Lender shall not submit a Competitive Bid in response to a request for LIBOR Competitive Loans and the Borrower shall be prohibited from requesting LIBOR Revolving Credit Loans from such Lender hereunder unless such declaration is subsequently withdrawn; and

(ii) require that all outstanding LIBOR Loans made by it be converted to ABR Loans, in which event (A) all such LIBOR Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in Section 2.16(b) and (B) all payments and prepayments of principal which would otherwise have been applied to repay the converted LIBOR Loans shall instead be applied to repay the ABR Loans resulting from the conversion of such LIBOR Loans.

(b) For purposes of this Section 2.16, a notice to the Borrower by any Lender pursuant to Section 2.16(a) shall be effective on the date of receipt thereof by the Borrower.

SECTION 2.17. REIMBURSEMENT OF LENDERS.

(a) The Borrower shall reimburse each Lender on demand for any loss incurred or to be incurred by it in the reemployment of the funds released (i) by any prepayment (for any reason) of any LIBOR or Fixed Rate Loan if such Loan is repaid other than on the last

day of the applicable Interest Period for such Loan or (ii) in the event that after the Borrower delivers a notice of borrowing under Section 2.5 in respect of LIBOR Revolving Credit Loans or a Competitive Bid Accept/Reject Letter under Section 2.4(d), pursuant to which it has accepted bids of one or more of the Lenders, the applicable Loan is not made on the first day of the Interest Period specified by the Borrower for any reason other than (I) a suspension or limitation under Section 2.16 of the right of the Borrower to select a LIBOR Loan or (II) a breach by a Lender of its obligations hereunder. In the case of such failure to borrow, such loss shall be the amount as reasonably determined by such Lender as the excess, if any, of (A) the amount of interest which would have accrued to such Lender on the amount not borrowed, at a rate of interest equal to the interest rate applicable to such Loan pursuant to Section 2.9, for the period from the date of such failure to borrow, to the last day of the Interest Period for such Loan which would have commenced on the date of such failure to borrow, over (B) the amount realized by such Lender in reemploying the funds not advanced during the period referred to above. In the case of a payment other than on the last day of the Interest Period for a Loan, such loss shall be the amount as reasonably determined by the Administrative Agent as the excess, if any, of (A) the amount of interest which would have accrued on the amount so paid at a rate of interest equal to the interest rate applicable to such Loan pursuant to Section 2.9, for the period from the date of such payment to the last day of the then current daily Interest Period for such Loan, over (B) the amount equal to the product of (x) the amount of the Loan so paid TIMES (y) the current daily yield on U.S. Treasury Securities (at such date of determination) with maturities approximately equal to the remaining Interest Period for such Loan TIMES (z) the number of days remaining in the Interest Period for such Loan. Each Lender shall deliver to the Borrower from time to time one or more certificates setting forth the amount of such loss (and in

reasonable detail the manner of computation thereof) as determined by such Lender, which certificates shall be conclusive absent manifest error. The Borrower shall pay to the Administrative Agent for the account of each Lender the amount shown as due on any certificate within thirty (30) days after its receipt of the same.

(b) In the event the Borrower fails to prepay any Loan on the date specified in any prepayment notice delivered pursuant to Section 2.13(a), the Borrower on demand by any Lender shall pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any loss incurred by such Lender as a result of such failure to prepay, including, without limitation, any loss, cost or expenses incurred by reason of the acquisition of deposits or other funds by such Lender to fulfill deposit obligations incurred in anticipation of such prepayment. Each Lender shall deliver to the Borrower and the Administrative Agent from time to time one or more certificates setting forth the amount of such loss (and in reasonable detail the manner of computation thereof) as determined by such Lender, which certificates shall be conclusive absent manifest error.

SECTION 2.18. PRO RATA TREATMENT.

Except as permitted under Sections 2.14, 2.15(c), 2.16 and 2.17 (i) each Revolving Credit Borrowing, each payment or prepayment of principal of any Revolving Credit Borrowing, each payment of interest on the Revolving Credit Loans, each payment of the Facility Fees and Utilization Fees, each reduction of the Total Commitment and each refinancing of any Borrowing with, or conversion of any Borrowing to, a Revolving Credit Borrowing, or

continuation of any Borrowing as a Revolving Credit Borrowing, shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amount of their outstanding Revolving Credit Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders that shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing computed in accordance with Section 2.1, to the next higher or lower whole dollar amount.

SECTION 2.19. RIGHT OF SETOFF.

If any Event of Default shall have occurred and be continuing and any Lender shall have requested the Administrative Agent to declare the Loans immediately due and payable pursuant to Article 7, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by such Lender and any other indebtedness at any time owing by such Lender to, or for the credit or the account of, the Borrower, against any of and all the obligations now or hereafter existing under this Agreement and the Loans held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such Loans and although such Obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such setoff and application made by such Lender, but the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section 2.19 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 2.20. MANNER OF PAYMENTS.

All payments by the Borrower hereunder and under the Notes shall be made in Dollars in Federal or other immediately available funds without deduction, setoff or counterclaim at the office of the Administrative Agent's Agent Bank Services Department, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention: Sharon Hambousi, for credit to Cendant Corporation Clearing Account, Account No. 144812905 (Reference: Cendant Corporation Credit Agreement dated October 5, 2001) no later than 12:00 noon, New York City time, on the date on which such payment shall be due. Interest in respect of any Loan hereunder shall accrue from and including the date of such Loan to, but excluding, the date on which such Loan is paid or refinanced with a Loan of a different Interest Rate Type.

SECTION 2.21. UNITED STATES WITHHOLDING.

(a) Prior to the date of the initial Loans or the issuance of the initial Letter of Credit hereunder, and from time to time thereafter if requested by the Borrower or the Administrative Agent or required because, as a result of a change in Applicable Law or a change in circumstances or otherwise, a previously delivered form or statement becomes incomplete or incorrect in any material respect, each Lender organized under the laws of a jurisdiction outside the United States shall provide, if applicable, the Administrative Agent and the Borrower with complete, accurate and duly executed forms or other statements prescribed by the Internal Revenue Service of the United States certifying such

Lender's exemption from, or entitlement to a reduced rate of, United States withholding taxes (including backup withholding taxes) with respect to all payments to be made to such Lender hereunder and under the Notes.

(b) The Borrower and the Administrative Agent shall be entitled to deduct and withhold any and all present or future taxes or withholdings, and all liabilities with respect thereto, from payments hereunder or under the Notes, if and to the extent that the Borrower or the Administrative Agent in good faith determines that such deduction or withholding is required by the law of the United States, including, without limitation, any applicable treaty of the United States. In the event the Borrower or the Administrative Agent shall so determine that deduction or withholding of taxes is required, it shall advise the affected Lender as to the basis of such determination prior to actually deducting and withholding such taxes. In the event the Borrower or the Administrative Agent shall so deduct or withhold taxes from amounts payable hereunder, it (i) shall pay to or deposit with the appropriate taxing authority in a timely manner the full amount of taxes it has deducted or withheld; (ii) shall provide evidence of payment of such taxes to, or the deposit thereof with, the appropriate taxing authority and a statement setting forth the amount of taxes deducted or withheld, the applicable rate, and any other information or documentation reasonably requested by the Lenders from whom the taxes were deducted or withheld; and (iii) shall forward to such Lenders any receipt for such payment or deposit of the deducted or withheld taxes as may be issued from time to time by the appropriate taxing authority. Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under the Notes are not subject to United States withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrower or the Administrative Agent may withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States.

(c) Each Lender agrees (i) that as between it and the Borrower or the Administrative Agent, it shall be the Person to deduct and withhold taxes, and to the extent required by law it shall deduct and withhold taxes, on amounts that such Lender may remit to any other Person(s) by reason of any undisclosed transfer or assignment of an interest in this Agreement to such other Person(s) pursuant to paragraph (g) of Section 9.3 and (ii) to indemnify the Borrower and the Administrative Agent and any officers, directors, agents, or employees of the Borrower or the Administrative Agent against, and to hold them harmless from, any tax, interest, additions to tax, penalties, reasonable counsel and accountants' fees, disbursements or payments arising from the assertion by any appropriate taxing authority of any claim against

them relating to a failure to withhold taxes as required by Applicable Law with respect to amounts described in clause (i) of this paragraph (c).

(d) Each assignee of a Lender's interest in this Agreement in conformity with Section 9.3 shall be bound by this Section 2.21, so that such assignee will have all of the obligations and provide all of the forms and statements and all indemnities, representations and warranties required to be given under this Section 2.21.

(e) In the event that any withholding taxes shall become payable solely as a result of any change in any statute, treaty, ruling, determination or regulation occurring after the Initial Date in respect of any sum payable hereunder or under any other Fundamental Document to any Lender or the Administrative Agent (i) the sum payable by the Borrower shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.21) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with Applicable Law. For purposes of this Section 2.21, the term "Initial Date" shall mean (i) in the case of the Administrative Agent, the date hereof, (ii) in the case of each Lender as of the date hereof, the date hereof and (iii) in the case of any other Lender, the effective date of the Assignment and Acceptance pursuant to which it became a Lender.

SECTION 2.22. CERTAIN PRICING ADJUSTMENTS.

The Facility Fee and the applicable LIBOR Spread in effect from time to time shall be determined in accordance with the following table:

S&P/Moody's
Rating
Equivalent
of the
Borrower's
senior
Facility
Fee
Applicable
LIBOR
unsecured
long-term
debt (in
Basis
Points)
Spread (in
Basis
Points) --

BBB-/Baa3
or better
17.5 82.5
BB+/Bal or
lower 32.5
117.5

In the event the S&P rating on the Borrower's senior unsecured long-term debt is not equivalent to the Moody's rating on such debt, the lower rating will determine the Facility Fee and applicable LIBOR Spread. In the event that the Borrower's senior unsecured long-term debt is rated by only one of S&P and Moody's, then that single rating shall be determinative. In the event that the Borrower's senior unsecured long-term debt is not rated by either S&P or Moody's, then the Facility Fee and the applicable LIBOR Spread shall be deemed to be calculated as if the lowest rating category set forth above applied. Any increase in the Facility Fee or the applicable LIBOR Spread determined in accordance with the foregoing table shall become effective on the date of announcement or publication by the Borrower or either such rating agency of a reduction in such rating or, in the absence of such announcement or publication, on the effective date of such decreased rating, or on the date of any request by the Borrower to either of such rating agencies not to rate its senior unsecured long-term debt or on

the date either of such rating agencies announces it shall no longer rate the Borrower's senior unsecured long-term debt. Any decrease in the Facility Fee or applicable LIBOR Spread shall be effective on the date of announcement or publication by either of such rating agencies of an increase in rating or in the absence of announcement or publication on the effective date of such increase in rating. The applicable margin for ABR Loans shall be 1% less than the applicable LIBOR Spread (but not less than 0%).

SECTION 2.23. LETTERS OF CREDIT.

(a) (i) Upon the terms and subject to the conditions hereof, each Issuing Lender agrees to issue standby Letters of Credit payable in Dollars from time to time after the Closing Date and prior to the earlier of the Maturity Date and the termination of the Commitments, upon the request of the Borrower, provided that (A) the Borrower shall not request that any Letter of Credit be issued if, after giving effect thereto, the sum of the then current L/C Exposure plus the aggregate Loans then outstanding would exceed the Total Commitment, (B) in no event shall any Issuing Lender issue (x) any Letter of Credit having an expiration date later than five Business Days before the Maturity Date or (y) any Letter of Credit having an expiration date more than one year after its date of issuance, PROVIDED that any Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (x) above), (C) the Borrower shall not request that an Issuing Lender issue any Letter of Credit if, after giving effect to such issuance, the L/C Exposure would exceed \$300,000,000, and (D) an Issuing Lender shall be prohibited from issuing Letters of Credit hereunder upon the occurrence and during the continuance of an Event of Default.

(ii) Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby agrees to, have irrevocably purchased from the applicable Issuing Lender, a participation in such Letter of Credit in accordance with the percentage which its Commitment represents to the Total Commitment.

(iii) Each Letter of Credit may, at the option of the applicable Issuing Lender, provide that such Issuing Lender may (but shall not be required to) pay all or any part of the maximum amount which may at any time be available for drawing thereunder to the beneficiary thereof upon the occurrence of an Event of Default and the acceleration of the maturity of the Loans, provided that, if payment is not then due to the beneficiary, such Issuing Lender shall deposit the funds in question in an account with such Issuing Lender to secure payment to the beneficiary and any funds so deposited shall be paid to the beneficiary of the Letter of Credit if conditions to such payment are satisfied or returned to the Administrative Agent for distribution to the Lenders (or, if all Obligations shall have been paid in full in cash, to the Borrower) if no payment to the beneficiary has been made and the final date available for drawings under the Letter of Credit has passed. Each payment or deposit of funds by an Issuing Lender as provided in this paragraph shall be treated for all purposes of this Agreement as a drawing duly honored by such Issuing Lender under the related Letter of Credit.

(b) Whenever the Borrower desires the issuance of a Letter of Credit, it shall deliver to the Administrative Agent and the applicable Issuing Lender a written notice no later than 1:00 p.m. (New York time) at least five Business Days prior to the proposed date of issuance provided, however, that the Borrower and the Administrative Agent and such Issuing Lender may agree to a shorter time period. That notice shall specify (i) the Issuing Lender for such Letter of Credit, (ii) the proposed date of issuance (which shall be a Business Day under the laws of the jurisdiction of the applicable Issuing Lender), (iii) the face amount of the Letter of Credit, (iv) the expiration date of the Letter

of Credit and (v) the name and address of the beneficiary. Such notice shall be accompanied by a brief description of the underlying transaction and upon the request of the applicable Issuing Lender, the Borrower shall provide additional details regarding the underlying transaction. Concurrently with the giving of written notice of a request for the issuance of a Letter of Credit, the Borrower shall specify a precise description of the documents and the verbatim text of any certificate to be presented by the beneficiary of such Letter of Credit which, if presented by such beneficiary prior to the expiration date of the Letter of Credit, would require the applicable Issuing Lender to make payment under the Letter of Credit; provided that the applicable Issuing Lender, in its reasonable discretion, may require customary changes in any such documents and certificates. Upon issuance of any Letter of Credit, the applicable Issuing Lender shall notify the Administrative Agent of the issuance of such Letter of Credit. Promptly after receipt of such notice, the Administrative Agent shall notify each Lender of the issuance and the amount of each such Lender's respective participation therein.

(c) The payment of drafts under any Letter of Credit shall be made in accordance with the terms of such Letter of Credit and, in that connection, any Issuing Lender shall be entitled to honor any drafts and accept any documents presented to it by the beneficiary of such Letter of Credit in accordance with the terms of such Letter of Credit and believed by such Issuing Lender in good faith to be genuine. No Issuing Lender shall have any duty to inquire as to the accuracy or authenticity of any draft or other drawing documents which may be presented to it, but shall be responsible only to determine in accordance with customary commercial practices that the documents which are required to be presented before payment or acceptance of a draft under any Letter of Credit have been delivered and that they comply on their face with the requirements of that Letter of Credit.

(d) If any Issuing Lender shall make payment on any draft presented under a Letter of Credit, such Issuing Lender shall give notice of such payment to the Administrative Agent and the Lenders and each Lender hereby authorizes and requests such Issuing Lender to advance for its account pursuant to the terms hereof its share of such payment based upon its participation in the Letter of Credit and agrees promptly to reimburse such Issuing Lender in immediately available funds for the Dollar equivalent of the amount so advanced on its behalf. If such reimbursement is not made by any Lender in immediately available funds on the same day on which such Issuing Lender shall have made payment on any such draft, such Lender shall pay interest thereon to such Issuing Lender at a rate per annum equal to the Issuing Lender's cost of obtaining overnight funds in the New York Federal Funds Market.

(e) In the case of any draft presented under a Letter of Credit which is required to be paid at any time on or before the Maturity Date and provided that the conditions

specified in Section 4.2 are then satisfied, such payment shall constitute an ABR Loan hereunder, and interest shall accrue from the date the applicable Issuing Lender makes payment of a draft under the Letter of Credit. If any draft is presented under a Letter of Credit and (i) the conditions specified in Section 4.2 are not satisfied or (ii) if the Commitments have been terminated, then the Borrower will, upon demand by the Administrative Agent, pay to the applicable Issuing Lender, in immediately available funds, the full amount of such draft.

(f) (i) The Borrower agrees to pay the following amount to each Issuing Lender with respect to Letters of Credit issued by it hereunder:

(A) with respect to drawings made under any Letter of Credit, interest, payable on demand, on the amount paid by such Issuing Lender in respect of each such drawing from the date of the drawing to, but excluding, the date such amount is reimbursed by the Borrower at a rate which is at all times equal to 2% per annum in excess of the Alternate Base Rate; provided that no such default interest shall be payable if such reimbursement is made from the proceeds of Revolving Credit Loans pursuant to Section 2.23(e);

(B) with respect to the issuance, amendment or transfer of each Letter of Credit and each drawing made thereunder, documentation and processing charges in accordance with such Issuing Lender's standard schedule for such charges in effect at the time of such issuance, amendment, transfer or drawing, as the case may be; and

(C) a fronting fee computed at the rate agreed to by the Borrower and the applicable Issuing Lender, on the daily average face amount of each outstanding Letter of Credit issued by such Issuing Lender, such fee to be due and payable in arrears on and through the last day of each fiscal quarter of the Borrower, on the Maturity Date and on the expiration of the last outstanding Letter of Credit.

(ii) The Borrower agrees to pay to the Administrative Agent for distribution to each Lender in respect of all Letters of Credit outstanding, such Lender's pro rata share of a commission on the maximum amount available from time to time to be drawn under such outstanding Letters of Credit calculated at a rate per annum equal to the applicable LIBOR Spread from time to time in effect hereunder. Such commission shall be payable in arrears on and through the last day of each fiscal quarter of the Borrower and on the later of the Maturity Date and the expiration of the last outstanding Letter of Credit.

(iii) Promptly upon receipt by any Issuing Lender or the Administrative Agent (as applicable) of any amount described in clause (i)(A) or (ii) of this Section 2.23(f), or any amount described in Section 2.23(e) previously reimbursed to the applicable Issuing Lender by the Lenders, such Issuing Lender or the Administrative Agent (as

applicable) shall distribute to each Lender its pro rata share of such amount. Amounts payable under clauses (i)(B) and (i)(C) of this Section 2.23(f) shall be paid directly to the Issuing Lender and shall be for its exclusive use.

(g) If by reason of (i) any change after the date hereof in Applicable Law, or in the interpretation or administration thereof (including, without limitation, any request, guideline or policy not having the force of law) by any Governmental Authority charged with the administration or interpretation thereof, or (ii) compliance by any Issuing Lender or any Lender with any direction, request or requirement (whether or not having the force of law) issued after the date hereof by any Governmental Authority or monetary authority (including any change whether or not proposed or published prior to the date hereof), including, without limitation, Regulation D of the Board:

(A) any Issuing Lender or any Lender shall be subject to any tax, levy, charge or withholding of any nature (other than withholding tax imposed by the United States of America or any political subdivision or taxing authority thereof or therein or any other tax, levy, charge or withholding (i) that is measured with respect to the overall net income of such Issuing Lender or such Lender (or is imposed in lieu of a tax on net income) or of a Lending office of such Issuing Lender or such Lender, and that is imposed by the United States of America, or by the jurisdiction in which such Issuing Lender or such Lender is incorporated, or in which such Lending Office is located, managed or controlled or in which such Issuing Lender or such Lender has its principal office (or any political subdivision or taxing authority thereof or therein) or (ii) that is imposed solely by reason of such Issuing Lender or such Lender failing to make a declaration of, or otherwise to establish, non-residence, or to make any other claim for exemption, or otherwise to comply with any certification, identification, information, documentation or reporting requirements prescribed under the laws of the relevant jurisdiction, in those cases where such Issuing Lender or such Lender may properly make the declaration or claim or so establish non-residence or otherwise comply) or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this Section 2.23, whether directly or by such being imposed on or suffered by any Issuing Lender or any Lender;

(B) any reserve, deposit or similar requirement is or shall be applicable, imposed or modified in respect of any Letter of Credit issued by any Issuing Lender or participations therein purchased by any Lender; or

(C) there shall be imposed on any Issuing Lender or any Lender any other condition regarding this Section 2.23, any Letter of Credit or any participation therein;

and the result of the foregoing is directly or indirectly to increase the cost to any Issuing Lender or any Lender of issuing, making or maintaining any Letter of Credit or of purchasing or maintaining any participation therein, or to reduce the amount receivable in respect thereof by any Issuing Lender or any Lender, then and in any such case the Issuing Lender or such Lender may, at any time, notify the Borrower, and the Borrower shall pay on demand such amounts as such Issuing Lender or such Lender may specify to be necessary to compensate such Issuing Lender or such Lender for such additional cost or reduced receipt. The determination by any Issuing Lender or any Lender, as the case may be, of any amount due pursuant to this Section 2.23 as set forth in a certificate setting forth the calculation thereof in reasonable detail shall, in the absence of manifest error, be final, conclusive and binding on all of the parties hereto.

(h) If at any time when an Event of Default shall have occurred and be continuing, any Letters of Credit shall remain outstanding, then either the applicable Issuing Lender(s) or the Required Lenders may, at their option, require the Borrower to deposit Cash Equivalents in a Cash Collateral Account in an amount equal to the full amount of the L/C Exposure or to furnish other security acceptable to the Administrative Agent and the applicable Issuing Lender(s). Any amounts so delivered pursuant to the preceding sentence shall be applied to reimburse the applicable Issuing Lender(s) for the amount of any drawings honored under Letters of Credit issued by it; provided, however, that if prior to the Maturity Date, no Event of Default is then continuing, the Administrative Agent shall return all of such collateral relating to such deposit to the Borrower if requested by it.

(i) If at any time, the L/C Exposure exceeds the aggregate Commitments, then the Required Lenders may, at their option, require the Borrower to deposit Cash Equivalents in a Cash Collateral Account in an amount sufficient to eliminate such excess or to furnish other security for such excess acceptable to the Administrative Agent and the Issuing Lender(s). Any amounts so delivered pursuant to the preceding sentence shall be applied to reimburse the applicable, Issuing Lender(s) for the amount of any drawings honored under Letters of Credit; PROVIDED, HOWEVER, that if subsequent to any such deposit such excess is reduced to an amount less than the portion of such deposited amounts and no Default or Event of Default is then continuing, the Borrower shall be entitled to receive such excess collateral if requested by it.

(j) Upon the request of the Administrative Agent, each Issuing Lender shall furnish to the Administrative Agent copies of any Letter of Credit issued by such Issuing Lender and such related documentation as may be reasonably requested by the Administrative Agent.

(k) Notwithstanding the termination of the Commitments and the payment of the Loans, the obligations of the Borrower under this Section 2.23 shall remain in full force and effect until the Administrative Agent, each Issuing Lender and the Lenders shall have been irrevocably released from their obligations with regard to any and all Letters of Credit.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

In order to induce the Lenders to enter into this Agreement and to make the Loans and issue and participate in the Letters of Credit provided for herein, the Borrower makes the following representations and warranties to the Administrative Agent and the Lenders, all of which shall survive the execution and delivery of this Agreement, the issuance of the Notes and the making of the Loans and issuance of the Letters of Credit:

SECTION 3.1. CORPORATE EXISTENCE AND POWER.

The Borrower and its Subsidiaries have been duly organized and are validly existing in good standing under the laws of their respective jurisdictions of incorporation and are in good standing or have applied for authority to operate as a foreign corporation in all jurisdictions where the nature of their properties or business so requires it and where a failure to be in good standing as a foreign corporation would have a Material Adverse Effect. The Borrower has the corporate power to execute, deliver and perform its obligations under this

Agreement and the other Fundamental Documents and other documents contemplated hereby and to borrow hereunder.

SECTION 3.2. CORPORATE AUTHORITY, NO VIOLATION AND COMPLIANCE WITH LAW.

The execution, delivery and performance of this Agreement and the other Fundamental Documents and the borrowings hereunder (a) have been duly authorized by all necessary corporate action on the part of the Borrower, (b) will not violate any provision of any Applicable Law (including any laws related to franchising) applicable to the Borrower or any of its Subsidiaries or any of their respective properties or assets, (c) will not violate any provision of the Certificate of Incorporation or By-Laws of the Borrower or any of its Subsidiaries, or any indenture, any agreement for borrowed money, any bond, note or other similar instrument or any other material agreement to which the Borrower or any of its Subsidiaries is a party or by which the Borrower or any of its Subsidiaries or any of their respective properties or assets are bound, (d) will not be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, any material indenture, agreement, bond, note or instrument and (e) will not result in the creation or imposition of any Lien upon any property or assets of the Borrower or any of its Subsidiaries other than pursuant to this Agreement or any other Fundamental Document.

SECTION 3.3. GOVERNMENTAL AND OTHER APPROVAL AND CONSENTS.

No action, consent or approval of, or registration or filing with, or any other action by, any governmental agency, bureau, commission or court is required in connection with the execution, delivery and performance by the Borrower of this Agreement or the other Fundamental Documents.

SECTION 3.4. FINANCIAL STATEMENTS OF BORROWER.

The (a) audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1999 and December 31, 2000, and (b) unaudited consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as of March 31, 2001 and June 30, 2001, together with the related unaudited statements of income, shareholders' equity and cash flows for such periods, fairly present the financial condition of the Borrower and its Consolidated Subsidiaries as at the dates indicated and the results of operations and cash flows for the periods indicated in conformity with GAAP subject to normal year-end adjustments in the case of the March 31, 2001 and June 30, 2001 financial statements.

SECTION 3.5. NO MATERIAL ADVERSE CHANGE.

There has been no material adverse change in the business, assets, operations, or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole from that disclosed in the audited consolidated financial statements (including the footnotes thereto) of the Borrower referred to in Section 3.4 for its 2000 fiscal year.

SECTION 3.6. [RESERVED].

SECTION 3.7. COPYRIGHTS, PATENTS AND OTHER RIGHTS.

Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.8. TITLE TO PROPERTIES.

Each of the Borrower and its Material Subsidiaries will have

at the Closing Date good title or valid leasehold interests to each of the properties and assets reflected on the balance sheets referred to in Section 3.4, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes, and all such properties and assets will be free and clear of Liens, except Permitted Encumbrances.

SECTION 3.9. LITIGATION.

Except as set forth on Schedule 3.9, there are no lawsuits or other proceedings pending (including, but not limited to, matters relating to environmental liability), or, to the knowledge of the Borrower, threatened, against or affecting the Borrower or any of its Subsidiaries or any of their respective properties, by or before any Governmental Authority or arbitrator, which could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries is in default with respect to any order, writ, injunction, decree, rule or regulation of any Governmental Authority, which default would have a Material Adverse Effect.

SECTION 3.10. FEDERAL RESERVE REGULATIONS.

Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Loans will be used, whether immediately, incidentally or ultimately, for any purpose violative of or inconsistent with any of the provisions of Regulation T, U or X of the Board.

SECTION 3.11. INVESTMENT COMPANY ACT.

The Borrower is not, and will not during the term of this Agreement be, (x) an "investment company", within the meaning of the Investment Company Act of 1940, as amended or (y) subject to regulation under the Public Utility Holding Company Act of 1935 or the Federal Power Act.

SECTION 3.12. ENFORCEABILITY.

This Agreement and the other Fundamental Documents when executed will constitute legal, valid and enforceable obligations (as applicable) of the Borrower (subject, as to

enforcement, to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity).

SECTION 3.13. TAXES.

The Borrower and each of its Subsidiaries has filed or caused to be filed all federal, state and local tax returns which are required to be filed, and has paid or has caused to be paid all taxes as shown on said returns or on any assessment received by them in writing, to the extent that such taxes have become due, except (a) as permitted by Section 5.4 hereof or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.14. COMPLIANCE WITH ERISA.

Each of the Borrower and its Subsidiaries is in compliance in all material respects with the provisions of ERISA and the Code applicable to Plans, and the regulations and published interpretations thereunder, if any, which are applicable to it. Neither the Borrower nor any of its Subsidiaries has, with respect to any Plan established or maintained by it, engaged in a prohibited transaction which would subject it to a material tax or penalty on prohibited transactions imposed by ERISA or Section 4975 of the Code. No liability to the PBGC that is material to the Borrower and its Subsidiaries taken as a whole has been, or to the Borrower's best knowledge is reasonably expected to be, incurred with respect to the Plans and there has been no Reportable Event and no other event or condition that presents a material risk of termination of a Plan by the PBGC. Neither the Borrower nor any of its Subsidiaries has engaged in a transaction which would result in the incurrence of a material liability under Section 4069 of ERISA. As of the Closing Date, neither the Borrower nor any of its Subsidiaries contributes to a Multiemployer Plan, and has not incurred any liability that would be material to the Borrower and its Subsidiaries taken as a whole on account of a partial or complete withdrawal (as defined in Sections 4203 and 4205 of ERISA, respectively) with respect to any Multiemployer Plan.

SECTION 3.15. DISCLOSURE.

As of the Closing Date, neither this Agreement nor the Confidential Information Memorandum dated September 2001, at the time it was furnished, contained any untrue statement of a material fact or omitted to state a material fact, under the circumstances under which it was made, necessary in order to make the statements contained herein or therein not misleading. At the Closing Date, there is no fact known to the Borrower which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. The Borrower has delivered to the Administrative Agent certain projections relating to the Borrower and its Consolidated Subsidiaries. Such projections are based on good faith estimates and assumptions believed to be reasonable at the time made, PROVIDED, HOWEVER, that the Borrower makes no representation or warranty that such assumptions will prove in the future to be accurate or that the Borrower and its Consolidated Subsidiaries will achieve the financial results reflected in such projections.

SECTION 3.16. ENVIRONMENTAL LIABILITIES.

Except with respect to any matters, that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

4. CONDITIONS OF LENDING

SECTION 4.1. CONDITIONS PRECEDENT TO CLOSING.

The effectiveness of this Agreement is subject to the following conditions precedent:

(a) LOAN DOCUMENTS. The Administrative Agent shall have received this Agreement and each of the other Fundamental Documents, each executed and delivered by a duly authorized officer of the Borrower.

(b) CORPORATE DOCUMENTS FOR THE BORROWER. The Administrative Agent shall have received, with copies for each of the Lenders, a certificate of the Secretary or Assistant Secretary of the Borrower dated the date of the initial Loans and certifying (A) that attached thereto is a true and complete copy of the certificate of incorporation and by-laws of the Borrower as in effect on the date of such certification; (B) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Borrower authorizing the borrowings hereunder and the execution, delivery and performance in accordance with their respective terms of this Agreement and any other documents required or contemplated hereunder; and (C) as to the incumbency and specimen signature of each officer of the Borrower executing this Agreement or any other document delivered by it in connection herewith (such certificate to contain a certification by another officer of the Borrower as to the incumbency and signature of the officer signing the certificate referred to in this paragraph (b)).

(c) FINANCIAL STATEMENTS. The Lenders shall have received the (a) audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1999 and December 31, 2000 and (b) unaudited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of March 31, 2001 and June 30, 2001.

(d) OPINIONS OF COUNSEL. The Administrative Agent shall have received the favorable written opinions, dated the date of the initial Extension of Credit and addressed to the Administrative Agent and the Lenders, of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Borrower, substantially in the form of Exhibit B hereto.

(e) NO MATERIAL ADVERSE CHANGE. The Administrative Agent shall be satisfied that since December 31, 2000 no events and conditions have occurred that have had, or could reasonably be expected to have, a Material Adverse Effect.

(f) PAYMENT OF FEES. The Administrative Agent shall be satisfied that all amounts payable to the Administrative Agent and the other Lenders pursuant hereto or with regard to the transactions contemplated hereby have been or are simultaneously being paid.

(g) LITIGATION; APPROVAL. No litigation shall be pending or threatened which would be likely to have a Material Adverse Effect, or which could reasonably be expected to materially adversely affect the ability of the Borrower to fulfill its obligations hereunder or to otherwise materially impair the interests of the Lenders.

(h) EXISTING CREDIT AGREEMENTS. (a) All obligations of the Borrower under the \$750 million Five Year Competitive Advance and Revolving Credit Agreement, dated as of October 2, 1996, as amended, among the Borrower, the lenders named therein and The Chase Manhattan Bank, as administrative agent (the "EXISTING REVOLVING CREDIT AGREEMENT") shall have been paid in full and the commitments of the lenders pursuant to the Existing Revolving Credit Agreement shall have been terminated; and (b) all obligations of the Borrower and any Subsidiary of the Borrower under the \$450 million Credit Agreement, dated as of June 30, 1999, as amended, among Avis Rent A Car, Inc., the lenders named therein and The Chase Manhattan Bank, as administrative agent (the "EXISTING AVIS CREDIT AGREEMENT") shall have been paid in full and the commitments of the lenders pursuant to the Existing Avis Credit Agreement shall have been terminated

(i) OFFICER'S CERTIFICATE. The Administrative Agent shall have received a certificate of the Borrower's chief executive officer or chief financial officer certifying, as of the Closing Date, compliance with the conditions set forth in paragraphs (b) and (c) of Section 4.2.

(j) OTHER DOCUMENTS. The Administrative Agent shall have received such other documents and certificates as the Administrative Agent may reasonably require.

SECTION 4.2. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT.

The obligation of the Lenders to make each Loan and of any Issuing Lender to issue a Letter of Credit, including the initial Extension of

Credit hereunder, is subject to the following conditions precedent:

(a) NOTICE. The Administrative Agent shall have received a notice with respect to such Borrowing or Letter of Credit as required by Article 2 hereof.

(b) REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in Article 3 hereof (other than those set forth in Section 3.5, which shall be deemed made only on the Closing Date) and in the other Fundamental Documents shall be true and correct in all material respects on and as of the date of each Borrowing hereunder (except to the extent that such representations and warranties expressly relate to an earlier date) with the same effect as if made on and as of such date; provided, however, that this condition shall not apply to a Revolving Credit Borrowing which is solely refinancing outstanding Revolving Credit Loans and which, after giving effect thereto, has not increased the aggregate amount of outstanding Revolving Credit Loans.

(c) NO EVENT OF DEFAULT. On the date of each Borrowing or the issuance of a Letter of Credit hereunder, the Borrower shall be in material compliance with all of the terms and provisions set forth herein to be observed or performed and no Event of Default or Default shall have occurred and be continuing; provided, however, that this condition shall not apply to a Revolving Credit Borrowing which is solely refinancing outstanding Revolving Credit Loans and which, after giving effect thereto, has not increased the aggregate amount of outstanding Revolving Credit Loans.

Each Borrowing or issuance of a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing or Letter of Credit as to the matters specified in paragraphs (b) and (c) of this Section.

5. AFFIRMATIVE COVENANTS

From the date of the initial Loan and for so long as the Commitments shall be in effect or any amount shall remain outstanding under any Note or unpaid under this Agreement or there shall be any outstanding L/C Exposure, the Borrower agrees that, unless the Required Lenders shall otherwise consent in writing, it will, and will cause each of its Subsidiaries to:

SECTION 5.1. FINANCIAL STATEMENTS, REPORTS, ETC.

Deliver to each Lender:

(a) As soon as is practicable, but in any event within 100 days after the end of each fiscal year of the Borrower, the audited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of, and the related consolidated statements of income, shareholders' equity and cash flows for such year, and the corresponding figures as at the end of, and for, the preceding fiscal year, accompanied by an opinion of Deloitte & Touche LLP or such other independent certified public accountants of recognized standing as shall be retained by the Borrower and satisfactory to the Administrative Agent, which report and opinion shall be prepared in accordance with generally accepted auditing standards relating to reporting and which report and opinion shall (A) be unqualified as to going concern and scope of audit and shall state that such financial statements fairly present the financial condition of the Borrower and its Consolidated Subsidiaries, as at the dates indicated and the results of the operations and cash flows for the periods indicated and (B) contain no material exceptions or qualifications except for qualifications relating to accounting changes (with which such independent public accountants concur) in response to FASB releases or other authoritative pronouncements;

(b) As soon as is practicable, but in any event within 55 days after the end of each of the first three fiscal quarters of each fiscal year, the unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, as at the end of, and the related unaudited statements of income (or changes in financial position) for such quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter and the corresponding figures as at the end of, and for, the corresponding period in the preceding fiscal year, together with a certificate signed by the chief financial officer or a vice president responsible for financial administration of the Borrower to the effect that such financial

statements, while not examined by independent public accountants, reflect, in his opinion and in the opinion of the Borrower, all adjustments necessary to present fairly the financial position of the Borrower and its Consolidated Subsidiaries, as the case may be, as at the end of the fiscal quarter and the results of their operations for the quarter then ended in conformity with GAAP consistently applied, subject only to year-end and audit adjustments and to the absence of footnote disclosure;

(c) Together with the delivery of the statements referred to in paragraphs (a) and (b) of this Section 5.1, a certificate of the chief financial officer or a vice president responsible for financial administration of the Borrower, substantially in the form of Exhibit D hereto (i) stating whether or not the signer has knowledge of any Default or Event of Default and, if so, specifying each such Default or Event of Default of which the signer has knowledge, the nature thereof and any action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event and (ii) demonstrating in reasonable detail compliance with the provisions of Sections 6.7 and 6.8 hereof;

(d) INTENTIONALLY OMITTED;

(e) Promptly upon any executive officer of the Borrower or any of its Subsidiaries obtaining knowledge of the occurrence of any Default or Event of Default, a certificate of the president or chief financial officer of the Borrower specifying the nature and period of existence of such Default or Event of Default and what action the Borrower has taken, is taking and proposes to take with respect thereto;

(f) Promptly upon any executive officer of the Borrower or any of its Subsidiaries obtaining knowledge of (i) the institution of any action, suit, proceeding, investigation or arbitration by any Governmental Authority or other Person against or affecting the Borrower or any of its Subsidiaries or any of their assets, or (ii) any material development in any such action, suit, proceeding, investigation or arbitration (whether or not previously disclosed to the Lenders), which, in each case might reasonably be expected to have a Material Adverse Effect, the Borrower shall promptly give notice thereof to the Lenders and provide such other information as may be reasonably available to it (without waiver of any applicable evidentiary privilege) to enable the Lenders to evaluate such matters;

(g) With reasonable promptness, such other information, certificates and data with respect to the Borrower and its Subsidiaries as from time to time may be reasonably requested by any of the Lenders; and

(h) Together with each set of financial statements required by paragraph (a) above, a certificate of the independent certified public accountants rendering the report and opinion thereon (which certificate may be limited to the extent required by accounting rules or otherwise) (i) stating whether, in connection with their audit, any Default or Event of Default has come to their attention, and if such a Default or Event of Default has come to their attention, specifying the nature and period of existence thereof, and (ii) stating that based on their audit nothing has come to their attention which causes them to believe that the matters specified in

paragraph (c)(ii) above for the applicable fiscal year are not stated in accordance with the terms of this Agreement.

SECTION 5.2. CORPORATE EXISTENCE; COMPLIANCE WITH STATUTES.

Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its corporate existence, material rights, licenses, permits and franchises and comply, except where failure to comply, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, with all provisions of Applicable Law, and all applicable restrictions imposed by, any Governmental Authority, including without limitation, the Federal Trade Commission's "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" as amended from time to time (16 C.F.R. ss.ss. 436.1 ET SEQ.) and all state laws and regulations of similar import; PROVIDED, HOWEVER, that mergers, dissolutions and liquidations permitted under Section 6.4 shall be permitted.

SECTION 5.3. INSURANCE.

Maintain with financially sound and reputable insurers insurance in such amounts and against such risks as are customarily insured against by companies in similar businesses; provided however, that (a) workmen's compensation insurance or similar coverage may be effected with respect to its operations in any particular state or other jurisdiction through an insurance fund operated by such state or jurisdiction and (b) such insurance may contain self-insurance retention and deductible levels consistent with normal industry practices.

SECTION 5.4. TAXES AND CHARGES.

Duly pay and discharge, or cause to be paid and discharged, before the same shall become delinquent, all federal, state or local taxes, assessments, levies and other governmental charges, imposed upon the Borrower or any of its Subsidiaries or their respective properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies which if unpaid could reasonably be expected to result in a Material Adverse Effect; PROVIDED, HOWEVER, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Borrower shall have set aside on its books reserves (the presentation of which is segregated to the extent required by GAAP) adequate with respect thereto if reserves shall be deemed necessary by the Borrower in accordance with GAAP; and PROVIDED, FURTHER, that the Borrower will pay all such taxes, assessments, levies or other governmental charges forthwith upon the commencement of proceedings to foreclose any Lien which may have attached as security therefor (unless the same is fully bonded or otherwise effectively stayed).

SECTION 5.5. ERISA COMPLIANCE AND REPORTS.

Furnish to the Administrative Agent (a) as soon as possible, and in any event within 30 days after any executive officer (as defined in Regulation C under the Securities Act of 1933) of the Borrower knows that (i) any Reportable Event with respect to any Plan has

occurred, a statement of the chief financial officer of the Borrower, setting forth details as to such Reportable Event and the action which it proposes to take with respect thereto, together with a copy of the notice, if any, required to be filed by the Borrower or any of its Subsidiaries of such Reportable Event

with the PBGC or (ii) an accumulated funding deficiency has been incurred or an application has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard or an extension of any amortization period under Section 412 of the Code with respect to a Plan, a Plan has been or is proposed to be terminated in a "distress termination" (as defined in Section 4041(c) of ERISA), proceedings have been instituted to terminate a Plan or a Multiemployer Plan, a proceeding has been instituted to collect a delinquent contribution to a Plan or a Multiemployer Plan, or either the Borrower or any of its Subsidiaries will incur any liability (including any contingent or secondary liability) to or on account of the termination of or withdrawal from a Plan under Sections 4062, 4063, 4064 of ERISA or the withdrawal or partial withdrawal from a Multiemployer Plan under Sections 4201 or 4204 of ERISA, a statement of the chief financial officer of the Borrower, setting forth details as to such event and the action it proposes to take with respect thereto, (b) promptly upon the reasonable request of the Administrative Agent, copies of each annual and other report with respect to each Plan and (c) promptly after receipt thereof, a copy of any notice the Borrower or any of its Subsidiaries may receive from the PBGC relating to the PBGC's intention to terminate any Plan or to appoint a trustee to administer any Plan; PROVIDED that the Borrower shall not be required to notify the Administrative Agent of the occurrence of any of the events set forth in the preceding clauses (a) and (c) unless such event, individually or in the aggregate, could reasonably be expected to result in a material liability to the Borrower and its Subsidiaries taken as a whole.

SECTION 5.6. MAINTENANCE OF AND ACCESS TO BOOKS AND RECORDS; EXAMINATIONS.

Maintain or cause to be maintained at all times true and complete books and records of its financial operations (in accordance with GAAP) and provide the Administrative Agent and its representatives reasonable access to all such books and records and to any of their properties or assets during regular business hours, in order that the Administrative Agent may make such audits and examinations and make abstracts from such books, accounts and records and may discuss the affairs, finances and accounts with, and be advised as to the same by, officers and independent accountants, all as the Administrative Agent may deem appropriate for the purpose of verifying the various reports delivered pursuant to this Agreement or for otherwise ascertaining compliance with this Agreement.

SECTION 5.7. MAINTENANCE OF PROPERTIES.

Keep its properties which are material to its business in good repair, working order and condition consistent with industry practice.

SECTION 5.8. CHANGES IN CHARACTER OF BUSINESS.

Cause the Borrower and its Subsidiaries taken as a whole to be primarily engaged in the franchising and services businesses.

6. NEGATIVE COVENANTS

From the date of the initial Loan and for so long as the Commitments shall be in effect or any amount shall remain outstanding under any Note or unpaid under this Agreement or there shall be any outstanding L/C Exposure, unless the Required Lenders shall otherwise consent in writing, the Borrower agrees that it will not, nor will it permit any of its Subsidiaries to, directly or indirectly:

SECTION 6.1. LIMITATION ON INDEBTEDNESS.

Incur, assume or suffer to exist any Indebtedness of any Material Subsidiary except:

(a) Indebtedness in existence on the Closing Date, or required to be incurred pursuant to a contractual obligation in existence on the Closing Date, which in either case, is listed on Schedule 6.1 hereto, but not any extensions or renewals thereof, unless effected on substantially the same terms or on terms not more adverse to the Lenders;

(b) purchase money Indebtedness (including Capital Leases) to the extent permitted under Section 6.5(b);

(c) Guaranties;

(d) Indebtedness owing by any Material Subsidiary to the Borrower or any other Subsidiary;

(e) Indebtedness of any Material Subsidiary of the Borrower issued and outstanding prior to the date on which such Subsidiary became a Subsidiary of the Borrower (other than Indebtedness issued in connection with, or in anticipation of, such Subsidiary becoming a Subsidiary of the Borrower); provided that immediately prior and on a Pro Forma Basis after giving effect to, such Person becoming a Subsidiary of the Borrower, no Default or Event of Default shall occur or then be continuing and the aggregate principal amount of such Indebtedness, when added to the aggregate outstanding principal amount of Indebtedness permitted by paragraphs (f) and (g) below, shall not exceed \$400,000,000;

(f) any renewal, extension or modification of Indebtedness under paragraph (e) above so long (i) as such renewal, extension or modification is effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders and (ii) the principal amount of such Indebtedness is not increased;

(g) other Indebtedness of any Material Subsidiary in an

aggregate principal amounts which, when added to the aggregate outstanding principal amount of Indebtedness permitted by paragraphs (e) and (f) above, does not exceed \$400,000,000; and

(h) any Indebtedness (other than Avis Securitization Indebtedness) of Avis or its Subsidiaries issued, outstanding or permitted to exist pursuant to the terms of the Avis Debt Documents as of the date of the Avis Merger and any renewal, extension or modification of such

Indebtedness so long as (i) such renewal, extension or modification is effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders and (ii) the principal amount of such Indebtedness issued, outstanding or permitted to exist pursuant to the terms of the Avis Debt Documents is not increased directly or indirectly;

(i) any Avis Securitization Indebtedness;

(j) any Indebtedness (other than Timeshare Loan Indebtedness) of any Timeshare Subsidiary, to the extent issued, outstanding or permitted to exist pursuant to the terms of any Fairfield Debt Documents as of the date of the Fairfield Merger, or to the extent issued, outstanding or permitted to exist pursuant to the terms of any other Timeshare Debt Documents as of the date of the acquisition of the related Timeshare Subsidiary; and, in each case, any renewal, extension or modification of such Indebtedness so long as (i) such renewal, extension or modification is effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders and (ii) the principal amount of such Indebtedness issued, outstanding or permitted to exist pursuant to the terms of the Fairfield Debt Documents or Timeshare Debt Documents, as applicable, is not increased directly or indirectly;

(k) any Timeshare Loan Indebtedness;

(l) without limiting any of the foregoing, Indebtedness incurred in connection with the acquisition by Avis or any of its Subsidiaries of vehicles directly from a manufacturer pursuant to such manufacturer's repurchase program, PROVIDED that (i) such Indebtedness is not greater than the net book value of such vehicles and (ii) such vehicles could not be financed under the AESOP Financing Program; and

(m) in addition to the Indebtedness permitted by paragraphs (a) - (l) above, Indebtedness of PHH and its Subsidiaries so long as, after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof, the ratio of Indebtedness (other than Avis Securitization Indebtedness and Timeshare Loan Indebtedness) of PHH and its Subsidiaries to consolidated shareholders' equity of PHH is less than 8 to 1.

SECTION 6.2. INTENTIONALLY OMITTED.

SECTION 6.3. HOTEL SUBSIDIARIES.

No Hotel Subsidiary shall incur or suffer to exist any obligation to advance money to purchase securities from, or otherwise make any investment in, any Person engaged in the gaming business, PROVIDED that any Hotel Subsidiary may make any such investment in any such Person so long as such Person does not become a Material Subsidiary as a result thereof.

SECTION 6.4. CONSOLIDATION, MERGER, SALE OF ASSETS.

(a) Neither the Borrower nor any of its Material Subsidiaries (in one transaction or series of transactions) will wind up, liquidate or dissolve its affairs, or enter into any transaction of merger or consolidation, except any merger, consolidation, dissolution or liquidation (i) in which the Borrower is the surviving entity or if the Borrower is not a party to

such transaction then a Subsidiary is the surviving entity or the successor to the Borrower has unconditionally assumed in writing all of the payment and performance obligations of the Borrower under this Agreement and the other Fundamental Documents, (ii) in which the surviving entity becomes a Subsidiary of the Borrower immediately upon the effectiveness of such merger, consolidation, dissolution or liquidation, or (iii) involving a Subsidiary in connection with a transaction permitted by Section 6.4(b); provided, however, that immediately prior to and on a Pro Forma Basis after giving effect to any such transaction described in any of the preceding clauses (i), (ii) and (iii) no Default or Event of Default has occurred and is continuing.

(b) The Borrower and its Subsidiaries (either individually or collectively and whether in one transaction or series of related transactions) will not sell or otherwise dispose of all or substantially all of the assets of the Borrower and its Subsidiaries, taken as a whole.

SECTION 6.5. LIMITATIONS ON LIENS.

Suffer any Lien on the property of the Borrower or any of the Material Subsidiaries, except:

(a) deposits under worker's compensation, unemployment insurance and social security laws or to secure statutory obligations or surety or appeal bonds or performance or other similar bonds in the ordinary course of business, or statutory Liens of landlords, carriers, warehousemen, mechanics and material men and other similar Liens, in respect of liabilities which are not yet due or which are being contested in good faith, Liens for taxes not yet due and payable, and Liens for taxes due and payable, the validity or amount of which is currently being contested in good faith by appropriate proceedings and as to which foreclosure and other enforcement proceedings shall not have been

commenced (unless fully bonded or otherwise effectively stayed);

(b) purchase money Liens granted to the vendor or Person financing the acquisition of property, plant or equipment if (i) limited to the specific assets acquired and, in the case of tangible assets, other property which is an improvement to or is acquired for specific use in connection with such acquired property or which is real property being improved by such acquired property; (ii) the debt secured by the Lien is the unpaid balance of the acquisition cost of the specific assets on which the Lien is granted; and (iii) such transaction does not otherwise violate this Agreement;

(c) Liens upon real and/or personal property, which property was acquired after the date of this Agreement (by purchase, construction or otherwise) by the Borrower or any of its Material Subsidiaries, each of which Liens existed on such property before the time of its acquisition and was not created in anticipation thereof; provided, however, that no such Lien shall extend to or cover any property of the Borrower or such Material Subsidiary other than the respective property so acquired and improvements thereon;

(d) Liens arising out of attachments, judgments or awards as to which an appeal or other appropriate proceedings for contest or review are promptly commenced (and as

to which foreclosure and other enforcement proceedings (i) shall not have been commenced (unless fully bonded or otherwise effectively stayed) or (ii) in any event shall be promptly fully bonded or otherwise effectively stayed);

(e) Liens created under any Fundamental Document;

(f) Liens existing on the date hereof and any extensions or renewals thereof;

(g) INTENTIONALLY OMITTED;

(h) INTENTIONALLY OMITTED; and

(i) other Liens securing obligations having an aggregate principal amount not to exceed 15% of Consolidated Net Worth.

(j) any Liens securing Indebtedness and related obligations of the Borrower or any of its Material Subsidiaries to the extent such Indebtedness and related obligations are permitted under Section 6.1(h) hereof

(k) any Liens securing Indebtedness and related obligations of the Borrower or any of its Material Subsidiaries to the extent such Indebtedness and related obligations are permitted under Section 6.1(i) hereof.

(l) any Liens securing Indebtedness and related obligations of the Borrower or any of its Material Subsidiaries to the extent such Indebtedness and related obligations are permitted under Section 6.1(j) hereof.

(m) any Liens securing Indebtedness and related obligations of the Borrower or any of its Material Subsidiaries to the extent such Indebtedness and related obligations are permitted under Section 6.1(k) hereof.

SECTION 6.6. SALE AND LEASEBACK.

Enter into any arrangement with any Person or Persons, whereby in contemporaneous transactions the Borrower or any of its Subsidiaries sells essentially all of its right, title and interest in a material asset and the Borrower or any of its Subsidiaries acquires or leases back the right to use such property except that the Borrower and its Subsidiaries may enter into sale-leaseback transactions relating to assets not in excess of \$200,000,000 in the aggregate on a cumulative basis, and except (a) any arrangements of Fairfield or any of its Subsidiaries existing as of the date of the Fairfield Merger and any renewals, extensions or modifications thereof, or replacements or substitutions therefor, so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect, (b) in connection with the issuance of Avis Securitization Indebtedness and (c) in connection with the issuance of Timeshare Loan Indebtedness.

SECTION 6.7. DEBT TO CAPITALIZATION RATIO.

Permit the Debt to Capitalization Ratio on the last day of any fiscal quarter to be greater than 0.5 to 1.

SECTION 6.8. INTEREST COVERAGE RATIO.

Permit the Interest Coverage Ratio for any Rolling Period to be less than 3.0 to 1.0.

SECTION 6.9. ACCOUNTING PRACTICES.

Establish a fiscal year ending on other than December 31, or modify or change accounting treatments or reporting practices except as otherwise required or permitted by GAAP.

7. EVENTS OF DEFAULT

In the case of the happening and during the continuance of any of the following events (herein called "EVENTS OF DEFAULT"):

(a) any representation or warranty made by the Borrower in this Agreement or any other Fundamental Document or in connection with this Agreement or with the execution and delivery of the Notes or the Borrowings hereunder, or any statement or representation made in any report, financial statement, certificate or other document furnished by or on behalf of the Borrower or any of its Subsidiaries to the Administrative Agent or any Lender under or in connection with this Agreement, shall prove to have been false or misleading in any material respect when made or delivered;

(b) default shall be made in the payment of any principal of or interest on any Loan, any reimbursement obligation with respect to Letters of Credit, the Notes or of any fees or other amounts payable by the Borrower hereunder, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, and in the case of payments of interest, such default shall continue unremedied for five days, and in the case of payments other than of any principal amount of or interest on any Loan, any reimbursement obligation with respect to Letters of Credit, or the Notes, such default shall continue unremedied for five days after receipt by the Borrower of an invoice therefor;

(c) default shall be made in the due observance or performance of any covenant, condition or agreement contained in Section 5.1(e) (with respect to notice of Default or Events of Default), 5.8 or Article 6 of this Agreement;

(d) default shall be made by the Borrower in the due observance or performance of any other covenant, condition or agreement to be observed or performed pursuant to the terms of this Agreement, or any other Fundamental Document and such default shall continue unremedied for thirty (30) days after the Borrower obtains knowledge of such occurrence;

(e) (i) default in payment shall be made with respect to any Indebtedness of the Borrower or any of its Subsidiaries where the amount or amounts of such Indebtedness exceeds \$50,000,000 in the aggregate; or (ii) default in payment or performance shall be made with respect to any Indebtedness of the Borrower or any of its Subsidiaries where the amount or amounts of such Indebtedness exceeds \$50,000,000 in the aggregate, if the effect of such default is to result in the acceleration of the maturity of such Indebtedness; or (iii) any other circumstance shall arise (other than the mere passage of time) by reason of which the Borrower or any Subsidiary of the Borrower is required to redeem or repurchase, or offer to holders the opportunity to have redeemed or repurchased, any such Indebtedness where the amount or amounts of such Indebtedness exceeds \$50,000,000 in the aggregate; provided that clause (iii) shall not apply to secured Indebtedness that becomes due as a result of a voluntary sale of the property or assets securing such Indebtedness and provided, further clauses (ii) and (iii) shall not apply to any Indebtedness of any Subsidiary issued and outstanding prior to the date such Subsidiary became a Subsidiary of the Borrower (other than Indebtedness issued in connection with, or in anticipation of, such Subsidiary becoming a Subsidiary of the Borrower) if such default or circumstance arises solely as a result of a "change of control" provision applicable to such Indebtedness which becomes operative as a result of the acquisition of such Subsidiary by the Borrower or any of its Subsidiaries;

(f) the Borrower or any of its Material Subsidiaries shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or the Borrower or any of its Material Subsidiaries shall commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property or shall file an answer or other pleading in any such case, proceeding or other action admitting the material allegations of any petition, complaint or similar pleading filed against it or consenting to the relief sought therein; or the Borrower or any Material Subsidiary thereof shall take any action to authorize any of the foregoing;

(g) any involuntary case, proceeding or other action against the Borrower or any of its Material Subsidiaries shall be commenced seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of any order for relief against it or (ii) shall remain undismissed for a period of sixty (60) days;

(h) the occurrence of a Change in Control;

(i) final judgment(s) for the payment of money in excess of \$50,000,000 shall be rendered against the Borrower or any of its Subsidiaries which within thirty (30) days from the entry of such judgment shall not have been discharged or stayed pending appeal or which

shall not have been discharged within thirty (30) days from the entry of a final order of affirmance on appeal (other than the final judgment(s) rendered to give effect to the Settlement); or

(j) a Reportable Event relating to a failure to meet minimum funding standards or an Inability to pay benefits when due shall have occurred

with respect to any Plan under the control of the Borrower or any of its Subsidiaries and shall not have been remedied within 45 days after the occurrence of such Reportable Event, if the occurrence thereof could reasonably be expected to have a Material Adverse Effect;

then, in every such event and at any time thereafter during the continuance of such event, the Administrative Agent may or shall, if directed by the Required Lenders, take either or both of the following actions, at the same or different times: terminate forthwith the Commitments and/or declare the principal of and the interest on the Loans and the Notes and all other amounts payable hereunder or thereunder to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without presentment, demand, protest, notice of acceleration, notice of intent to accelerate or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement or in the Notes to the contrary notwithstanding. If an Event of Default specified in paragraphs (f) or (g) above shall have occurred, the principal of and interest on the Loans and the Notes and all other amounts payable hereunder or thereunder shall thereupon and concurrently become due and payable without presentment, demand, protest, notice of acceleration, notice of intent to accelerate or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement or the Notes to the contrary notwithstanding and the Commitments of the Lenders shall thereupon forthwith terminate.

8. THE ADMINISTRATIVE AGENT AND EACH ISSUING LENDER

SECTION 8.1. ADMINISTRATION BY ADMINISTRATIVE AGENT.

The general administration of the Fundamental Documents and any other documents contemplated by this Agreement shall be by the Administrative Agent or its designees. Each of the Lenders hereby irrevocably authorizes the Administrative Agent, at its discretion, to take or refrain from taking such actions as agent on its behalf and to exercise or refrain from exercising such powers under the Fundamental Documents, the Notes and any other documents contemplated by this Agreement as are delegated by the terms hereof or thereof, as appropriates together with all powers reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except as set forth in the Fundamental Documents. Any Lender which is not the Administrative Agent (regardless of whether such Lender bears the title co-agent, syndication agent, documentation agent or any similar title, as indicated on the signature pages hereto) for the credit facility hereunder shall not have any duties or responsibilities except as a Lender hereunder.

SECTION 8.2. ADVANCES AND PAYMENTS.

(a) On the date of each Loan, the Administrative Agent shall be authorized (but not obligated) to advance, for the account of each of the Lenders, the amount of the Loan to

be made by it in accordance with this Agreement. Each of the Lenders hereby authorizes and requests the Administrative Agent to advance for its account, pursuant to the terms hereof, the amount of the Loan to be made by it, unless with respect to any Lender, such Lender has theretofore specifically notified the Administrative Agent that such Lender does not intend to fund that particular Loan. Each of the Lenders agrees forthwith to reimburse the Administrative Agent in immediately available funds for the amount so advanced on its behalf by the Administrative Agent pursuant to the immediately preceding sentence. If any such reimbursement is not made in immediately available funds on the same day on which the Administrative Agent shall have made any such amount available on behalf of any Lender in accordance with this Section 8.2, such Lender shall pay interest to the Administrative Agent at a rate per annum equal to the Administrative Agent's cost of obtaining overnight funds in the New York Federal Funds Market. Notwithstanding the preceding sentence, if such reimbursement is not made by the second Business Day following the day on which the Administrative Agent shall have made any such amount available on behalf of any Lender or such Lender has indicated that it does not intend to reimburse the Administrative Agent, the Borrower shall immediately pay such unreimbursed advance amount (plus any accrued, but unpaid interest at the rate applicable to ABR Loans) to the Administrative Agent.

(b) Any amounts received by the Administrative Agent in connection with this Agreement or the Notes the application of which is not otherwise provided for shall be applied, in accordance with each of the Lenders' pro rata interest therein, first, to pay accrued but unpaid Facility Fees and Utilization Fees, second, to pay accrued but unpaid interest on the Notes, third, the principal balance outstanding on the Notes and fourth, to pay other amounts payable to the Administrative Agent and/or the Lenders. All amounts to be paid to any of the Lenders by the Administrative Agent shall be credited to the Lenders, promptly after collection by the Administrative Agent, in immediately available funds either by wire transfer or deposit in such Lender's correspondent account with the Administrative Agent, or as such Lender and the Administrative Agent shall from time to time agree.

SECTION 8.3. SHARING OF SETOFFS AND CASH COLLATERAL.

Each of the Lenders agrees that if it shall, through the operation of Sections 2.19, 2.23(h) or 2.23(i) hereof or the exercise of a right of bank's lien, setoff or counterclaim against the Borrower, including, but not limited to, a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim and received by such Lender under any applicable bankruptcy, insolvency or other similar law, or otherwise, obtain payment in respect of its Loans or L/C Exposure as a result of which the unpaid portion of its Loans or L/C Exposure is proportionately less than the unpaid portion of any of the other Lenders (a) it shall promptly purchase at par (and shall be deemed to have thereupon purchased) from such other Lenders a participation in the Loans or L/C Exposure of such other Lenders, so that the aggregate unpaid principal amount of each of the

Lenders' Loans and L/C Exposure and its participation in Loans and L/C Exposure of the other Lenders shall be in the same proportion to the aggregate unpaid principal amount of all Loans and L/C Exposure then outstanding as the principal amount of its Loans and L/C Exposure prior to the obtaining of such payment was to the principal amount of all Loans and L/C Exposure outstanding prior to

the obtaining of such payment and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that the Lenders share such payment pro rata.

SECTION 8.4. NOTICE TO THE LENDERS.

Upon receipt by the Administrative Agent from the Borrower of any communication calling for an action on the part of the Lenders, or upon notice to the Administrative Agent of any Event of Default, the Administrative Agent will in turn immediately inform the other Lenders in writing (which shall include telegraphic communications) of the nature of such communication or of the Event of Default, as the case may be.

SECTION 8.5. LIABILITY OF ADMINISTRATIVE AGENT AND EACH

ISSUING LENDER.

(a) The Administrative Agent or any Issuing Lender, when acting on behalf of the Lenders may execute any of its duties under this Agreement by or through its officers, agents, or employees and neither the Administrative Agent, the Issuing Lenders nor their respective directors, officers, agents, or employees shall be liable to the Lenders or any of them for any action taken or omitted to be taken in good faith, or be responsible to the Lenders or to any of them for the consequences of any oversight or error of judgment, or for any loss, unless the same shall happen through its gross negligence or willful misconduct. The Administrative Agent, the Issuing Lenders and their respective directors, officers, agents, and employees shall in no event be liable to the Lenders or to any of them for any action taken or omitted to be taken by it pursuant to instructions received by it from the Required Lenders or in reliance upon the advice of counsel selected by it. Without limiting the foregoing, neither the Administrative Agent, the Issuing Lenders nor any of their respective directors, officers, employees, or agents shall be responsible to any of the Lenders for the due execution, validity, genuineness, effectiveness, sufficiency, or enforceability of, or for any statement, warranty, or representation in, or for the perfection of any security interest contemplated by, this Agreement or any related agreement, document or order, or for the designation or failure to designate this transaction as a "Highly Leveraged Transaction" for regulatory purposes, or shall be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants, or agreements of this Agreement or any related agreement or document.

(b) Neither the Administrative Agent, the Issuing Lenders, nor any of their respective directors, officers, employees, or agents shall have any responsibility to the Borrower on account of the failure or delay in performance or breach by any of the Lenders or the Borrower of any of their respective obligations under this Agreement or the Notes or any related agreement or document or in connection herewith or therewith.

(c) The Administrative Agent, and the Issuing Lenders, in such capacities hereunder, shall be entitled to rely on any communication, instrument, or document reasonably believed by it to be genuine or correct and to have been signed or sent by a Person or Persons believed by it to be the proper Person or Persons, and it shall be entitled to rely on advice of legal counsel, independent public accountants, and other professional advisers and experts selected by it.

SECTION 8.6. REIMBURSEMENT AND INDEMNIFICATION.

Each of the Lenders severally and not jointly agrees (i) to reimburse the Administrative Agent, in the amount of its proportionate share of the Total Commitment in effect on the date on which such reimbursement is sought (or, if reimbursement is sought after the date upon which the Total Commitment shall have been terminated in its entirety, in the amount of its proportionate share of the Total Commitment immediately prior to such date), for any expenses and fees incurred for the benefit of the Lenders under the Fundamental Documents, including, without limitation, counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, and any other expense incurred in connection with the administration or enforcement thereof not reimbursed by the Borrower or one of its Subsidiaries; (ii) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees, or agents, on demand, in the amount of its proportionate share of the Total Commitment in effect on the date on which such indemnification is sought (or, if indemnification is sought after the date upon which the Total Commitment shall have been terminated in its entirety, in the amount of its proportionate share of the Total Commitment immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against it or any of them in any way relating to or arising out of the Fundamental Documents or any action taken or omitted by it or any of them under the Fundamental Documents to the extent not reimbursed by the Borrower or one of its Subsidiaries (except such as shall result from the gross negligence or willful misconduct of the Person seeking indemnification); and (iii) to indemnify and hold harmless the Issuing Lenders and any of their respective directors, officers, employees, or agents or demand in the amount of its proportionate share from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs expenses or

disbursements of any kind or nature whatever which may be imposed or incurred by or asserted against it relating to or arising out of the issuance of any Letters of Credit not reimbursed by the Borrower or one of its Subsidiaries (except such as shall result from the gross negligence or willful misconduct of the Person seeking indemnification).

SECTION 8.7. RIGHTS OF ADMINISTRATIVE AGENT.

It is understood and agreed that Chase shall have the same rights and powers hereunder (including the right to give such instructions) as the other Lenders and may exercise such rights and powers, as well as its rights and powers under other agreements and instruments to which it is or may be party, and engage in other transactions with the Borrower as though it were not the Administrative Agent on behalf of the Lenders under this Agreement.

SECTION 8.8. INDEPENDENT INVESTIGATION BY LENDERS.

Each of the Lenders acknowledges that it has decided to enter into this Agreement and to make the Loans and issue and participate in the Letters of Credit hereunder based on its own analysis of the transactions contemplated hereby and of the creditworthiness of the Borrower and agrees that neither the Administrative Agent nor any Issuing Lender shall bear responsibility therefor.

SECTION 8.9. NOTICE OF TRANSFER.

The Administrative Agent and the Issuing Lenders may deem and treat any Lender which is a party to this Agreement as the owners of such Lender's respective portions of the Loans and Letter of Credit reimbursement rights for all purposes, unless and until a written notice of the assignment or transfer thereof executed by any such Lender shall have been received by the Administrative Agent and become effective pursuant to Section 9.3.

SECTION 8.10. SUCCESSOR ADMINISTRATIVE AGENT.

The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent from among the Lenders. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which with the consent of the Borrower, which will not be unreasonably withheld, shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 8.11. RESIGNATION OF AN ISSUING LENDER.

Any Issuing Lender may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, such Issuing Lender shall be discharged from any duties and obligations under this Agreement in its capacity as an Issuing Lender with regard to Letters of Credit not yet issued. After any retiring Issuing Lender's resignation hereunder as an Issuing Lender, the provisions of this Agreement shall continue to inure to its benefit as to any outstanding Letters of Credit or otherwise with regard to outstanding L/C Exposure and any actions taken or omitted to be taken by it while it was an Issuing Lender under this Agreement.

9. MISCELLANEOUS

SECTION 9.1. NOTICES.

Notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and, if by telex, telecopy, graphic scanning or other

telegraphic communications equipment of the sending party hereto, delivered by such equipment) addressed, if to the Administrative Agent or Chase, to it at 270 Park Avenue, New York, New York 10017-2070 Attn: Sandra Miklave, with a copy to Randolph Cates, or if to the Borrower, to it at 9 West 57th Street, New York, NY 10019 Attention: Kevin Sheehan, Chief Financial Officer and Eric J. Bock, Senior Vice President and Corporate Secretary, with a copy to Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, NY 10036, Attn: James Douglas, or if to a Lender, to it at its address notified to the Administrative Agent (or set forth in its Assignment and Acceptance or other agreement pursuant to which it became a Lender hereunder), or such other address as such party may from time to time designate by giving written notice to the other parties hereunder. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the fifth Business Day after the date when sent by registered or certified mail, postage prepaid, return receipt requested, if by mail, or when delivered to the telegraph company, charges prepaid, if by telegram, or when receipt is

acknowledged, if by any telecopier or telegraphic communications equipment of the sender, in each case addressed to such party as provided in this Section 9.1 or in accordance with the latest unrevoked written direction from such party.

SECTION 9.2. SURVIVAL OF AGREEMENT, REPRESENTATIONS AND WARRANTIES, ETC.

All warranties, representations and covenants made by the Borrower herein or in any certificate or other instrument delivered by it or on its behalf in connection with this Agreement shall be considered to have been relied upon by the Administrative Agent and the Lenders and shall survive the making of the Loans herein contemplated and the issuance and delivery to the Administrative Agent of the Notes regardless of any investigation made by the Administrative Agent or the Lenders or on their behalf and shall continue in full force and effect so long as any amount due or to become due hereunder is outstanding and unpaid and so long as the Commitment has not been terminated. All statements in any such certificate or other instrument shall constitute representations and warranties by the Borrower hereunder.

SECTION 9.3. SUCCESSORS AND ASSIGNS; SYNDICATIONS; LOAN SALES; PARTICIPATIONS.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party (provided, however, that the Borrower may not assign its rights hereunder without the prior written consent of all the Lenders), and all covenants, promises and agreements by, or on behalf of, the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Lenders.

(b) Each of the Lenders may (but only with the prior written consent of the Administrative Agent, the Issuing Lenders and the Borrower, which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other entities either (i) all or a portion of its interests, rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the same portion of the Loans at the time owing to it and the Notes held by it and its

L/C Exposure) (a "Ratable Assignment") or (ii) all or a portion of its rights and obligations under and in respect of (A) its Commitment under this Agreement and the same portion of the Revolving Credit Loans at the time owing to it and its L/C Exposure or (B) the Competitive Loans at the time owing to it (including, without limitation, in the case of any such type of Loan, the same portion of the associated Note) (a "Non-Ratable Assignment"); provided, however, that (1) each Non-Ratable Assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations in respect of the Loans, L/C Exposure and the Commitment (if applicable) which are the subject of such assignment, (2) each Ratable Assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement, (3) the amount of the Commitment or Competitive Loans, as the case may be, of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Lender) shall be in a minimum principal amount of \$1,000,000 unless otherwise agreed by the Borrower and the Administrative Agent and (4) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register (as defined below), an Assignment and Acceptance, together with any Note or Notes subject to such assignment (if required hereunder) and a processing and recordation fee of \$3,500. Upon such execution, delivery, acceptance and recording, and from and after the effective date specified in each Assignment and Acceptance, which effective date shall be not earlier than five Business Days after the date of acceptance and recording by the Administrative Agent, (x) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of the assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto).

(c) Notwithstanding the other provisions of this Section 9.3, each Lender may at any time make a Ratable Assignment or a Non-Ratable Assignment of its interests, rights and obligations under this Agreement to (i) any Affiliate of such Lender or (ii) any other Lender hereunder.

(d) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in, or in connection with, this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Fundamental Documents or any other instrument or document furnished pursuant hereto or thereto; (ii) such Lender assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Fundamental Documents; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Sections 5.1(a) and 5.1(b) (or if none of such financial statements shall have then been delivered, then copies of the financial statements referred to in Section 3.4 hereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and

Acceptance; (iv) such assignee will, independently and without reliance upon the assigning Lender, the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Fundamental Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will be bound by the provisions of this Agreement and will perform in accordance with its terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(e) The Administrative Agent, on behalf of the Borrower, shall maintain at its address at which notices are to be given to it pursuant to Section 9.1, a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders and the Commitments of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders may (and, in the case of any Loan or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of a Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Fundamental Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee, any Notes subject to such assignment (if required hereunder) and the processing and recordation fee, the Administrative Agent (subject to the right, if any, of the Borrower to require its consent thereto) shall, if such Assignment and Acceptance has been completed and is substantially in the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt written notice thereof to the Borrower. If a portion of the Commitment has been assigned by an assigning Lender, then such Lender shall deliver its Revolving Credit Note, if any, at the same time it delivers the applicable Assignment and Acceptance to the Administrative Agent. If only Competitive Loans have been assigned by the assigning Lender, such Lender shall not be required to deliver its Competitive Note to the Administrative Agent, unless such Lender no longer holds a Commitment under this Agreement, in which event such assigning Lender shall deliver its Competitive Note, if any, at the same time it delivers the applicable Assignment and Acceptance to the Administrative Agent. Within five Business Days after receipt of the notice, the Borrower, at its own expense, shall execute and deliver to the applicable Lenders at their request, either (A) a new Revolving Credit Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and a Competitive Note to the order of such assignee in an amount equal to the Total Commitment hereunder, and a new Revolving Credit Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder, or (B) if Competitive Loans only have been assigned and the assigning Lender holds a Commitment under this Agreement, then a new Competitive Note to the order of the assignee Lender in an amount equal to the outstanding principal amount of the Competitive Loan(s) purchased by it pursuant to the Assignment and Acceptance, or (C) if Competitive Loans only have been

assigned and the assigning Lender does not hold a Commitment under this Agreement, a new Competitive Note to the order of such assignee in an amount equal to the outstanding principal amount of the Competitive Loans(s) purchased by it pursuant to such Assignment and Acceptance and, a new Competitive Note to the order of the assigning Lender in an amount equal to the outstanding principal amount of the Competitive Loans retained by it hereunder. Any new Revolving Credit Notes shall be in an aggregate principal amount equal to the aggregate principal amount of the Commitments of the respective Lenders. All new Notes shall be dated the date hereof and shall otherwise be in substantially the forms of Exhibits A-1 and A-2 hereto, as the case may be.

(g) Each of the Lenders may without the consent of the Borrower, the Administrative Agent or any Issuing Lender sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Loans owing to it and the Note or Notes held by it); provided, however, that (i) any such Lender's obligations under this Agreement shall remain unchanged, (ii) such participant shall not be granted any voting rights under this Agreement, except with respect to matters requiring the consent of each of the Lenders hereunder, (iii) any such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iv) the participating banks or other entities shall be entitled to the cost protection provisions contained in Sections 2.14, 2.15 and 2.17 hereof but a participant shall not be entitled to receive pursuant to such provisions an amount larger than its share of the amount to which the Lender granting such participation would have been entitled to receive, and (v) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(h) The Lenders may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.3, disclose to the assignee or participant or proposed assignee or

participant, any information relating to the Borrower furnished to the Administrative Agent by or on behalf of the Borrower; provided that prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall agree, by executing a confidentiality letter in form and substance equivalent to the confidentiality letter executed by the Lenders in connection with information received by such Lenders relating to this transaction to preserve the confidentiality of any confidential information relating to the Borrower received from such Lender.

(i) Each Lender hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make the Loans hereunder for its own account in the ordinary course of such business; provided, however, that, subject to preceding clauses (a) through (h), the disposition of the Notes or other evidence of Indebtedness held by that Lender shall at all times be within its exclusive control.

(j) The Borrower consents that any Lender may at any time and from time to time pledge, or otherwise grant a security interest in, any Loan or any Note evidencing such Loan (or any part thereof), including any such pledge or grant to any Federal Reserve Bank, and, with respect to any Lender which is a fund, to the fund's trustee in support of its obligations to such trustee, and this Section shall not apply to any such pledge or grant; provided that no such pledge or grant shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(k) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Revolving Credit Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to Section 2.1 or 2.6, provided that (i) nothing herein shall constitute a commitment to make any Revolving Credit Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Revolving Credit Loan or fund any other obligation required to be funded by it hereunder, the Granting Lender shall be obligated to make such Revolving Credit Loan or fund such obligation pursuant to the terms hereof. The making of a Revolving Credit Loan by an SPC hereunder shall satisfy the obligation of the Granting Lenders to make Revolving Credit Loans to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any payment under this Agreement for which a Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 9.3 any SPC may (i) with notice to, but without the prior written consent of, the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Revolving Credit Loan to its Granting Lender or to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Revolving Credit Loans made by SPC or to support the securities (if any) issued by such SPC to fund such Revolving Credit Loans and (ii) disclose on a confidential basis any non-public information relating to its Revolving Credit Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 9.4. EXPENSES; DOCUMENTARY TAXES.

Whether or not the transactions hereby contemplated shall be consummated, the Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the syndication, preparation, execution, delivery and administration of this Agreement, the Notes, the making of the Loans and issuance and administration of the Letters of Credit, including but not limited to any internally allocated audit costs, the reasonable fees and disbursements of Simpson Thacher & Bartlett, counsel to the Administrative Agent, as

well as all reasonable out-of-pocket expenses incurred by the Lenders in connection with any restructuring or workout of this Agreement, or the Notes or the Letters of Credit or in connection with the enforcement or protection of the rights of the Lenders in connection with this Agreement or the Notes or the Letters of Credit or any other Fundamental Document, and with respect to any action which may be instituted by any Person against any Lender or any Issuing Lender in respect of the foregoing, or as a result of any transaction, action or nonaction arising from the foregoing, including but not limited to the fees and disbursements of any counsel for the Lenders or any Issuing Lender. Such payments shall be made on the date of execution of this Agreement and thereafter on demand. The Borrower agrees that it shall indemnify the Administrative Agent, the Lenders and the Issuing Lenders from, and hold them harmless against, any documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement or the Notes or the issuance of any Letters of Credit or any other Fundamental Document. The obligations of the Borrower under this Section shall survive the termination of this Agreement and/or the payment of the Loans and/or expiration of the Letters of Credit.

SECTION 9.5. INDEMNITY.

Further, by the execution hereof, the Borrower agrees to indemnify and hold harmless the Administrative Agent and the Lenders and the Issuing Lenders and their respective directors, officers, employees and agents (each, an "Indemnified Party") from and against any and all expenses (including reasonable fees and disbursements of counsel), losses, claims, damages and liabilities arising out of any claim, litigation, investigation or proceeding (regardless of whether any such Indemnified Party is a party thereto) in any way relating to the transactions contemplated hereby, but excluding therefrom all expenses, losses, claims, damages, and liabilities arising out of or resulting from the gross negligence or willful misconduct of the Indemnified Party seeking indemnification, provided, however, that the Borrower shall not be liable for the fees and expenses of more than one separate firm for all such Indemnified Parties in connection with any one such action or any separate but substantially similar or related actions in the same jurisdiction, nor shall the Borrower be liable for any settlement of any proceeding effected without the Borrower's written consent, and provided further, however, that this Section 9.5 shall not be construed to expand the scope of the Borrower's reimbursement obligations specified in Section 9.4. The obligations of the Borrower under this Section 9.5 shall survive the termination of this Agreement and/or payment of the Loans and/or the expiration of the Letters of Credit.

SECTION 9.6. CHOICE OF LAW.

THIS AGREEMENT AND THE NOTES HAVE BEEN EXECUTED AND DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF SUCH STATE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE AND, IN THE CASE OF PROVISIONS RELATING TO INTEREST RATES, ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

SECTION 9.7. NO WAIVER.

No failure on the part of the Administrative Agent, any Lender or any Issuing Lender to exercise, and no delay in exercising, any right, power or remedy hereunder or under the Notes or with regards to the Letters of Credit shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

SECTION 9.8. EXTENSION OF MATURITY.

Except as otherwise specifically provided in Article 1 or 8 hereof, should any payment of principal of or interest on the Notes or any other amount due hereunder become due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, in the case of principal, interest shall be payable thereon at the rate herein specified during such extension.

SECTION 9.9. AMENDMENTS, ETC.

No modification, amendment or waiver of any provision of this Agreement, and no consent to any departure by the Borrower herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed or consented to in writing by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given; provided, however, that no such modification or amendment shall without the written consent of each Lender affected thereby (x) increase or extend the expiration date of the Commitment of a Lender or postpone or waive any scheduled reduction in the Commitments, or (y) alter the stated maturity or principal amount of any installment of any Loan (or any reimbursement obligation with respect to a Letter of Credit) or decrease the rate of interest payable thereon or extend the scheduled date of any payment thereof, or the rate at which the Facility Fees, Utilization Fees or letter of credit fees accrue or (z) waive a default under Section 7(b) hereof with respect to a scheduled principal installment of any Loan; and provided, further that no such modification or amendment shall without the written consent of all of the Lenders (i) amend or modify any provision of this Agreement which provides for the unanimous consent or approval of the Lenders, or (ii) amend this Section 9.9 or the definition of Required Lenders; and provided, further that no such modification or amendment shall decrease the Commitment of any Lender without the written consent of such Lender. No such amendment or modification may adversely affect the rights and obligations of the Administrative Agent or any Issuing Lender hereunder without its prior written consent. No notice to or demand on the Borrower shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Each holder of a Note shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not a Note shall have been marked to indicate such amendment, modification, waiver or consent and any consent by any holder of a Note shall bind any Person subsequently acquiring a Note, whether or not a Note is so marked.

SECTION 9.10. SEVERABILITY.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 9.11. SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

(a) THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF NEW YORK LOCATED IN NEW YORK COUNTY AND TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF BROUGHT BY THE ADMINISTRATIVE AGENT, A LENDER OR AN ISSUING LENDER. THE BORROWER TO THE EXTENT PERMITTED BY APPLICABLE LAW (A) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS, ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF THE ABOVE-NAMED COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS AGREEMENT OR THE SUBJECT MATTER HEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT, AND (B) HEREBY WAIVES THE RIGHT TO ASSERT IN ANY SUCH ACTION, SUIT OR PROCEEDING ANY OFFSETS OR COUNTERCLAIMS EXCEPT COUNTERCLAIMS THAT ARE COMPULSORY OR OTHERWISE ARISE FROM THE SAME SUBJECT MATTER. THE BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS BY MAIL AT ITS ADDRESS TO WHICH NOTICES ARE TO BE GIVEN PURSUANT TO SECTION 9.1 HEREOF. THE BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF THE ADMINISTRATIVE AGENT, THE LENDERS AND EACH ISSUING LENDER. FINAL JUDGMENT AGAINST THE BORROWER IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION (A) BY SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, A CERTIFIED OR TRUE COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND THE AMOUNT OF INDEBTEDNESS OR LIABILITY OF THE SUBMITTING PARTY THEREIN DESCRIBED OR (B) IN ANY OTHER MANNER PROVIDED BY, OR PURSUANT TO, THE LAWS OF SUCH OTHER JURISDICTION, PROVIDED, HOWEVER, THAT THE ADMINISTRATIVE AGENT, A LENDER OR AN ISSUING LENDER MAY AT IS OPTION BRING SUIT, OR INSTITUTE OTHER JUDICIAL PROCEEDINGS AGAINST THE BORROWER OR ANY OF ITS ASSETS IN ANY STATE OR FEDERAL COURT OF THE UNITED STATES OR OF ANY COUNTRY OR PLACE WHERE THE BORROWER OR SUCH ASSETS MAY BE FOUND.

(b) TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT

OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING OR WHETHER IN CONTRACT OR TORT OR OTHERWISE. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED THAT THE PROVISIONS OF THIS SECTION 9.11(b) CONSTITUTE A MATERIAL INDUCEMENT UPON WHICH THE OTHER PARTIES HAVE RELIED, ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. THE PARTIES HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 9.11(b) WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF SUCH OTHER PARTY TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY.

SECTION 9.12. HEADINGS.

Section headings used herein are for convenience only and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

SECTION 9.13. EXECUTION IN COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same instrument.

SECTION 9.14. ENTIRE AGREEMENT.

This Agreement represents the entire agreement of the parties with regard to the subject matter hereof and the terms of any letters and other documentation entered into among the Borrower, the Administrative Agent or any Lender (other than the provisions of the letter agreement dated August 20, 2001, among the Borrower, Chase and J.P. Morgan Securities Inc., relating to fees and expenses and syndication issues) prior to the execution of this Agreement which relate to Loans to be made or the Letters of Credit to be issued hereunder shall be replaced by the terms of this Agreement.

SECTION 9.15. CONFIDENTIALITY.

Each of the Administrative Agent and the Lenders agrees to keep confidential all non-public information provided to it by the Borrower and its Subsidiaries pursuant to this Agreement that is designated by the Borrower as confidential; PROVIDED that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate of any Lender, (b) to any participant or assignee (each, a "TRANSFeree") of such Lender or prospective Transferee which agrees to comply with the provisions of this Section, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) upon the request or demand of any governmental or regulatory authority having jurisdiction over it, (e) in response to any order of any court or other governmental authority or as may otherwise be required pursuant to any requirement of

Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) which has been publicly disclosed other than in breach of this Section 9.15, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (i) in connection with the exercise of any remedy hereunder or under any other Fundamental Document.

SECTION 9.16. DELIVERY OF ADDENDA.

Each initial Lender shall become a party to this Agreement by delivering to the Administrative Agent an Addendum duly executed by such Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and the year first above written.

CENDANT CORPORATION

By: /s/ Kevin M. Sheehan
Name: Kevin M. Sheehan
Title: Chief Financial Officer

THE CHASE MANHATTAN BANK, as
Administrative Agent and Lender

By: /s/ Randolph E. Cates
Name: Randolph E. Cates
Title: Vice President

BANK OF AMERICA, N.A., as Syndication Agent
and Lender

By: /s/ Igor Suica
Name: Igor Suica
Title: Vice President

THE BANK OF NOVA SCOTIA, as
Co-Documentation Agent and as Lender

By: /s/ Brian Allen
Name: Brian Allen
Title: Managing Director

CREDIT LYONNAIS NEW YORK BRANCH, as
Co-Documentation Agent and as Lender

By: /s/ Rod Hurst
Name: Rod Hurst
Title: Vice President

INDEPENDENT AUDITORS' CONSENT

We consent to the inclusion of our report dated January 26, 2001, except as to Note 15 which is as of February 22, 2001, with respect to the consolidated balance sheets of Galileo International, Inc. and subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000, and to the incorporation by reference in Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, 333-86469, 333-59244, 333-59246, and 333-59742 of Cendant Corporation on Form S-3, Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303, 333-78475, 333-38638, 333-51544, 333-58670, and 333-71250 of Cendant Corporation on Form S-8, and Registration Statement No. 333-64738 of Cendant Corporation on Form S-4 under the Securities Act of 1933 of such report which appears in the Form 8-K of Cendant Corporation dated October 12, 2001.

/s/ KPMG LLP
Chicago, Illinois
October 11, 2001

GALILEO INTERNATIONAL, INC.
YEAR ENDED DECEMBER 31, 2000
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Independent Auditors' Report

The Board of Directors
Galileo International, Inc.:

We have audited the accompanying consolidated balance sheets of Galileo International, Inc. and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Galileo International, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
January 26, 2001, except as to Note 15, which is as of February 22, 2001.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31,	
	2000	1999
ASSETS	-----	-----
Current assets:		
Cash and cash equivalents	\$ 2,460	\$ 1,794
Accounts receivable:		
Trade receivables and other	178,549	166,885
Due from affiliates	23,001	19,057
	-----	-----
Less allowances	201,550	185,942
	9,351	7,819
	-----	-----
Net accounts receivable	192,199	178,123
Deferred tax assets	17,794	15,338
Prepaid expenses	18,158	13,240
Other current assets	14,084	21,955
	-----	-----
Total current assets	244,695	230,450
Property and equipment, at cost:		
Land	6,470	6,470
Buildings and improvements	76,452	72,219
Equipment	416,406	354,686
	-----	-----
Less accumulated depreciation	499,328	433,375
	288,651	242,498
	-----	-----
Net property and equipment	210,677	190,877
Computer software, at cost	480,598	430,706
Less accumulated amortization	320,328	269,912
	-----	-----
Net computer software	160,270	160,794
Intangible assets, at cost:		
Customer lists	426,564	406,614
Goodwill	380,014	189,097
Other	87,214	64,167
	-----	-----
Less accumulated amortization	893,792	659,878
	173,580	87,742
	-----	-----
Net intangible assets	720,212	572,136
Long-term investments	15,706	29,033
Other noncurrent assets	127,699	71,903
	-----	-----
	\$ 1,479,259	\$ 1,255,193
	=====	=====

(Continued)

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS (continued)
(in thousands, except share data)

	December 31,	
	2000	1999

LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Accounts payable:		
Trade payables and other	\$ 73,825	\$ 45,676
Due to affiliates	3,088	2,358
	-----	-----
	76,913	48,034
Accrued commissions	34,471	33,722
Accrued compensation and benefits	20,709	19,939
Income taxes payable	1,234	2,785
Other accrued liabilities	89,283	93,663
Capital lease obligations, current portion	1,638	110
Long-term debt, current portion	212,654	121,000
	-----	-----
Total current liabilities	436,902	319,253
Pension and postretirement benefits	79,285	68,466
Deferred tax liabilities	35,398	14,656
Other noncurrent liabilities	25,427	24,741
Capital lease obligations, less current portion	2,619	92
Long-term debt, less current portion	434,392	434,392
	-----	-----
Total liabilities	1,014,023	861,600
Stockholders' equity:		
Special voting preferred stock: \$.01 par value; 7 shares authorized; 3 shares issued and outstanding	---	---
Preferred stock: \$.01 par value; 25,000,000 shares authorized; no shares issued	---	---
Common stock: \$.01 par value; 250,000,000 shares authorized; 105,232,696 and 105,038,035 shares issued; 88,311,977 and 89,999,435 shares outstanding	1,052	1,050
Additional paid-in capital	682,988	671,615
Retained earnings	357,008	368,843
Unamortized restricted stock grants	(1,963)	(2,761)
Accumulated other comprehensive income	(4,493)	(2,866)
Common stock held in treasury, at cost: 16,920,719 and 15,038,600 shares	(569,356)	(642,288)
	-----	-----
Total stockholders' equity	465,236	393,593
	-----	-----
	\$ 1,479,259	\$ 1,255,193
	=====	=====

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)

	Year ended December 31,		
	2000	1999	1998
Revenues:			
Electronic global distribution services	\$ 1,561,464	\$ 1,452,101	\$ 1,342,705
Information services	81,834	74,001	138,113
	1,643,298	1,526,102	1,480,818
Operating expenses:			
Cost of operations	585,752	527,716	568,271
Commissions, selling and administrative	701,447	613,617	554,509
Special charges (Recovery of) - restructurings	1,736	(11,359)	26,460
Special charges - services agreements	19,725	83,226	---
Special charge - in-process research and development write-off	7,000	---	---
	1,315,660	1,213,200	1,149,240
Operating income	327,638	312,902	331,578
Other income (expense):			
Interest expense, net	(44,925)	(16,004)	(9,629)
Other, net	(16,839)	64,374	3,532
Income before income taxes	265,874	361,272	325,481
Income taxes	116,985	143,064	129,867
Net income	\$ 148,889	\$ 218,208	\$ 195,614
Weighted average shares outstanding			
	89,972,364	98,140,621	104,796,282
Basic earnings per share			
	\$ 1.65	\$ 2.22	\$ 1.87
Diluted weighted average shares outstanding			
	90,350,120	98,813,522	105,186,241
Diluted earnings per share			
	\$ 1.65	\$ 2.21	\$ 1.86

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31,		
	2000	1999	1998
Operating activities:			
Net income	\$ 148,889	\$ 218,208	\$ 195,614
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	217,651	166,299	172,537
Loss (gain) on sale of assets	324	(58,347)	(419)
Impairment write-down of minority ownership investments	10,186	---	---
Write-off of in-process research and development	7,000	---	---
Unrealized gain on trading securities	---	(10,492)	---
Deferred income taxes, net	4,280	6,516	(5,167)
Changes in operating assets and liabilities, net of effects from acquisition of businesses:			
Accounts receivable, net	(3,861)	(1,209)	(8,149)
Other current assets	8,148	3,194	(2,826)
Noncurrent assets	(33,919)	(18,299)	(28,428)
Accounts payable and accrued commissions	(456)	3,111	2,903
Accrued liabilities	(9,871)	(13,848)	30,258
Income taxes payable	(1,534)	(8,794)	10,140
Noncurrent liabilities	16,178	(5,962)	12,615
Other	2,036	798	---
Net cash provided by operating activities	365,051	281,175	379,078
Investing activities:			
Purchase of property and equipment	(55,498)	(84,445)	(89,442)
Purchase and capitalization of computer software	(52,955)	(20,657)	(23,496)
Proceeds on sale of assets	1,441	60,470	3,750
Acquisition of businesses, net of cash acquired in 2000 and 1998 of \$15,551 and \$3,576, respectively	(128,861)	---	(50,433)
Purchase of debt and equity securities	(32,421)	(35,290)	(5,076)
Net cash used in investing activities	(268,294)	(79,922)	(164,697)
Financing activities:			
Borrowings under credit agreements	190,000	574,000	49,392
Repayments under credit agreements	(99,000)	(88,128)	(230,004)
Repurchase of common stock for treasury	(154,640)	(635,523)	(6,765)
Dividends paid to stockholders	(32,356)	(33,940)	(29,871)
Payments of capital lease obligations	(510)	(27,701)	(7,311)
Other financing activities	298	3,363	787
Net cash used in financing activities	(96,208)	(207,929)	(223,772)
Effect of exchange rate changes on cash	117	(1,358)	(148)
Increase (decrease) in cash and cash equivalents	666	(8,034)	(9,539)
Cash and cash equivalents at beginning of year	1,794	9,828	19,367
Cash and cash equivalents at end of year	\$ 2,460	\$ 1,794	\$ 9,828

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Special Voting Preferred Stock -----	Common Stock -----	Additional Paid - in Capital -----	Retained Earnings -----
Balance at December 31, 1997	\$ -	\$ 1,048	\$ 663,688	\$ 18,832
Comprehensive income:				
Net income	-	-	-	195,614
Foreign currency translation adjustments	-	-	-	-
Comprehensive income				
Issuance of 97,900 shares of restricted stock	-	1	3,991	-
Amortization of restricted stock grants	-	-	-	-
Issuance of 33,150 shares of Common stock under employee stock option plans	-	-	787	-
Repurchase of 169,100 shares of Common stock for treasury	-	-	-	-
Dividends paid (\$0.285 per share)	-	-	-	(29,871)
	-----	-----	-----	-----
Balance at December 31, 1998	-	1,049	668,466	184,575
Comprehensive income:				
Net income	-	-	-	218,208
Unrealized holding losses on marketable securities	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Other comprehensive income (loss)	-	-	-	-
Comprehensive income				
Amortization of restricted stock grants	-	-	-	-
Issuance of 107,285 shares of Common stock under employee stock option plans	-	1	3,149	-
Repurchase of 14,869,500 shares of Common stock for treasury	-	-	-	-
Retirement of 4 shares of Special voting preferred stock	-	-	-	-
Dividends paid (\$0.345 per share)	-	-	-	(33,940)
	-----	-----	-----	-----
Balance at December 31, 1999	-	1,050	671,615	368,843
Comprehensive income:				
Net income	-	-	-	148,889
Unrealized holding gains on marketable securities	-	-	-	-
Reclassification adjustment for losses included in net income	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Other comprehensive income (loss)	-	-	-	-
Comprehensive income				
Amortization of restricted stock grants	-	-	-	-
Issuance of 194,661 shares of Common stock under employee stock option plans	-	2	494	-
Issuance of stock options upon acquisition of TRIP.com	-	-	10,879	-
Issuance of 5,499,630 shares of Common stock from treasury to acquire TRIP.com	-	-	-	(127,917)
Issuance of 21,199 shares of Common stock from treasury under employee stock purchase plan	-	-	-	(451)
Repurchase of 7,402,948 shares of Common stock for treasury	-	-	-	-
Dividends paid (\$0.36 per share)	-	-	-	(32,356)
	-----	-----	-----	-----
Balance at December 31, 2000	\$ - =====	\$ 1,052 =====	\$ 682,988 =====	\$ 357,008 =====

	Unamortized Restricted Stock Grants	Accumulated Other Comprehensive Income	Treasury Stock	Total
	-----	-----	-----	-----
Balance at December 31, 1997	\$ -	\$ 128	\$ -	\$ 683,696
Comprehensive income:				
Net income	-	-	-	195,614
Foreign currency translation adjustments	-	(1,267)	-	(1,267)
Comprehensive income				194,347
Issuance of 97,900 shares of restricted stock	(3,992)	-	-	-
Amortization of restricted stock grants	433	-	-	433
Issuance of 33,150 shares of Common stock under employee stock option plans	-	-	-	787
Repurchase of 169,100 shares of Common stock for treasury	-	-	(6,765)	(6,765)
Dividends paid (\$0.285 per share)	-	-	-	(29,871)
	-----	-----	-----	-----
Balance at December 31, 1998	(3,559)	(1,139)	(6,765)	842,627
Comprehensive income:				
Net income	-	-	-	218,208
Unrealized holding losses on marketable securities	-	(1,122)	-	(1,122)
Foreign currency translation adjustments	-	(605)	-	(605)
Other comprehensive income (loss)				(1,727)
Comprehensive income				216,481
Amortization of restricted stock grants	798	-	-	798
Issuance of 107,285 shares of Common stock under employee stock option plans	-	-	-	3,150
Repurchase of 14,869,500 shares of Common stock for treasury	-	-	(635,523)	(635,523)
Retirement of 4 shares of Special voting preferred stock	-	-	-	-
Dividends paid (\$0.345 per share)	-	-	-	(33,940)
	-----	-----	-----	-----
Balance at December 31, 1999	(2,761)	(2,866)	(642,288)	393,593
Comprehensive income:				
Net income	-	-	-	148,889
Unrealized holding gains on marketable securities	-	686	-	686
Reclassification adjustment for losses included in net income	-	1,122	-	1,122
Foreign currency translation adjustments	-	(3,435)	-	(3,435)
Other comprehensive income (loss)				(1,627)
Comprehensive income				147,262
Amortization of restricted stock grants	798	-	-	798
Issuance of 194,661 shares of Common stock under employee stock option plans	-	-	-	496
Issuance of stock options upon acquisition of TRIP.com	-	-	-	10,879
Issuance of 5,499,630 shares of Common stock from treasury to acquire TRIP.com	-	-	226,842	98,925
Issuance of 21,199 shares of Common stock from treasury under employee stock purchase plan	-	-	730	279
Repurchase of 7,402,948 shares of Common stock for treasury	-	-	(154,640)	(154,640)
Dividends paid (\$0.36 per share)	-	-	-	(32,356)
	-----	-----	-----	-----
Balance at December 31, 2000	\$ (1,963)	\$ (4,493)	\$ (569,356)	\$ 465,236
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(in thousands, except share data)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Galileo International, Inc. (the "Company"), incorporated in the state of Delaware, is one of the world's leading providers of electronic global distribution services for the travel industry utilizing a computerized reservation system ("CRS"). The Company provides travel agencies and other subscribers with the ability to access schedule and fare information, book reservations and issue tickets for airlines. The Company also provides subscribers with information and booking capability covering car rental companies and hotel properties throughout the world. Through its wholly owned subsidiary, Quantitude, Inc. ("Quantitude"), the Company also provides enterprise networking services to customers both in and outside of the travel industry. The Company distributes its products and services in 107 countries on six continents.

Principles of Consolidation and Business Acquisitions

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

In 1999, the Company acquired a minority equity interest in TRIP.com, Inc. ("TRIP.com"), an online travel services and technology provider. On March 10, 2000, the Company purchased the remaining 81% ownership interest in TRIP.com for \$214,390 in a combined cash and stock transaction. The Company paid \$104,586 in cash and issued 5,499,630 shares of Common Stock, previously held in treasury, valued at \$98,925. In addition, the Company converted all outstanding stock options of TRIP.com into the Company's stock options (the "Converted Options") at an estimated fair value of \$10,879.

The following unaudited pro forma financial information presents a summary of consolidated results of operations of the Company and TRIP.com as if the acquisition had occurred on January 1, 1999:

	Year ended December 31,	
	2000	1999
	-----	-----
Revenues	\$ 1,645,870	\$ 1,536,776
Net income	142,459	153,688
Basic earnings per share	1.57	1.48
Diluted earnings per share	1.56	1.47

These unaudited pro forma results include adjustments for additional amortization of goodwill and other intangible assets. Additionally, the pro forma operating results include pro forma interest expense on the assumed acquisition borrowings to finance the cash portion of the TRIP.com acquisition; pro forma adjustments to the provision for income taxes to reflect the effect of non-deductible amortization of goodwill and other intangible assets; and pro forma adjustments to the weighted average shares outstanding and diluted weighted average shares outstanding used in the earnings per share calculations for the issuance of the Company's Common Stock and the dilutive effect of the Converted Options outstanding, respectively.

The results of operations reflected in the pro forma information are not necessarily indicative of the results which would have been reported if the TRIP.com acquisition had occurred at the beginning of the periods presented, or of the future operations of the consolidated entities.

Also during 2000, the Company acquired Terren Corporation ("Terren"), a developer of client-server software for business databases, data communications and information management, and Travel Automation Services Limited ("Galileo UK"), the Company's national distribution company ("NDC") in the United Kingdom. Terren and Galileo UK were acquired on March 8 and April 14, 2000 at purchase prices of \$2,592 and \$19,992, respectively. The purchase price for Terren consisted of \$1,405 in cash payments and the assumption of a note payable and accrued interest totaling \$1,187. The purchase price for Galileo UK consisted entirely of cash. In connection with the acquisition of Galileo UK, the Company terminated certain revenue sharing obligations in exchange for \$10,051 in cash paid on the acquisition date. The related intangible asset is being amortized over 17 years. The pro forma effects of these acquisitions are not significant.

In connection with all of the 2000 acquisitions, the Company incurred expenses of \$8,378, which have been accounted for as part of the purchase prices. The Company accounted for these acquisitions using the purchase method of accounting. Accordingly, the costs of these acquisitions were allocated to the assets acquired and liabilities assumed based on their respective fair values. Goodwill and other intangible assets related to the cost of these acquisitions are being amortized over 3 to 20 years. The resulting amortization is included in cost of operations expenses. The results of operations and cash flows of TRIP.com, Terren and Galileo UK have been consolidated with those of the Company from the date of each acquisition.

During 1998, the Company acquired a Florida-based airline information systems company, S. D. Shepherd Systems, Inc. ("Shepherd Systems") and two NDCs: Galileo Nordiska AB ("Nordiska") and Galileo Canada Distributions Systems, Inc. ("Galileo Canada"). Nordiska, Galileo Canada and Shepherd Systems were acquired on January 1, June 1 and November 19, 1998 at purchase prices of \$2,066, \$34,392, and \$16,740, respectively. In connection with the acquisitions, the Company also incurred expenses of \$811, which have been accounted for as part of the purchase prices. The Company accounted for the acquisitions using the purchase method of accounting. Accordingly, the costs of the acquisitions were allocated to the assets acquired and liabilities assumed based on their respective fair values. Goodwill related to the cost of the acquisitions is being amortized over 10 to 25 years and is included in cost of operations expenses. The results of operations and cash flows of the acquired companies have been consolidated with those of the Company from the date of each acquisition. In connection with the acquisition of Galileo Canada, the Company incurred \$34,392 of debt under a five-year term loan agreement.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2000 presentation.

Foreign Currency Translation

The Company uses the U.S. dollar for financial reporting purposes as substantially all of the Company's billings are in U.S. dollars. The balance sheets of the Company's foreign subsidiaries are translated into U.S. dollars using the balance sheet date exchange rate, and revenues and expenses are translated using the average exchange rate. The resulting translation gains and losses are recorded as a separate component of stockholders' equity. Foreign currency transaction gains and losses are reflected in the consolidated statements of income.

Cash and Cash Equivalents

Cash in excess of operating requirements is invested daily in liquid, income-producing investments, having maturities of three months or less. The carrying amounts reported on the consolidated balance sheets for cash equivalents include cost and accrued interest, which approximate fair value.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, excluding non-marketable equity securities (as discussed in Note 6) and derivative financial instruments, are reasonable estimates of their fair value.

Allowance for Doubtful Accounts Receivable

The allowance for doubtful accounts receivable was \$9,351, \$7,819, and \$13,747 at December 31, 2000, 1999, and 1998, respectively. Provisions for bad debts were \$5,371, \$2,569, and \$(3,862) for the years ended December 31, 2000, 1999, and 1998, respectively. Write-offs of uncollectible accounts were \$5,948, \$9,763, and \$5,124 for the years ended December 31, 2000, 1999, and 1998, respectively. The 1998 provision includes a \$7,548 recovery settlement related to a contractual dispute from a prior year.

Accounting for the Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," requires that long-lived assets and certain identifiable intangibles to be held and used by any entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an indication of a potential impairment exists, recoverability of the respective assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate, to the carrying amount, including associated intangible assets, of such operation. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets. In determining the estimated future cash flows, the Company considers current and projected future levels of income as well as business trends, prospects and market and economic conditions.

The carrying amount of the Company's long-lived assets at December 31, 2000 and 1999 primarily represents the original amounts invested less the recorded depreciation and amortization. Management believes the carrying amount of these investments is not impaired.

Property and Equipment

Depreciation of property and equipment is provided on the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	3-31 years
Equipment	3-10 years

Depreciation expense for the years ended December 31, 2000, 1999, and 1998 was \$77,979, \$79,111, and \$83,724, respectively.

Computer Software

Effective January 1, 1998, the Company adopted the provisions of Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Accordingly, certain costs to develop internal-use computer software are being capitalized. Prior to 1998, the Company capitalized certain software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed." The ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including but not limited to estimated economic life and changes in software and hardware technology.

Computer software consists principally of purchased computer software and capitalized computer software development costs. Amortization is provided on a straight-line method over estimated useful lives of 3 to 10 years. Amortization expense for the years ended December 31, 2000, 1999, and 1998 was \$53,740, \$49,384, and \$52,688, respectively.

Intangible Assets

Intangible assets are amortized on the straight-line method over the following useful lives:

Customer lists	3-17 years
Goodwill	3-25 years
Other	3-17 years

Amortization expense for the years ended December 31, 2000, 1999, and 1998 was \$85,932, \$37,804, and \$35,692, respectively.

Investments

The Company strategically invests in certain equity securities of technology, travel and Internet-related companies in order to strengthen its core product offerings or to enhance its technological infrastructure. The Company classifies its marketable equity securities into trading and available-for-sale categories in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's trading securities are reported at fair value with unrealized gains and losses reported in other income or expense. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains or losses, and other than temporary declines in value, if any, on equity securities are reported in other income or expense as incurred. Investments in equity securities are accounted for under the cost or equity method as appropriate under APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." For non-quoted investments, the Company's

policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. The Company identifies and records impairment on these investments in privately-held companies when events and circumstances indicate that such assets might be impaired.

Revenue Recognition

Fees are charged to airline, car rental, hotel and other travel suppliers for bookings made through the Company's CRS and are dependent upon the level and usage of functionality within the CRS at which the supplier participates. Booking fee revenue is recognized at the time the reservation is made for air bookings, at the time of pick-up for car bookings, and at the time of check-out for hotel bookings.

Research and Development

Research and development costs, excluding amortization of computer software, are expensed as incurred and were \$7,052, \$6,205, and \$4,786 for the years ended December 31, 2000, 1999, and 1998, respectively.

Derivative Financial Instruments

In the normal course of business, portions of the Company's expenses are subject to fluctuations in currency values and interest rates. The Company addresses these risks through a controlled program of risk management that includes the use of derivative financial instruments. To some degree, the Company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but management does not expect any counterparties to fail to meet their obligations given their high credit ratings. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company enters into foreign exchange forward contracts to manage exposure to fluctuations in foreign exchange rates related to the funding of its European and Canadian operations. The Company accounts for such contracts by recording any unrealized gains or losses in income each reporting period. At December 31, 2000, the Company had no foreign exchange forward contracts outstanding. At December 31, 1999 and 1998, the notional principal amounts of outstanding forward contracts were \$19,635 and \$31,123, respectively. The fair value of outstanding forward contracts at December 31, 1999 and 1998 was \$32 and \$821, respectively.

The Company has also entered into interest rate swap agreements to convert portions of its variable rate debt to fixed rate. The Company accounts for its interest rate swap agreements as a hedge of its interest rate exposure. (See Note 8 for further information regarding the Company's interest rate agreements.)

Income Taxes

The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109"). Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings per Share

Basic earnings per share data for the years ended December 31, 2000, 1999 and 1998 is calculated based on the weighted average shares outstanding for the period. Diluted earnings per share is calculated as if the Company had additional Common Stock outstanding from the beginning of the year or the date of grant for all dilutive stock options, net of assumed repurchased shares using the treasury stock method. This resulted in increases in the weighted average number of shares outstanding for the years ended December 31, 2000, 1999 and 1998 of 377,756, 672,901, and 389,959, respectively. At December 31, 2000, 1999 and 1998, options totaling 4,208,528, 2,051,981, and 1,837,900, respectively, were excluded from the calculations as their effect was antidilutive.

2. TRANSACTIONS WITH AFFILIATES

Airline stockholders, in aggregate, owned 64.9% of the Company's outstanding Common Stock at December 31, 1998, with only United Air Lines, Inc. ("United Airlines") and KLM deemed to be affiliates due to indirect ownership, individually, greater than 10% of the Company's outstanding Common Stock. In June 1999, the Company completed a secondary offering of its Common Stock, and also repurchased shares from an airline stockholder. As of December 31, 2000 and 1999, the percentage of the Company's outstanding Common Stock owned by airline stockholders was 27.5% and 27.0%, respectively, with only United Airlines deemed to be an affiliate. (See Note 10 for further information regarding the secondary offering and repurchase of shares by the Company.)

The Company recognized electronic global distribution services revenues, primarily in the form of booking fees, from affiliates totaling \$133,333, \$138,361, and \$170,346 for the years ended December 31, 2000, 1999, and 1998, respectively. The Company also received information services revenues from affiliates totaling \$70,922, \$65,392, and \$128,839 for the years ended December 31, 2000, 1999, and 1998, respectively. Total revenues from United Airlines of \$204,255, \$203,753, and \$269,942 were greater than 10% of the Company's revenues for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company, in the ordinary course of business, purchases services from affiliates. Services purchased from affiliates and classified within commissions, selling and administrative expenses totaled \$3,669, \$4,715, and \$15,623 for the years ended December 31, 2000, 1999, and 1998, respectively.

In July 1997, the Company entered into certain services agreements with airline stockholders to provide fare quotation services, internal reservation services, other internal management services and software development services. The Company will provide the fare quotation services under existing pricing arrangements for a period of approximately five years. In December 1999, the Company amended the agreement under which it provides certain of the above mentioned services to United Airlines. This amendment, which went into effect on January 1, 2000, extends the length of the agreement for an additional five years.

3. EMPLOYEE PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company has defined benefit pension plans and other postretirement benefit plans that cover substantially all U.S. employees. Other benefits include health care benefits provided to retired U.S. employees and retiree flight benefits provided to certain former United Airlines employees. The Company has no significant postretirement health care benefit plans outside of the United States. The majority of its

U.S. employees may become eligible for these benefits if they reach normal retirement age while working for the Company.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ending December 31, 2000 and 1999, and a statement of the funded status as of December 31, 2000 and 1999:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
RECONCILIATION OF BENEFIT OBLIGATION				
Obligation at January 1	\$ 114,693	\$ 113,430	\$ 42,647	\$ 43,416
Service cost	7,861	8,101	2,036	2,189
Interest cost	9,911	8,321	3,785	3,067
Actuarial loss (gain)	10,542	(13,203)	6,406	(5,594)
Benefit payments	(3,735)	(1,956)	(763)	(431)
Obligation at December 31	\$ 139,272	\$ 114,693	\$ 54,111	\$ 42,647
RECONCILIATION OF FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets at January 1	\$ 118,897	\$ 99,757	\$ -	\$ -
Actual return on plan assets	(7,186)	21,078	-	-
Employer contributions	190	18	763	431
Benefit payments	(3,735)	(1,956)	(763)	(431)
Fair value of plan assets at December 31	\$ 108,166	\$ 118,897	\$ -	\$ -
FUNDED STATUS				
Funded status at December 31	\$ (31,106)	\$ 4,204	\$ (54,111)	\$ (42,647)
Unrecognized transition obligation	1,741	1,990	-	-
Unrecognized prior-service cost	1,797	2,379	(1,077)	(1,227)
Unrecognized (gain) loss	(1,946)	(32,121)	5,469	(937)
Net amount recognized	\$ (29,514)	\$ (23,548)	\$ (49,719)	\$ (44,811)

The following table provides the amounts recognized in the consolidated balance sheets as of December 31, 2000 and 1999:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Accrued benefit liability	\$ (29,514)	\$ (23,548)	\$ (49,719)	\$ (44,811)
Additional minimum liability	(51)	(107)	-	-
Intangible asset	51	107	-	-
Net amount recognized	\$ (29,514)	\$ (23,548)	\$ (49,719)	\$ (44,811)

The Company's nonqualified pension plan was the only pension plan with an accumulated benefit obligation in excess of plan assets. The plan's accumulated benefit obligation was \$1,142 and \$900 at December 31, 2000 and 1999, respectively. There are no plan assets in the nonqualified plan due to the

nature of the plan. The Company's plans for postretirement benefits other than pensions also have no plan assets. The aggregate benefit obligation for those plans was \$54,111 and \$42,647 as of December 31, 2000 and 1999, respectively.

The following table provides the components of net periodic benefit cost for the plans for years ended December 31, 2000, 1999, and 1998:

	Pension Benefits			Other Benefits		
	2000	1999	1998	2000	1999	1998
Service cost	\$ 7,861	\$ 8,101	\$ 6,964	\$ 2,036	\$ 2,189	\$ 1,910
Interest cost	9,911	8,321	7,178	3,785	3,067	2,733
Expected return on plan assets	(11,165)	(9,376)	(7,500)	-	-	-
Amortization of transition obligation	249	249	249	-	-	-
Amortization of prior-service cost	582	582	582	(150)	(150)	(259)
Amortization of net loss (gain)	(1,281)	21	16	-	41	-
Net periodic benefit cost	\$ 6,157	\$ 7,898	\$ 7,489	\$ 5,671	\$ 5,147	\$ 4,384

The prior-service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The assumptions used in the measurement of the Company's benefit obligation are shown in the following table:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Weighted average assumptions as of December 31:				
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	9.50%	9.50%	N/A	N/A
Rate of compensation increase	4.50%	4.75%	N/A	N/A

The health care trend rate used to determine the accumulated postretirement benefit obligation was 10% for 2000, decreasing by 1% each year until reaching 4% for the year 2006 and beyond.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	\$ 240	\$ (212)
Effect on the health care component of the accumulated postretirement benefit obligation	1,990	(1,848)

The Company has a defined contribution pension plan covering a majority of the United Kingdom employees which requires the Company to annually contribute approximately 10% of eligible employee compensation on behalf of each participant. The Company's contributions to the plan were \$1,007, \$1,661, and \$2,319 during the years ended December 31, 2000, 1999, and 1998, respectively.

The Company offers its U.S.-based employees a 401(k) savings plan. Employees can elect to contribute pretax earnings, as limited by the Internal Revenue Code, to their account and can determine how the money is invested from a selection of options offered by the Company. The Company's contributions, matching participating employees' contributions up to a designated level, were \$2,972, \$2,818, and \$2,705 during the years ended December 31, 2000, 1999, and 1998, respectively.

4. SPECIAL CHARGES

(See Note 9 for discussion of the special charges related to the services agreements.)

The Company recorded a special charge of \$1,736 (\$972 after tax) during the year ended December 31, 2000 related to the integration of Galileo UK into the Company's operations. The special charge was comprised of \$1,457 in severance costs related to the termination of 29 employees, and \$279 in facilities expenses. As of December 31, 2000, \$620 of severance related costs have been paid and charged against the liability and 15 employees have been terminated. The estimated remaining liability at December 31, 2000 related to the integration of Galileo UK was \$1,139 and is included in the accompanying consolidated balance sheet.

The Company recorded a special charge of \$7,000 (non-tax deductible) during the year ended December 31, 2000 to write off in-process research and development costs related to the acquisition of TRIP.com.

The Company recorded special charges of \$26,460 (\$15,902 after tax) during the year ended December 31, 1998 related to a strategic realignment of the Company's operations in the United Kingdom and, to a lesser degree, other realignments within the Company. These special charges were comprised primarily of \$15,025 in severance costs related to the termination of 399 employees, primarily in the development and marketing groups, and \$11,435 of other costs, principally related to the closing of the remaining Swindon, U.K. facilities. As of December 31, 2000, \$16,202 of severance costs have been paid and charged against the liability and 373 employees have been terminated. The realignment activities have been completed as of December 31, 2000. Also related to the closing of Swindon, U.K. facilities, in 1993 the Company, formerly Covia Partnership, combined with The Galileo Company Ltd. and consolidated its two data center facilities resulting in the closing of the Swindon, U.K. data center. In connection therewith, the estimated cost of the consolidation was charged to expense. During 1999, the Company was successful in assigning a Swindon, U.K. facility lease at market rates, resulting in recognition of an \$11,359 one-time recovery of previously reserved facilities expenses. At December 31, 2000 and 1999, the estimated remaining liabilities for all of the above-mentioned restructuring activities, principally related to facility closure costs, were \$6,990 and \$10,220, respectively, and are included in the accompanying consolidated balance sheets.

5. INCOME TAXES

For financial reporting purposes, income before income taxes includes the following components:

	2000	1999	1998
	-----	-----	-----
Domestic operations	\$ 252,318	\$ 353,208	\$ 317,862
Foreign operations	13,556	8,064	7,619
	-----	-----	-----
Total income before income taxes	\$ 265,874	\$ 361,272	\$ 325,481
	=====	=====	=====

The provisions for income taxes consist of the following:

	2000	1999	1998
	-----	-----	-----
Current taxes:			
Federal	\$ 97,820	\$ 117,167	\$ 112,799
State	12,441	18,582	20,803
Foreign	2,444	799	1,432
	-----	-----	-----
Total	112,705	136,548	135,034
Deferred taxes:			
Federal	6,182	5,542	(3,834)
State	(1,902)	974	(1,333)
	-----	-----	-----
Total	4,280	6,516	(5,167)
	-----	-----	-----
Provision for income taxes	\$ 116,985	\$ 143,064	\$ 129,867
	=====	=====	=====

Deferred tax assets (liabilities) are comprised of the following at December 31, 2000 and 1999:

	2000	1999
	-----	-----
Current:		
Productivity payments	\$ 8,110	\$ 7,598
Bad debt reserves	2,725	2,364
Compensation accruals	1,616	458
Special charges	-	392
Other	5,343	4,526
	-----	-----
	\$ 17,794	\$ 15,338
	=====	=====
Noncurrent:		
Software amortization	\$ (49,766)	\$ (57,375)
Other liabilities	(26,693)	(8,999)
Rights agreements	(13,122)	(6,248)
Postretirement medical and pension accruals	30,911	26,681
Services agreements	11,101	10,619
Other assets	5,084	4,024
Depreciation	4,353	14,348
Facilities reserves	2,734	2,294
	-----	-----
	\$ (35,398)	\$ (14,656)
	=====	=====

The following table reconciles the U.S. statutory rate with the effective rate for the years ended December 31, 2000, 1999, and 1998:

	2000	1999	1998
	-----	-----	-----
Tax at U.S. federal income tax rate	\$ 93,056	\$ 126,445	\$ 113,918
Increase (decrease) in taxes resulting from:			
State income taxes, net of U.S. federal income tax benefit	6,851	12,711	13,522
Amortization of excess of cost over net assets acquired and related purchase accounting adjustments	15,721	2,111	2,111
Tax effect of non-deductible expenses	2,957	373	344
Foreign and U.S. tax effects attributable to foreign operations	1,533	1,792	323
Other	(3,133)	(368)	(351)
	-----	-----	-----
Taxes on income at effective rate	\$ 116,985	\$ 143,064	\$ 129,867
	=====	=====	=====

Undistributed earnings of the Company's corporate foreign subsidiaries amounted to approximately \$3,931 and \$3,237 at December 31, 2000 and 1999, respectively. Those earnings are considered to be indefinitely reinvested, and accordingly, no provision for U.S. federal and state income taxes and foreign withholding taxes have been made. Upon distribution of those earnings, the Company would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, unrecognized foreign tax credit carryovers would be available to reduce some portion of the U.S. liability. Withholding taxes of approximately \$381 and \$314 would be payable upon remittance of all previously unremitted earnings at December 31, 2000 and 1999, respectively.

6. INVESTMENTS

Investments in equity securities at December 31, 2000 and December 31, 1999 are as follows:

	December 31, 2000			
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	(Losses)	
Marketable equity securities:				
Available-for-sale securities	\$ 1,334	\$ 1,125	\$ -	\$ 2,459
Total marketable securities	1,334	\$ 1,125	\$ -	\$ 2,459
Other equity securities	15,567			
Total	\$ 16,901			

	December 31, 1999			
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	(Losses)	
Marketable equity securities:				
Trading securities	\$ 1,000	\$ 10,492	\$ -	\$ 11,492
Available-for-sale securities	3,274	-	(1,838)	1,436
Total marketable securities	4,274	\$ 10,492	\$ (1,838)	\$ 12,928
Other equity securities	27,597			
Total	\$ 31,871			

At December 31, 2000, all of the Company's marketable equity securities are classified as available-for-sale. Of these investments, \$2,320 is included in other current assets, and \$139 is included in long-term investments.

In December 2000, the Company recorded impairment charges of \$10,186 to write down certain of the Company's investments in technology and travel related companies to estimated fair value. The write-downs consisted of \$3,135 for one of the Company's marketable equity investments and \$7,051 for several non-marketable equity investments. The estimated fair values established for the non-marketable investments were determined by using management's estimates of the net proceeds the Company expects to recover upon the eventual disposition of the investments. The decline in the estimated fair values of these investments was considered to be other than temporary.

In December 1999, the Company entered into an agreement to sell its entire equity investment in Stamps.com for \$11,492. This investment was classified as trading at December 31, 1999 and was included in other current assets. The remaining marketable equity securities were classified as available-for-sale and were included in long-term investments at December 31, 1999.

Unrealized holding gains of \$686 (net of deferred taxes of \$439) and unrealized holding losses of \$1,122 (net of deferred taxes of \$716) on available-for-sale securities were included in accumulated other comprehensive income in 2000 and 1999, respectively. Unrealized gains of \$10,492 on trading securities were included in earnings in 1999 related to the Stamps.com investment. The Company completed the sale

of its entire equity investment in Stamps.com for \$11,492 in January 2000. There were no other sales of marketable equity securities in 2000 or 1999.

Other equity securities represent non-marketable securities that are restricted or not publicly traded. These securities are included in long-term investments. Included in this category are non-marketable depository certificates representing beneficial ownership of common stock of Equant N.V. ("Equant"), a telecommunications company affiliated with Societe Internationale de Telecommunications Aeronautiques ("SITA"). In July 1999, SITA notified the Company of a reallocation of depository certificates among SITA members. Due to the Company's higher usage of the SITA network over the four years ended December 31, 1998, the Company received 708,335 additional depository certificates. In connection with secondary offerings of Equant common stock in 1999, the Company liquidated 696,151 of these certificates. The Company received proceeds of \$58,725 from these transactions, resulting in gains of \$58,574. In November 2000, Equant announced a planned merger with France Telecom's Global One business. In connection with this planned merger, the SITA Foundation signed an agreement to exchange all of its Equant shares for France Telecom shares. As a result, each of the Company's depository certificates are expected to represent the right to receive the economic benefit of approximately .4545 France Telecom shares. France Telecom is listed on the New York Stock Exchange under the ticker: FTE. This merger is expected to be completed by June 30, 2001, at which time the Company will have the option to participate in an orderly resale process. As of December 31, 2000 and 1999, the Company owned 1,106,564 of these depository certificates. The Company's carrying value of these depository certificates was nominal at December 31, 2000 and 1999.

7. LEASES AND COMMITMENTS

The Company leases various office facilities and equipment under operating leases with remaining terms of up to 23 years. Rental expense under operating leases was \$22,778, \$22,806, and \$25,756 for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company also leases data processing equipment under capital leases. Equipment, at cost, includes \$8,906, \$4,819, and \$26,027 relating to capital leases at December 31, 2000, 1999, and 1998, respectively. Accumulated depreciation includes \$4,559, \$4,613, and \$21,842 relating to capital leases at December 31, 2000, 1999, and 1998, respectively, with lease amortization included in depreciation expense.

Future minimum lease payments under capital leases and noncancelable operating leases at December 31, 2000 are as follows:

	Capital	Operating
2001	\$ 1,778	\$ 24,758
2002	1,667	19,112
2003	1,042	16,946
2004	-	13,334
2005	-	9,377
Thereafter	-	60,857
Total minimum lease payments	4,487	144,384
Less sublease income	-	(12,314)
Net rental payments		\$ 132,070
Less amount representing interest	(230)	
Present value of future minimum lease payments	4,257	
Current portion of present value of future minimum lease payments	1,638	
Long-term portion of present value of future minimum lease payments	\$ 2,619	

8. LONG-TERM DEBT

Outstanding long-term debt consists of the following at December 31, 2000 and 1999:

	2000	1999
Five-year credit agreement	\$ 400,000	\$ 400,000
16-month credit agreement	212,000	-
Term loan	34,392	34,392
364-day credit agreement	-	121,000
Other	654	-
	647,046	555,392
Less current portion of long-term debt	212,654	121,000
Long-term debt	\$ 434,392	\$ 434,392

The Company is party to a \$400,000 five-year credit agreement and a \$500,000 16-month credit agreement (collectively, the "Credit Agreements") with a group of banks. In March 2000, the Company entered into a \$200,000 16-month credit agreement, which was partially utilized to fund the acquisition of the remaining ownership interest in TRIP.com. In April 2000, the Company entered into the new \$500,000 credit agreement that expires in July 2001. This new \$500,000 16-month credit agreement replaces the \$200,000 16-month credit agreement entered into in March 2000 and the \$200,000 364-day credit agreement that was due to expire in July 2000. Facility fees range from 10.0 to 22.5 basis points under each of the Credit Agreements. Interest on the borrowings may be either Base Rate, CD Rate or LIBOR based. At December 31, 2000, the nominal interest rate for loans outstanding under the Credit Agreements was 7.2%.

On June 5, 1998, in connection with the acquisition of Galileo Canada, the Company incurred \$34,392 of debt under a five-year term loan agreement (the "Term Loan"). In addition, on June 5, 1998,

the Company entered into an interest rate swap agreement for a notional amount of \$34,392 to fix the effective interest rate of the Term Loan until maturity in June 2003, subject to pricing adjustments based on changes in certain financial ratios of the Company. At December 31, 2000, the notional interest rate on the Term Loan was 7.11% and the effective interest rate was 6.30%. The Term Loan requires quarterly interest payments throughout the five-year term.

On March 8, 2000, in connection with the acquisition of Terren, the Company assumed a \$1,131 note payable (the "Terren Note") due in two installments, and \$56 of accrued interest. The first installment was paid with accrued interest in July 2000. A final payment of \$654 plus accrued interest is due July 31, 2001. The Terren Note carries an interest rate of 7%. The outstanding balance on the note as of December 31, 2000 was \$654.

At December 31, 2000, borrowings totaled \$400,000 under the five-year credit agreement with no required repayments until maturity in July 2002, and \$212,000 under the 16-month credit agreement with required payment in entirety in July 2001. The outstanding balance on the Term Loan was \$34,392, with no required repayments until maturity in June 2003. Under the Credit Agreements and the Term Loan, the Company is required to maintain certain financial ratios and is restricted from paying dividends and repurchasing its Common Stock above certain thresholds.

The Company has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its outstanding borrowings. At December 31, 2000 and 1999, the Company had an outstanding interest rate swap agreement having a total notional value of \$34,392, with fixed interest rates averaging 5.87% for both years. The fair value of the outstanding swap agreement at December 31, 2000 and 1999 was \$(77) and \$999, respectively. For the years ended December 31, 2000, 1999, and 1998, the effective interest rate on the Company's outstanding debt under the Credit Agreements was 6.92%, 5.89%, and 5.89%, respectively.

Total interest, including interest under capital leases, of \$49,639, \$17,528, and \$11,876 was incurred for the years ended December 31, 2000, 1999, and 1998, respectively.

9. COMMITMENTS & CONTINGENCIES

The Company's wholly owned subsidiaries, Galileo International, L.L.C. ("GILLC") and Apollo Galileo USA Partnership ("Apollo"), as well as United Airlines and one of its subsidiaries, are defendants in a lawsuit captioned Osband, et al. v. United Air Lines, Inc., et al. The lawsuit, which was filed on March 1, 1996 in the District Court for Arapahoe County, Colorado, currently consists of 99 plaintiffs, all of whom were employed by United Airlines prior to 1988, and were subsequently employed by the United Airlines subsidiary, one of the Company's predecessors, and GILLC or Apollo since that time. The plaintiffs allege that the defendants promised the plaintiffs that they would receive lifetime flight benefits at a level equivalent to the flight benefits that United Airlines provides to its employees. The plaintiffs brought claims for specific performance and injunctive relief seeking reinstatement of their benefits and damages under theories of breach of contract, promissory estoppel and breach of express covenant of good faith and fair dealing. After defeating the plaintiffs' motion for preliminary injunction, the trial court granted the defendants' Motion to Dismiss for Lack of Subject Matter Jurisdiction on the ground that all issues relating to free passes granted by common carriers where they are adjuncts to employees are preempted by federal law. On appeal, the Court of Appeals upheld the dismissal of the plaintiffs' promissory estoppel claim as preempted by federal law, but reversed and remanded to the trial court on the plaintiffs' other claims. The claims of six of the 99 plaintiffs were tried before a jury in a five-week trial commencing October 30, 2000. The jury returned a verdict in favor of the plaintiffs in the total amount of \$3,270, an aggregate of \$710 of which the jury found GILLC and Apollo liable for. Post-trial motions

have been filed and are pending. The Company intends to appeal the verdict, which has been certified as a final judgment. The Court has requested the parties brief the issue of whether the verdict for the six plaintiffs should be a liability finding in favor of the remaining 93 plaintiffs. The Company continues to dispute the plaintiffs' claims and intends to defend the lawsuit vigorously.

The Company is a party in various other suits and claims that arise in the ordinary course of business. Management currently believes that the ultimate disposition of these matters, including the matter described above, will not have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations.

In connection with NDC acquisitions in 1997 of Apollo Travel Services Partnership ("ATS"), Traviswiss AG ("Traviswiss") and Galileo Nederland BV ("Galileo Nederland") and the 1998 acquisition of Galileo Canada, the Company entered into agreements (the "Services Agreements") with United Airlines, US Airways, Air Canada, SAirGroup, and KLM (collectively, the "Service Providers") to provide certain marketing services to the Company. During the sixth year (eighth year for a portion of Galileo Canada) following the effective date of the Services Agreements, the Company is contractually required to pay the Service Providers a fee of up to \$232,000 (on a present value basis as of the date of the agreements), contingent upon improvements in the Company's airline booking fee revenue in the seller's respective territories over the five-year period immediately following the acquisitions, as measured by the annual price increase rate and over the five-year period (seven-year period in the case of Galileo Canada) immediately following the acquisitions, as measured by the annual air segment growth rate.

On December 30, 1999, the Company was released by United Airlines from the price increase obligation under the Services Agreement between the two companies. In turn, GIO Services, L.L.C. ("GIO Services"), a qualified special-purpose entity, was created to assume the liability and pay United Airlines in July 2002. The Company contributed \$97,325 of assets to GIO Services. These assets are projected to yield cash proceeds on the payment date at least equal to the maximum amount owed. The Company recorded a special charge of \$83,226 related to this transaction. During 2000, the Company reassessed the future benefit of the services provided by US Airways under the Services Agreement between the two companies. As a result, the Company recorded a special charge of \$19,725 and transferred \$27,157 to GIO Services to provide for payment of the price-related obligation to US Airways in July 2002. The activities of GIO Services are strictly limited to payment of these Services Agreement obligations. As a result of these transactions, the Company has no further payment obligations to United Airlines and US Airways related to booking fee price increases under the Services Agreements.

For the remainder of the ATS services agreement and all other Services Agreements, the Company continues to estimate the probable future liabilities based on an evaluation of the likelihood that the revenue goals required under the terms of these agreements will be met. The Company ratably records these liabilities over the remaining contract periods. The Company does not expect to incur any liability related to the air segment growth component of the ATS, Traviswiss, or Galileo Canada Services Agreements. At December 31, 2000 and 1999, the estimated liability related to the Services Agreements was \$18,578 and \$13,874, respectively, and is included in other noncurrent liabilities in the accompanying consolidated balance sheets.

In connection with the 1998 acquisition of Shepherd Systems, the Company is contractually required to make additional payments up to an aggregate of \$5,040 due ratably over five years, based on a calculation of the relevant calendar year's annual cash flow of Shepherd Systems. Accordingly, in 1998 the Company recorded a contingent liability for the additional payments which was accounted for as part of the purchase price. At December 31, 1999 the liability related to these payments was included in other noncurrent liabilities. During 2000, based upon an analysis of Shepherd Systems' historical and projected

cash flow results, the Company determined that no payments will be required. Accordingly, the contingent liability was written off against the acquisition-related goodwill of Shepherd Systems.

10. STOCKHOLDERS' EQUITY

Common Stock

Each share of Common Stock entitles the holder thereof to one vote in elections of independent and management directors and all other matters submitted to a vote of stockholders. Each share also has an equal and ratable right to receive dividends paid from the Company's assets, when and if declared by the Board of Directors.

Special Voting Preferred Stock

The Company's Special Voting Preferred Stock (the "Special Preferred") permits, under certain circumstances, each holder of a share of Special Preferred to elect one director to the Company's Board of Directors, provided certain Common Stock ownership thresholds are met. The Special Preferred shares do not provide the holder with any further stockholder voting privileges nor does the holder receive dividends on such shares. In the event of liquidation, dissolution or winding-up of the Company, holders of the Special Preferred are entitled to \$100 per share, but holders are not entitled to any further payment. Substantial restrictions exist as to the transferability of the Special Preferred shares by the holders.

Preferred Stock

The Board of Directors of the Company is authorized, without further stockholder action, to divide any or all shares of its authorized Preferred Stock into one or more series and to fix and determine the rights and qualifications, limitations or restrictions thereon of each such series, including voting powers, dividend rights, liquidation preferences, redemption rights and conversion or exchange privileges.

Common Stock Held in Treasury

During 2000, the Board of Directors of the Company authorized an additional \$250,000 share repurchase program. The Company began purchasing shares under this program after completion of a \$750,000 program which had been authorized in 1999. Repurchased shares are held in treasury for the purpose of providing available shares for possible resale in future public or private offerings, and for other general corporate purposes. The purchases are funded through the Company's available working capital and borrowing facilities. The amount, timing and price of any repurchases of the Company's Common Stock depends on market conditions and other factors. The Company repurchased a total of 7,402,948 and 14,869,500 of its shares at a cost of \$154,640 and \$635,523 during the years ended December 31, 2000 and 1999, respectively.

Also during 2000, the Company issued 5,499,630 shares of Common Stock, previously held in treasury, in connection with its acquisition of TRIP.com. These treasury shares had a fair value of \$98,925 and an accumulated cost of \$226,842. As of December 31, 2000 and 1999, the Company held a total of 16,920,719 and 15,038,600 shares in treasury, respectively.

Stock-Based Compensation

During 1999, the Company adopted the 1999 Equity and Performance Incentive Plan (the "1999 Plan") to attract and retain officers and other key employees of the Company and to award such persons with incentives and rewards for superior performance. The 1999 Plan provides for the grant of Common Stock in the form of stock options, stock appreciation rights, stock awards or such other forms as determined to be consistent with the purposes of the 1999 Plan. The 1999 Plan superceded and replaced the 1997 Stock Incentive Plan. Options outstanding under these two plans have been granted at prices which are either equal to or above the market value of the stock on the date of the grant, vest over a three- or five-year period, and expire nine or ten years after the grant date.

An aggregate of 13,000,000 shares of Common Stock are reserved for issuance under the 1999 Plan. The number of shares available for issuance under the 1999 Plan may be adjusted in the event of changes in the Company's capital structure. Shares issued pursuant to the 1999 Plan may be authorized but unissued shares, treasury shares or any combination thereof.

The Company also adopted the 1997 Non-Employee Director Stock Plan (the "Director Plan") to retain the services of qualified individuals who are not employees of the Company to serve as members of the Board of Directors. The Director Plan authorizes awards of options, based on the director's term, which generally vest six months after the date of grant, have an exercise price equal to the fair market value at the date of grant, and expire ten years from date of grant. Directors who are employees of an airline stockholder (or the airline stockholder at the option of the airline stockholder) will receive, in lieu of such options, a cash payment equal to the value of the option calculated on the basis of the Black-Scholes option valuation model. An aggregate of 500,000 shares of Common Stock are reserved for issuance under the Director Plan.

In connection with its acquisition of TRIP.com, in March 2000 the Company converted existing options to acquire 1,244,725 shares of TRIP.com common stock into 1,073,331 options to acquire Common Stock of the Company. The Converted Options were granted with exercise prices ranging from \$0.16 to \$19.71 and had a weighted average remaining vesting period of 3.25 years. On the date of grant, the Converted Options had an estimated aggregate fair value of \$10,879 which was recorded as part of the purchase price of the TRIP.com acquisition. The estimated fair value was obtained by using the Black-Scholes option pricing model with the following assumptions: expected term of 4.25 years, expected volatility of 40.0%, expected dividend yield of 1.0%, and a risk-free interest rate of 6.0%. The Company's Common Stock had an approximate market value of \$18.00 per share on the date the Converted Options were granted.

During 2000, the Company adopted the Employee Stock Purchase Plan (the "Stock Purchase Plan"). The Stock Purchase Plan provides eligible employees with the opportunity to purchase shares of Common Stock at a 15% discount from fair market value pursuant to a payroll deduction program, based on offering periods consisting of each calendar quarter. The number of shares of Common Stock available for issuance under the Stock Purchase Plan is 500,000 and may be authorized but unissued shares, treasury shares or any combination thereof. As of December 31, 2000, the Company had issued 21,199 shares of Common Stock under the Stock Purchase Plan.

During 1998, the Company's Board of Directors approved the issuance of 97,900 shares of restricted Common Stock to the Company's President and Chief Executive Officer. Half of these shares vest in equal installments over a five-year period from the date of grant and the remaining shares vest in equal installments over a four-year period beginning one year from the date of grant. During 2000, vested shares of restricted stock totaling 31,818 were converted into an equal number of shares of Common Stock.

During 2000, 1999, and 1998, \$798, \$798, and \$433, respectively, of compensation cost for restricted shares was recognized in the consolidated financial statements.

During 2000, 1999, and 1998, stock appreciation rights totaling 47,600, 1,500, and 34,550, respectively, were granted under the 1999 and 1997 Plans. The weighted average fair value on the grant date for the stock appreciation rights granted in 2000, 1999 and 1998 were \$10.35, \$11.75 and \$14.54. Compensation cost for stock appreciation rights of zero, \$(53), and \$57 was recognized in the consolidated financial statements for the years ended December 31, 2000, 1999, and 1998, respectively.

Stock option activity during 2000, 1999, and 1998 is as follows (number of shares in thousands):

	2000		1999		1998	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1	2,893	\$ 37.45	2,824	\$ 35.51	1,064	\$ 25.40
Granted- TRIP.com acquisition	1,073	10.29	-	-	-	-
Granted- all other	1,662	24.43	451	48.02	1,889	40.75
Exercised	(195)	2.59	(107)	30.34	(33)	24.57
Forfeited	(969)	27.17	(275)	37.52	(96)	30.56
Expired	-	-	-	-	-	-
Outstanding at December 31	4,464	\$ 29.82	2,893	\$ 37.45	2,824	\$ 35.51
Exercisable at December 31	1,513	34.85	884	34.44	188	24.76
Weighted average fair value of options granted during the year:						
Upon TRIP.com acquisition		\$ 10.14		\$ -		\$ -
All other grants		10.31		19.52		14.53

The following table summarizes information about stock options outstanding at December 31, 2000 (number of shares in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$0.16 to \$12	246	8.2	\$ 3.69	53	\$ 6.00
\$17 to \$25	2,335	8.8	23.90	405	24.50
\$28 to \$38	245	6.7	28.81	121	29.35
\$40 to \$46	1,291	7.5	40.78	817	40.78
\$48 to \$55	347	8.5	48.10	117	48.14
	-----			-----	
	4,464	8.3	\$ 29.82	1,513	\$ 34.85
	=====			=====	

The Company applies APB Opinion No. 25 in accounting for its stock-based compensation plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. The following table presents pro forma information had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation":

	2000	1999	1998
Valuation assumptions:			
Expected option term (years)	5.0	5.0	5.0
Expected volatility	40.0%	40.0%	35.0%
Expected dividend yield	1.0%	1.0%	1.0%
Risk-free interest rate	7.0%	6.0%	5.0%
Pro forma effects (1):			
Net income as reported	\$ 148,889	\$ 218,208	\$ 195,614
Pro forma effect	(9,003)	(7,328)	(4,118)
Net income as adjusted	=====	=====	=====
Basic earnings per share as adjusted	\$ 1.55	\$ 2.15	\$ 1.83
Diluted earnings per share as adjusted	=====	=====	=====

(1) Estimated using Black-Scholes option pricing model.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option pricing models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value

estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

11. SUPPLEMENTAL INFORMATION

Supplemental cash flow information and noncash investing and financing activities are as follows:

	2000	1999	1998
	-----	-----	-----
Supplemental cash flow information			
Cash paid during the period for:			
Interest	\$ 53,612	\$ 11,471	\$ 11,994
Income taxes	114,862	148,300	123,508
Supplemental noncash investing and financing activities			
Capital lease obligations and accounts payable from acquisition of equipment	\$ 30,298	\$ 8,394	\$ 901

12. BUSINESS AND CREDIT CONCENTRATIONS

The Company derives substantially all of its revenues from the travel industry. Accordingly, events affecting the travel industry, particularly airline travel and participating airlines, can significantly affect the Company's business, financial condition and results of operations.

United Airlines is the largest single travel supplier utilizing the Company's systems, generating revenues that accounted for approximately 12% of total revenues in 2000. No other travel supplier accounted for 10% or more of the Company's revenues in 2000.

Travel agencies are the primary channel of distribution for the services offered by travel vendors. Bookings generated by the Company's five largest travel agency customers constituted 22% of the bookings made through the Company's systems in 2000. If the Company were to lose and not replace the bookings generated by any significant travel agencies, its business, financial condition and results of operations could be materially adversely affected.

13. GEOGRAPHIC AND BUSINESS SEGMENT INFORMATION

The Company's business is divided into operating segments, defined as components of an enterprise about which discrete financial information is available and regularly evaluated by the chief operating decision maker in deciding how to allocate resources to an individual segment and in assessing performance of the segment. The Company's chief operating decision maker is the Chairman, President and Chief Executive Officer. The Company has identified three operating segments based on similarities in products, services and customers: electronic global distribution services, information services and enterprise networking services. However, based on the quantitative thresholds in Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," electronic global distribution services is the Company's only reportable segment as of December 31, 2000, 1999 and 1998.

Data relating to the Company's operations by geographic area is set forth below:

	United States Market	United Kingdom Market	Other Markets	Total
	-----	-----	-----	-----
2000				

Revenues	\$ 605,838	\$ 161,307	\$ 794,319	\$ 1,561,464
Identifiable assets	181,842	9,841	18,994	210,677
1999				

Revenues	\$ 603,776	\$ 126,169	\$ 722,156	\$ 1,452,101
Identifiable assets	165,990	1,163	23,724	190,877
1998				

Revenues	\$ 588,312	\$ 114,182	\$ 640,211	\$ 1,342,705
Identifiable assets	162,912	7,258	24,799	194,969

Revenues consist of electronic global distribution revenues only. The location of the travel agent making the booking determines the geographic region credited with the related revenues. The United Kingdom is the only country outside the United States that contributed more than 10% of revenues or had more than 10% of the identifiable assets in any of the years presented. Providing geographic area data for information services revenues and enterprise networking services would be impracticable.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth an unaudited summary of quarterly financial data (in thousands, except share data) for the years ended December 31, 2000 and 1999. This quarterly information has been prepared on the same basis as the annual consolidated financial statements and, in management's opinion, reflects all adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for a full fiscal year.

	2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$ 440,738	\$ 425,344	\$ 405,935	\$ 371,281
Operating expenses	341,463	330,789	323,622	319,786
Operating income	99,275	94,555	82,313	51,495
Net income	47,400	43,160	37,899	20,430
Basic earnings per share	0.52	0.47	0.42	0.23
Diluted earnings per share	0.52	0.47	0.42	0.23

	1999			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$ 403,991	\$ 398,822	\$ 384,692	\$ 338,597
Operating expenses	283,175	294,807	288,120	347,098
Operating income (loss)	120,816	104,015	96,572	(8,501)
Net income	78,006	62,249	54,248	23,705
Basic earnings per share	0.75	0.60	0.58	0.26
Diluted earnings per share	0.74	0.59	0.58	0.26

The Company typically experiences a seasonal pattern in its operating results, with the fourth quarter typically having the lowest total revenues and operating income due to early bookings by customers for holiday travel and due to a decrease in business travel during the holiday season.

In the first quarter of 2000, the Company recognized a \$19,725 (\$11,046 after tax) special charge related to the extinguishment of a portion of its liability arising from a services agreement with US Airways, and a \$7,000 (non-tax deductible) special charge to write off in-process research and development costs related to the TRIP.com acquisition. In the third quarter of 2000, the Company recognized a \$1,736 special charge (\$972 after tax) related to the integration of Galileo UK. (See Note 9 and Note 4, respectively, for further discussion.) The fourth quarter of 2000 includes the retroactive impact (\$4,512) of a 1.9 percentage point decrease in the Company's 2000 effective tax rate recorded during the quarter.

In the fourth quarter of 1999, the Company recognized an \$83,226 (\$50,269 after tax) special charge to extinguish the price-increase component of its liability arising from its services agreement with United Airlines, and an \$11,359 (\$6,861 after tax) recovery of expenses previously reserved for the realignment of its United Kingdom operations. (See Note 9 and Note 4, respectively, for further discussion.)

Earnings per share amounts for each quarter are required to be computed independently and, as a result, their sum does not equal the total year earnings per share amounts for 2000 and 1999.

15. SUBSEQUENT EVENTS

On February 22, 2001, the Board of Directors of the Company declared a dividend distribution of one right (a "Right") for each share of Common Stock of the Company outstanding at the close of business on March 8, 2001 (the "Record Date"), pursuant to the terms of a Rights Agreement, dated as of February 22, 2001 (the "Rights Agreement"). The Rights Agreement also provides, subject to specified exceptions and limitations, that shares of Common Stock issued or delivered from the Company's treasury after the Record Date will be entitled to and accompanied by Rights. The Rights are in all respects subject to and governed by the provisions of the Rights Agreement.

GALILEO INTERNATIONAL, INC.
QUARTER ENDED JUNE 30, 2001
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2001	December 31, 2000	
	-----	-----	
	(Unaudited)		
ASSETS			

Current assets:			
Cash and cash equivalents	\$ 17,643	\$ 2,460	
Accounts receivable, net	253,484	192,199	
Deferred tax assets	22,850	17,794	
Prepaid expenses	23,085	18,158	
Other current assets	9,350	14,084	
	-----	-----	
Total current assets	326,412	244,695	
Property and equipment, at cost:			
Land	6,470	6,470	
Buildings and improvements	76,757	76,452	
Equipment	419,503	416,406	
	-----	-----	
Less accumulated depreciation	502,730	499,328	
	306,156	288,651	
	-----	-----	
Net property and equipment	196,574	210,677	
Computer software, net	195,386	160,270	
Intangible assets, net	714,897	720,212	
Other noncurrent assets	134,773	143,405	
	-----	-----	
	\$ 1,568,042	\$ 1,479,259	
	=====	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY			

Current liabilities:			
Accounts payable	\$ 52,017	\$ 76,913	
Accrued commissions	45,184	34,471	
Income taxes payable	20,933	1,234	
Other accrued liabilities	116,167	109,992	
Capital lease obligations, current portion	8,753	1,638	
Long-term debt, current portion	194,120	212,654	
	-----	-----	
Total current liabilities	437,174	436,902	
Pension and postretirement benefits			
Deferred tax liabilities	87,565	79,285	
Other noncurrent liabilities	26,238	35,398	
Capital lease obligations, less current portion	30,599	25,427	
Long-term debt, less current portion	12,371	2,619	
	456,207	434,392	
	-----	-----	
Total liabilities	1,050,154	1,014,023	
Stockholders' equity:			
Special voting preferred stock: \$.01 par value; 7 shares authorized; 3 shares issued and outstanding	-	-	
Preferred stock: \$.01 par value; 25,000,000 shares authorized; no shares issued	-	-	
Common stock: \$.01 par value; 250,000,000 shares authorized; 105,540,057 and 105,232,696 shares issued; 87,462,281 and 88,311,977 shares outstanding	1,055	1,052	
Additional paid-in capital	687,259	682,988	
Retained earnings	435,805	357,008	
Unamortized restricted stock grants	(1,564)	(1,963)	
Accumulated other comprehensive income	(8,635)	(4,493)	
Common stock held in treasury, at cost: 18,077,776 and 16,920,719 shares	(596,032)	(569,356)	
	-----	-----	
Total stockholders' equity	517,888	465,236	
	-----	-----	
	\$ 1,568,042	\$ 1,479,259	
	=====	=====	

See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in thousands, except share data)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues:				
Electronic global distribution services	\$ 424,510	\$ 405,178	\$ 867,056	\$ 826,484
Information and network services	23,113	20,166	46,420	39,598
	-----	-----	-----	-----
	447,623	425,344	913,476	866,082
Operating expenses:				
Cost of operations	164,457	154,776	328,102	288,780
Commissions, selling and administrative	192,778	176,013	390,768	356,747
Special charge - services agreement	-	-	-	19,725
Special charge - in-process research and development write-off	-	-	-	7,000
	-----	-----	-----	-----
	357,235	330,789	718,870	672,252
	-----	-----	-----	-----
Operating income	90,388	94,555	194,606	193,830
Other income (expense):				
Interest expense, net	(8,850)	(12,293)	(19,338)	(21,568)
Other, net	(2,896)	(2,484)	(6,340)	(4,868)
	-----	-----	-----	-----
Income before income taxes	78,642	79,778	168,928	167,394
Income taxes	34,602	36,618	74,328	76,834
	-----	-----	-----	-----
Net income	\$ 44,040	\$ 43,160	\$ 94,600	\$ 90,560
	=====	=====	=====	=====
Weighted average shares outstanding	87,441,618	91,154,649	87,708,479	90,916,802
	=====	=====	=====	=====
Basic earnings per share	\$ 0.50	\$ 0.47	\$ 1.08	\$ 1.00
	=====	=====	=====	=====
Diluted weighted average shares outstanding	87,805,666	91,737,064	88,020,911	91,319,805
	=====	=====	=====	=====
Diluted earnings per share	\$ 0.50	\$ 0.47	\$ 1.07	\$ 0.99
	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2001	2000
	-----	-----
Operating activities:		
Net income	\$ 94,600	\$ 90,560
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	122,213	100,726
Write-off of in-process research and development	-	7,000
Gain on sale of assets	(1,096)	(48)
Deferred income taxes, net	(12,737)	(17,118)
Changes in operating assets and liabilities, net of effects from acquisition of businesses:		
Accounts receivable, net	(61,987)	(64,889)
Other current assets	(1,053)	10,217
Noncurrent assets	5,553	(2,764)
Accounts payable and accrued commissions	14,222	21,314
Accrued liabilities	7,964	3,817
Income taxes payable	18,548	22,277
Noncurrent liabilities	13,079	8,866
Other	6,848	1,637
	-----	-----
Net cash provided by operating activities	206,154	181,595
Investing activities:		
Purchase of property and equipment	(58,654)	(15,853)
Purchase and capitalization of computer software	(45,989)	(17,287)
Proceeds on sale of assets	4,795	227
Acquisition of businesses, net of cash acquired of \$167 and \$15,551, respectively	(12,802)	(129,191)
Other investing activities	(4,938)	(27,421)
	-----	-----
Net cash used in investing activities	(117,588)	(189,525)
Financing activities:		
Borrowings under credit agreements	102,000	184,000
Repayments under credit agreements	(133,000)	(30,000)
Dividends paid to stockholders	(15,803)	(16,312)
Repurchase of common stock for treasury	(26,676)	(119,583)
Payments of capital lease obligations	(826)	(61)
Other financing activities	1,157	406
	-----	-----
Net cash (used in) provided by financing activities	(73,148)	18,450
Effect of exchange rate changes on cash	(235)	(157)
	-----	-----
Increase in cash and cash equivalents	15,183	10,363
Cash and cash equivalents at beginning of period	2,460	1,794
	-----	-----
Cash and cash equivalents at end of period	\$ 17,643	\$ 12,157
	=====	=====

See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands, except share data)

	Special Voting Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings
Balance at December 31, 2000	\$ -	\$ 1,052	\$ 682,988	\$ 357,008
Comprehensive income:				
Net income	-	-	-	94,600
Other comprehensive income (loss), net of tax:				
Unrealized holding losses on marketable securities	-	-	-	-
Reclassification adjustment for gains included in net income	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Cash flow hedge- net derivative losses	-	-	-	-
Other comprehensive income (loss)				
Comprehensive income				
Amortization of restricted stock grants	-	-	-	-
Issuance of 261,749 shares of common stock under employee stock option plans	-	3	3,616	-
Issuance of 45,612 shares of common stock under employee stock purchase plan	-	-	655	-
Repurchase of 1,157,057 shares of common stock for treasury	-	-	-	-
Dividends paid (\$0.18 per share)	-	-	-	(15,803)
Balance at June 30, 2001	\$ -	\$ 1,055	\$ 687,259	\$ 435,805

	Unamortized Restricted Stock Grants	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2000	\$ (1,963)	\$ (4,493)	\$ (569,356)	\$ 465,236
Comprehensive income:				
Net income	-	-	-	94,600
Other comprehensive income (loss), net of tax:				
Unrealized holding losses on marketable securities	-	(799)	-	(799)
Reclassification adjustment for gains included in net income	-	(686)	-	(686)
Foreign currency translation adjustments	-	(2,170)	-	(2,170)
Cash flow hedge- net derivative losses	-	(487)	-	(487)
Other comprehensive income (loss)				(4,142)
Comprehensive income				90,458
Amortization of restricted stock grants	399	-	-	399
Issuance of 261,749 shares of common stock under employee stock option plans	-	-	-	3,619
Issuance of 45,612 shares of common stock under employee stock purchase plan	-	-	-	655
Repurchase of 1,157,057 shares of common stock for treasury	-	-	(26,676)	(26,676)
Dividends paid (\$0.18 per share)	-	-	-	(15,803)
Balance at June 30, 2001	\$ (1,564)	\$ (8,635)	\$ (596,032)	\$ 517,888

See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements of Galileo International, Inc. (herein referred to as the "Company", "Galileo", "we", "us", and "our") have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. The information furnished herein includes all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods presented.

The results of operations for the quarter and six months ended June 30, 2001 are not necessarily indicative of the results to be expected for the year ending December 31, 2001.

These financial statements should be read in conjunction with the audited financial statements and notes to the audited financial statements for the year ended December 31, 2000 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2001.

NOTE 2 - MERGER AGREEMENT WITH CENDANT CORPORATION

On June 15, 2001, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Cendant Corporation ("Cendant") and Galaxy Acquisition Corp., a subsidiary of Cendant, whereby such subsidiary will merge with and into the Company with the Company as the surviving corporation. Following the merger, the Company will be a wholly owned subsidiary of Cendant. The companies have filed all of the required notifications for U.S. and international regulatory approvals and have been notified by the U.S. Federal Trade Commission that early termination of the Hart-Scott-Rodino waiting period has been granted for the proposed acquisition. Additional information was provided to the Commission of the European Communities (the "European Commission") in response to a request. Following receipt of this material, the European Commission advised that the effective date of the requisite notification is August 9, 2001. The European Commission has until September 11, 2001 to review the transaction. This initial review period may be extended for up to an additional four months if the European Commission decides to conduct a full investigation of the merger. Alternatively, the initial review period may be shortened at the discretion of the European Commission. On July 13, 2001, the Company announced that August 30, 2001 has been set as the date of its special meeting of stockholders to consider and vote on adoption of the Merger Agreement. The Company expects the transaction to close by the end of the third quarter of

2001, but can provide no assurance that the transaction will be completed or as to the timing of its completion. The transaction will be accounted for using the purchase method of accounting.

NOTE 3 - BUSINESS ACQUISITIONS

On April 2, 2001, the Company acquired Southern Cross Distribution Systems Pty Limited ("Galileo Southern Cross") from Travel Industries Automated Systems Pty Limited, the owners of which are the Qantas Airways group, Ansett Airlines and Air New Zealand (collectively, the "TIAS Owners"). Based in Sydney, Australia, Galileo Southern Cross distributes the Galileo computerized reservation system to travel agency locations across Australia, New Zealand and the South Pacific. In connection with this acquisition, the Company also obtained five-year non-compete agreements from the TIAS Owners and certain related parties. The purchase price of this acquisition, including the non-compete agreements, was \$49.9 million. The purchase price consisted of cash payments totaling \$12.5 million and the issuance of credit notes totaling \$37.4 million. The pro forma effects of this acquisition are not significant.

In connection with the acquisition of Galileo Southern Cross, the Company incurred expenses of \$0.4 million, which have been accounted for as part of the purchase price. The Company accounted for this acquisition using the purchase method of accounting. Accordingly, the costs of this acquisition were allocated to the assets acquired and liabilities assumed based on their respective fair values. Goodwill and other intangibles related to the cost of the acquisition are being amortized over 5 to 17 years. The resulting amortization is included in cost of operations expenses. The results of operations and cash flows of Galileo Southern Cross have been consolidated with those of the Company from the date of acquisition.

NOTE 4 - INVESTMENTS

On April 23, 2001, the Company acquired a minority equity interest in a travel-related company for \$4.9 million. This investment is considered non-marketable as the equity securities are not publicly traded. The Company also completed the sale of one of its marketable equity investments resulting in a realized gain of \$0.6 million during the six months ended June 30, 2001.

For the six months ended June 30, 2001, the Company accounted for a \$1.3 million unrealized holding loss on available-for-sale marketable equity securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The after tax effect of \$0.8 million is included as a separate component of Stockholders' Equity.

Also during the six months ended June 30, 2001, the Company recorded net impairment charges of \$6.4 million to write down certain of the Company's non-marketable equity investments in technology-related companies to estimated fair value. The estimated fair values were determined by using management's estimates of the net proceeds the Company expects to

recover upon the eventual disposition of the investments. The decline in the estimated fair values of these investments was considered to be other than temporary.

At December 31, 2000 the Company owned 1,106,564 non-marketable depository certificates representing beneficial ownership of Equant N.V. ("Equant") common stock held by the SITA Foundation on behalf of its members. In November 2000, Equant announced a planned merger with France Telecom's Global One business. In connection with this planned merger, the SITA Foundation signed a Share Purchase Agreement (the "Share Purchase Agreement") with France Telecom S.A. to exchange all of its Equant shares for France Telecom shares. The merger was completed on June 29, 2001, at which time the SITA Foundation received one France Telecom common share for every 2.2 shares of Equant it owned. As a result, the Company now holds non-marketable depository certificates representing beneficial ownership of 502,984 shares of France Telecom common stock. The Share Purchase Agreement permits the SITA Foundation to distribute France Telecom shares to the depository certificate holders after a period of seven months has passed following the closing of the transaction. The SITA Foundation has not made a final decision concerning the timing of any distribution of France Telecom shares. France Telecom shares are listed on the New York Stock Exchange under the ticker symbol: FTE. If the Company's depository certificates were converted into registered common stock of France Telecom, the market value at June 30, 2001 would have been \$24.3 million. The Company's carrying value of the depository certificates was nominal at June 30, 2001 and December 31, 2000. Any future disposal of such depository certificates may result in significant gains to the Company.

NOTE 5 - EARNINGS PER SHARE

Basic earnings per share for the quarter and six months ended June 30, 2001 and 2000 is calculated based on the weighted average shares outstanding for the period. Diluted earnings per share is calculated as if the Company had additional Common Stock outstanding from the beginning of the year or the date of grant for all dilutive stock options, net of assumed repurchased shares using the treasury stock method. This resulted in an increase in the weighted average number of shares outstanding for the quarter and six months ended June 30, 2001 of 364,048 and 312,432, respectively. The increase in the weighted average number of shares outstanding for the quarter and six months ended June 30, 2000 was 582,415 and 403,003, respectively.

NOTE 6 - SPECIAL CHARGES

The Company recorded a special charge of \$1.7 million during the quarter ended September 30, 2000 related to the integration of Travel Automation Services Limited ("Galileo UK") into the Company's operations. The special charge was comprised of \$1.4 million in severance costs related to the termination of 29 employees, and \$0.3 million in facilities expenses. As of June 30, 2001, \$1.3 million of severance related costs have been paid and charged against the liability and 24 employees have been terminated. The estimated remaining

liabilities at June 30, 2001 and December 31, 2000 were \$0.4 million and \$1.1 million, respectively, and are included in the accompanying condensed consolidated balance sheets.

In 1993, the Company, formerly Covia Partnership, combined with The Galileo Company Ltd. and consolidated its two data center facilities resulting in the closing of the Swindon, U.K. data center. In connection therewith, the estimated cost of the consolidation was charged to expense. At June 30, 2001 and December 31, 2000, the estimated remaining liabilities, principally related to facility closure costs, were \$6.6 million and \$7.0 million, respectively, and are included in the accompanying condensed consolidated balance sheets.

NOTE 7 - DEBT

Outstanding long-term debt consists of the following at June 30, 2001 and December 31, 2000:

(In millions)	June 30, 2001	December 31, 2000
Five-year credit agreement	\$ 400.0	\$ 400.0
16-month credit agreement	181.0	212.0
Term loan	34.4	34.4
CRS credit notes	34.2	-
Other	0.7	0.7
	-----	-----
	650.3	647.1
Less current portion of long-term debt	194.1	212.7
	-----	-----
Long-term debt	\$ 456.2	\$ 434.4
	=====	=====

In connection, with the acquisition of Galileo Southern Cross in April 2001, the Company issued nine CRS Credit Notes (the "Credit Notes"), with an aggregate notional amount of \$37.4 million, to the former owners of Galileo Southern Cross. Payments on the Credit Notes are effectively made by reducing CRS booking fee invoices owed to the Company by these former owners. The maximum term of the Credit Notes is 36 months. Interest is payable quarterly and is based upon the 90-day LIBOR plus a specified margin. The effective interest rate on the Credit Notes for the quarter ended June 30, 2001 was 5.8%.

In July 2001, the Company replaced the \$500.0 million 16-month credit agreement that was due to expire in July 2001 with an amended and restated \$350.0 million six-month credit agreement that expires in January 2002.

As of June 30, 2001, the effective interest rate for amounts outstanding under the two credit agreements was 4.3%.

NOTE 8 - STOCKHOLDERS' EQUITY

On February 22, 2001, the Board of Directors of the Company adopted a stockholder rights plan (the "Plan"). Under the Plan, the Company declared a dividend distribution of one Preferred Stock Purchase Right (a "Right") for each share of Common Stock of the Company outstanding at the close of business on March 8, 2001 (the "Record Date"), pursuant to the terms of a Rights Agreement, dated as of February 22, 2001 (the "Rights Agreement"). The Rights Agreement also provides, subject to specified exceptions and limitations, that shares of Common Stock issued or delivered from the Company's treasury after the Record Date will be entitled to and accompanied by Rights. The Rights are in all respects subject to and governed by the provisions of the Rights Agreement. The Rights initially trade together with the Company's Common Stock and are not exercisable. Under certain circumstances specified in the Rights Agreement, and in the absence of further action by the Company's Board of Directors, the rights generally will become exercisable and allow the holder to purchase from the Company one one-hundredth of a share of Series H Junior Participating Ordinary Preferred Stock at an initial purchase price of \$90. The Board authorized the issuance of 2,500,000 preferred shares under the Plan, none of which have been issued. The Rights will become exercisable at a specified period of time after any person becomes the beneficial owner of 15% or more of the outstanding shares of Common Stock or commences a tender or exchange offer which, if consummated, would result in any person becoming the beneficial owner of 15% or more of the Common Stock, in each case, without the approval of the Board. If any person becomes the beneficial owner of 15% or more of the outstanding Common Stock, each Right will entitle the holder, other than the acquiring person, to purchase, for \$90, a number of shares of the Common Stock having a market value of \$180. For persons who, as of February 22, 2001, beneficially owned 15% or more of the outstanding Common Stock, the Plan "grandfathers" their current level of ownership, so long as they do not purchase additional shares that result in ownership of 20% or more of the outstanding Common Stock. The Company's Board of Directors may, at its option, redeem all rights for \$0.01 per Right at any time prior to the time the Rights become exercisable. The Rights will expire on March 8, 2011, unless earlier redeemed, exchanged or amended by the Board of Directors. Pursuant to its Merger Agreement, the Company amended the Plan to provide that the Rights would not become exercisable solely by reason of the execution and delivery of the Merger Agreement or the consummation of the transactions contemplated by the Merger Agreement and that the Plan would expire immediately prior to the effective date of the merger.

For the six months ended June 30, 2001, the Company accounted for an \$0.8 million net derivative loss on cash flow hedges in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The after tax effect of \$0.5 million is included as a separate component of Stockholders' Equity.

The Company terminated its share repurchase program on June 15, 2001 pursuant to the Merger Agreement. The Company repurchased 470,658 of its shares in the open market at a total cost of \$11.6 million between April 1 and June 15, 2001. As of June 15, 2001 the Company had repurchased \$73.4 million in shares of its Common Stock under the \$250 million share repurchase program, which was authorized by its Board of Directors in April 2000. As of June 30, 2001, the Company held a total of 18,077,776 shares in treasury.

Comprehensive income for the six months ended June 30, 2000 was \$87.4 million, comprised of net income of \$90.6 million, unrealized holding losses on securities of \$(0.7) million, and foreign currency translation adjustments of \$(2.5) million.

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

(In millions)	Six Months Ended June 30,	
	2001	2000
Cash paid for:	-----	-----
Interest	\$ 22.9	\$ 24.0
Income taxes	69.3	71.7
Noncash investing and financing activities:		
Capital lease obligations from acquisition of software	17.7	-

PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following Unaudited Pro Forma Condensed Combined Balance Sheet gives effect to the October 1, 2001 acquisition of Galileo International, Inc. ("Galileo"). The following Unaudited Pro Forma Condensed Combined Statements of Operations give effect to the acquisition of Galileo and the Company's March 1, 2001 acquisition of Avis Group Holdings, Inc. ("Avis"). Both transactions have been accounted for under the purchase method of accounting.

Since the acquisition of Avis occurred on March 1, 2001, the financial position of Avis is included in the Company's historical balance sheet as of June 30, 2001. The Unaudited Pro Forma Condensed Combined Balance Sheet assumes the acquisition of Galileo occurred on June 30, 2001. The Unaudited Pro Forma Condensed Combined Statements of Operations assume the acquisitions of Avis and Galileo occurred on January 1, 2000. The unaudited pro forma financial data is based on the historical consolidated financial statements of the Company, Avis and Galileo under the assumptions and adjustments set forth in the accompanying explanatory notes.

The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 also gives effect to various significant finance-related activities that occurred during the first quarter of 2001 (the "Financing Activities"), which comprise the issuance of debt securities (net of debt retirements) and equity securities, the conversion of PRIDES to CD common stock and the issuance of zero-coupon senior convertible notes. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 assumes the Financing Activities occurred on January 1, 2000.

For purposes of developing the Unaudited Pro Forma Condensed Combined Balance Sheet, Galileo's assets and liabilities were recorded at their estimated fair market values and the excess purchase price was assigned to goodwill. These fair market values are based on preliminary estimates. Accordingly, the pro forma adjustments may be subject to revision once appraisals, evaluations and other studies of the fair value of Galileo's assets and liabilities are completed. In addition, although goodwill and certain other intangible assets arising from this acquisition will not be amortized pursuant to Statement of Financial Accounting Standard ("SFAS") No. 142, "Goodwill and Other Intangible Assets," annual amortization of goodwill and certain other intangibles arising from the acquisition of \$47 million and \$16 million, respectively, has been reflected in the accompanying Unaudited Pro Forma Condensed Combined Statements of Operations since the acquisition was assumed to have occurred on January 1, 2000 (prior to the effective date of such standard) for purposes of preparing the Unaudited Pro Forma Condensed Combined Statements of Operations.

Since Avis was consolidated with the Company as of March 1, 2001, the results of operations of Avis between January 1, 2001 and February 28, 2001 were combined with the Company's results of operations to report the combined pro forma results of operations for the six months ended June 30, 2001. The pro forma results of the combined company were then added to Galileo's results of operations for the six months ended June 30, 2001 and for the year ended December 31, 2000, subject to certain pro forma adjustments, to provide the Unaudited Pro Forma Condensed Combined Statements of Operations. All intercompany transactions were eliminated on a pro forma basis. Historically, Avis paid the Company for services the Company provided related to call centers and information technology and for the use of the Company's trademarks, and Avis paid Galileo for services Galileo provided related to reservations for vehicle rentals.

The pro forma adjustments relating to the acquisition of Galileo reflect the disbursement of a combination of CD common stock and cash aggregating \$20.91 for each share of Galileo common stock outstanding, the fair value of CD common stock options exchanged with certain fully-vested Galileo stock options of approximately \$32 million and estimated transaction costs and expenses of \$78 million. Approximately \$1,482 million of the merger consideration was funded through the issuance of CD common stock, with the remainder being financed by available cash. In addition, Cendant repaid approximately \$540 million of Galileo's net debt at closing with available cash (\$615 million total debt based on June 30, 2001 balance).

In August 2000, Avis contributed its European vehicle management and leasing business ("PHH Europe") to a newly formed joint venture in exchange for cash, settlement of intercompany debt and a 20% interest in the venture

(the "PHH Europe Transaction"). The accompanying Supplemental Unaudited Pro Forma Condensed Combined Statement of Operations of Avis for the year ended December 31, 2000 has been adjusted to reflect the PHH Europe Transaction.

In connection with acquisitions entered into, the Company intends to review acquired operations, which may result in a plan to realign or reorganize certain of those operations. The costs of implementing such a plan, if it were to occur, have not been reflected in the accompanying pro forma financial information. The impact of a potential realignment or reorganization could increase or decrease the amount of goodwill and intangible assets and the related amortization in the accompanying pro forma financial information. Additionally, the Unaudited Pro Forma Condensed Combined Statements of Operations exclude any benefits that might result from the acquisitions due to synergies that may be derived or from the elimination of duplicate efforts.

The Company's management believes that the assumptions used provide a reasonable

basis on which to present the unaudited pro forma financial information. The Company has completed other acquisitions and dispositions which are not significant and, accordingly, have not been included in the accompanying unaudited pro forma financial information. The unaudited pro forma financial information may not be indicative of the financial position or results of operations that would have occurred if the acquisitions of Avis and Galileo and the Financing Activities had been in effect on the dates indicated or which might be obtained in the future.

The unaudited pro forma financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes thereto for the Company, Avis and Galileo. Certain reclassifications have been made to the historical amounts of Galileo to conform with the Company's classification.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JUNE 30, 2001
(in millions)

PURCHASE
HISTORICAL
HISTORICAL
AND OTHER
COMBINED
CONDENSED
GALILEO
ADJUSTMENTS
PRO FORMA --

- ASSETS
Current
assets Cash
and cash
equivalents
\$ 1,913 \$ 18
\$ (437)(a) \$
879 (615)(b)
Receivables,
net 1,392
253 -- 1,645
Other
current
assets 1,058
55 -- 1,113

Total
current
assets 4,363
326 (1,052)
3,637
Property and
equipment,
net 1,617
392 22 (a)
2,031
Stockholder
litigation
settlement
trust 850 --
-- 850
Deferred
income taxes
1,268 -- --
1,268
Franchise
agreements,
net 1,506 --
-- 1,506
Goodwill,
net 5,507
307 1,555
(a) 7,369
Other
intangibles,
net 805 408
(8)(a) 1,205
Other assets
1,758 135
(49)(a)
1,844 -----

----- Total
assets
exclusive of

assets under
programs
17,674 1,568
468 19,710 -

Assets under
management
and mortgage
programs
Mortgage
loans held
for sale 829
-- -- 829
Relocation
receivables
332 -- --
332 Vehicle-
related, net
8,293 -- --
8,293
Timeshare
receivables
301 -- --
301 Mortgage
servicing
rights 1,858
-- -- 1,858

11,613 -- --
11,613 -----

----- TOTAL
ASSETS \$
29,287 \$
1,568 \$ 468
\$ 31,323
=====

LIABILITIES
AND
STOCKHOLDERS'
EQUITY
Current
liabilities
Accounts
payable and
other
current
liabilities
\$ 2,749 \$
243 \$ -- \$
2,992
Current
portion of
long-term
debt 504 194
(181)(b) 517
Deferred
income 1,011
-- -- 1,011
Deferred
income taxes
-- -- 2 (a)
2 -----

- Total
current
liabilities
4,264 437
(179) 4,522
Long-term
debt 4,365
456 (434)(b)
4,387
Stockholder
litigation
settlement
2,850 -- --
2,850 Other
liabilities
681 157 85
(a) 923 -----

Total
liabilities
exclusive of
liabilities
under

programs
 12,160 1,050
 (528) 12,682

 Liabilities
 under
 management
 and mortgage
 programs
 Debt 9,993 -
 - -- 9,993
 Deferred
 income taxes
 1,030 -- --
 1,030 -----

 ----- 11,023
 -- -- 11,023

 Mandatorily
 redeemable
 preferred
 interest in
 a subsidiary
 375 -- --
 375 -----

 Stockholders'
 equity 5,729
 518 996 (c)
 7,243 -----

 ----- TOTAL
 LIABILITIES
 AND
 STOCKHOLDERS'
 EQUITY \$
 29,287 \$
 1,568 \$ 468
 \$ 31,323
 =====
 =====
 =====
 =====

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET.

NOTES TO UNAUDITED PRO FORMA
 CONDENSED COMBINED BALANCE SHEET
 AS OF JUNE 30, 2001
 (DOLLARS IN MILLIONS)

The accompanying Unaudited Pro Forma Condensed Combined Balance Sheet was prepared to reflect the acquisition of Galileo, which was accounted for under the purchase method of accounting. The purchase price of \$1,951 (including \$78 of estimated transaction costs and expenses directly attributable to the acquisition of Galileo and \$32 related to the fair value of CD common stock options issued in exchange for Galileo stock options) was based on acquiring 100% of the Galileo common stock outstanding at \$20.91 per share.

(a) Represents the excess of the purchase price over the preliminary estimate of the fair value of the identifiable net assets acquired, calculated as follows:

Calculation of acquisition goodwill	
Cash consideration	\$ 359
Issuance of CD common stock	1,482
Fair value of CD common stock options issued in exchange for Galileo stock options	32
Transaction costs and expenses	78

Total purchase price	1,951

Preliminary estimate of fair value of identifiable net assets acquired	
Historical book value of assets acquired net of liabilities assumed	518
Elimination of Galileo goodwill	(307)
Preliminary estimate of fair value adjustments to identifiable intangible assets	(8)
Preliminary estimate of fair value adjustments to property and equipment	22
Preliminary estimate of fair value adjustments to other assets (\$49) and other liabilities (\$85)	(134)
Deferred tax liability on fair value adjustments and transaction costs and expenses	(2)

Preliminary estimate of fair value of identifiable net assets acquired	89

1,580
 Selling,
 general and
 administrative
 895 115 --
 1,010 391
 (15)(g) 1,386
 Vehicle
 depreciation,
 lease charges
 and interest,
 net 725 350 -
 - 1,075 -- --
 1,075 Non-
 vehicle
 depreciation
 and
 amortization
 222 23 2 (d)
 247 122 (30)
 (g) 339 Other
 charges, net
 212 -- -- 212
 -- -- 212
 Non-vehicle
 interest, net
 122 12 1 (c)
 135 19 (21)
 (h) 133
 Other, net --
 -- -- -- 6 --
 6 -----

 Total
 expenses
 3,415 674
 (31) 4,058
 744 (71)
 4,731 -----

 Net gain on
 dispositions
 of businesses
 435 -- -- 435
 -- -- 435 ---

 ----- INCOME
 (LOSS) BEFORE
 INCOME TAXES,
 MINORITY
 INTEREST AND
 EQUITY IN
 HOMESTORE.COM
 909 (33) (3)
 873 169 66
 1,108
 Provision
 (benefit) for
 income taxes
 336 (10) (2)
 (e) 324 74
 23(i) 421
 Minority
 interest, net
 of tax 18 --
 -- 18 -- --
 18 Losses
 related to
 equity in
 Homestore.com,
 net of tax 36
 -- -- 36 -- --
 - 36 INCOME
 (LOSS) BEFORE
 CUMULATIVE
 EFFECT OF ---

 ACCOUNTING
 CHANGE \$ 519
 \$ (23) \$ (1)
 \$ 495 \$ 95 \$
 43 \$ 633
 =====
 =====
 =====
 ===== CD
 COMMON STOCK
 INCOME PER
 SHARE INCOME

BEFORE
 CUMULATIVE
 EFFECT OF
 ACCOUNTING
 CHANGE Basic
 \$ 0.61 \$ 0.58
 \$ 0.66
 Diluted 0.58
 0.55 0.63
 WEIGHTED
 AVERAGE
 SHARES
 OUTSTANDING
 Basic 820 820
 117(j) 937
 Diluted 868
 868 117(j)
 985 MOVE.COM
 COMMON STOCK
 INCOME PER
 SHARE INCOME
 BEFORE
 CUMULATIVE
 EFFECT OF
 ACCOUNTING
 CHANGE Basic
 \$ 9.94 \$ 9.94
 \$ 9.94
 Diluted 9.81
 9.81 9.81
 WEIGHTED
 AVERAGE
 SHARES
 OUTSTANDING
 Basic 2 2 2
 Diluted 2 2 2
 SEE
 ACCOMPANYING
 NOTES TO
 UNAUDITED PRO
 FORMA
 CONDENSED
 COMBINED
 STATEMENT OF
 OPERATIONS.

5

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
 FOR THE SIX MONTHS ENDED JUNE 30, 2001
 (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF AVIS AND THE FINANCING ACTIVITIES.

- (a) Represents the elimination of amounts paid by Avis to the Company for services provided related to call centers and information technology and for the use of trademarks.
- (b) Represents the elimination of the Company's earnings attributable to its investment in Avis for which the combined effect is zero.
- (c) Represents interest expense on debt issued to finance the acquisition of Avis (\$7), net of the amortization of the fair value adjustment on acquired debt (\$4) and the reversal of Avis' amortization of debt-related costs (\$2).
- (d) Represents the amortization of goodwill generated on the excess of fair value over the net assets acquired on a straight-line basis over 40 years, net of the reversal of Avis' amortization of pre-acquisition goodwill and other identifiable intangibles resulting from the allocation of purchase price on a straight-line basis over 20 years.
- (e) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 38.5% (not including adjustments for non-deductible goodwill).

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF GALILEO.

- (f) Represents the elimination of amounts paid by Avis to Galileo for services provided related to reservations for vehicle rentals.
- (g) Represents the amortization of goodwill generated on the excess of the purchase price over the preliminary estimate of the fair value of identifiable net assets acquired on a straight-line basis over 40 years (\$23), the amortization of the estimated identifiable intangibles on a straight-line basis over 25 years (\$8) and the amortization of estimated value of property and equipment (\$61), net of the reversal of Galileo's amortization of pre-acquisition goodwill (\$28), other identifiable intangibles (\$22), other assets (\$15) and property and equipment (\$72).
- (h) Represents interest expense relating to the Galileo long-term debt that was repaid at closing.
- (i) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 38.5% (not including

- 17 -----

 Total
 expenses
 3,545 3,830
 (151) 54
 7,278 1,377 -

 ----- Net
 loss on
 dispositions
 of businesses
 (8) -- (35)
 (e) -- (43) -

 Income before
 income taxes,
 minority
 interest and
 equity in
 Homestore.com
 1,106 259
 (96) (54)
 1,215 266
 Provision for
 income taxes
 362 117 (30)
 (f) (20)(f)
 429 117
 Minority
 interest, net
 of tax 84 7 -
 - (66)(h) 25
 -- Income
 before
 extraordinary
 loss and
 cumulative --

 ----- effect
 of accounting
 change \$ 660
 \$ 135 \$ (66)
 \$ 32 \$ 761 \$
 149 =====
 =====
 =====
 =====
 =====
 ===== CD
 COMMON STOCK
 INCOME PER
 SHARE INCOME
 BEFORE
 EXTRAORDINARY
 LOSS AND
 CUMULATIVE
 EFFECT OF
 ACCOUNTING
 CHANGE Basic
 \$ 0.92 -- --
 -- \$ 0.92 --
 Diluted 0.89
 -- -- -- 0.90
 -- WEIGHTED
 AVERAGE
 SHARES
 OUTSTANDING
 Basic 724 --
 -- 107(j) 831
 -- Diluted
 762 -- --
 107(j) 869 --
 MOVE.COM
 COMMON STOCK
 LOSS PER
 SHARE LOSS
 BEFORE
 EXTRAORDINARY
 LOSS AND
 CUMULATIVE
 EFFECT OF
 ACCOUNTING
 CHANGE Basic
 \$ (1.76) -- -
 - -- \$ (1.76)
 -- Diluted
 (1.76) -- --
 -- (1.76) --

WEIGHTED
 AVERAGE
 SHARES
 OUTSTANDING
 Basic 3 -- --
 -- 3 --
 Diluted 3 --
 -- -- 3 --
 GALILEO
 PURCHASE
 COMBINED
 ADJUSTMENTS
 PRO FORMA ---

 REVENUES
 Membership
 and service
 fees, net \$ -
 - \$ 4,494
 Vehicle-
 related --
 3,783 Global
 distribution
 services (12)
 (k) 1,549
 Other -- 341

 - Net
 revenues (12)
 10,167
 EXPENSES
 Operating
 (12)(k) 2,575
 Vehicle
 depreciation,
 lease charges
 and interest,
 net -- 1,671
 Selling,
 general and
 administrative
 (23)(l) 2,800
 Non-vehicle
 depreciation
 and
 amortization
 (57)(l) 626
 Other
 charges, net
 -- 139 Non-
 vehicle
 interest, net
 (47)(m) 688
 Other, net --
 17 -----
 ---- Total
 expenses
 (139) 8,516 -

 Net loss on
 dispositions
 of businesses
 -- (43) -----

 Income before
 income taxes,
 minority
 interest and
 equity in
 Homestore.com
 127 1,608
 Provision for
 income taxes
 47(n) 593
 Minority
 interest, net
 of tax -- 25
 Income before
 extraordinary
 loss and
 cumulative --

 effect of
 accounting
 change \$ 80 \$
 990 =====
 ===== CD
 COMMON STOCK
 INCOME PER
 SHARE INCOME
 BEFORE
 EXTRAORDINARY
 LOSS AND
 CUMULATIVE
 EFFECT OF
 ACCOUNTING
 CHANGE Basic

-- \$ 1.05
Diluted --
1.02 WEIGHTED
AVERAGE
SHARES
OUTSTANDING
Basic 117(o)
948 Diluted
117(o) 986
MOVE.COM
COMMON STOCK
LOSS PER
SHARE LOSS
BEFORE
EXTRAORDINARY
LOSS AND
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE Basic
-- \$ (1.76)
Diluted --
(1.76)
WEIGHTED
AVERAGE
SHARES
OUTSTANDING
Basic -- 3
Diluted -- 3

(*) See Supplemental Unaudited Condensed Combined Statement of Operations and Notes included herein.

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED
COMBINED STATEMENT OF OPERATIONS.

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF AVIS AND THE FINANCING ACTIVITIES.

- (a) Represents the elimination of amounts paid by Avis to the Company for services provided related to call centers and information technology and for the use of trademarks.
- (b) Represents the elimination of the Company's earnings attributable to its investment in Avis.
- (c) Represents the amortization of goodwill generated on the excess of fair value over the net assets acquired on a straight-line basis over 40 years, net of the reversal of Avis' amortization of pre-acquisition goodwill and other identifiable intangibles resulting from the allocation of purchase price on a straight-line basis over 20 years.
- (d) Represents interest expense on debt issued to finance the acquisition of Avis (\$44), net of amortization of the fair value adjustment on acquired debt (\$25) and the reversal of Avis' amortization of debt related costs (\$13).
- (e) Represents the reversal of a gain of \$35 million recorded by the Company, which represents the recognition of a portion of its previously recorded deferred gain from the 1999 sale of its fleet business due to the disposition of PHH Europe by Avis in August 2000.
- (f) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill), except Note (e) above where the tax effect was approximately 2%, which represented the rate at which taxes were provided on the related gain.
- (g) Represents interest expense relating to the issuance of the zero-coupon senior convertible notes, medium-term notes, borrowing under a \$650 million term loan agreement and the repayment of an existing term loan, net of interest expense allocated to the acquisition of Avis (See Note (d) above).
- (h) Represents the reduction in preferred stock dividends resulting from the conversion of the PRIDES to CD common stock.
- (i) No adjustment has been made to reduce interest expense for interest income on the incremental cash of \$1,587 raised through the Financing Activities. Assuming the incremental cash was invested at 5%, which represents the Company's current rate for cash investments, interest expense would have been reduced by \$79. Additionally, income before extraordinary loss and cumulative effect of accounting change and income per share before extraordinary loss and cumulative effect of accounting change would have improved by \$49 and \$0.06, respectively.
- (j) Represents the issuance of CD common stock of 61 million shares and 46 million shares relating to the conversion of PRIDES to CD common stock and

the issuance of CD common stock, respectively.

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF GALILEO.

- (k) Represents the elimination of amounts paid by Avis to Galileo for services provided related to reservations for vehicle rentals.
- (l) Represents the amortization of goodwill generated on the excess of the purchase price over the preliminary estimate of the fair value of identifiable net assets acquired on a straight-line basis over 40 years (\$47), the amortization of the estimated identifiable intangibles on a straight-line basis over 25 years (\$16) and the amortization of the estimated value of property and equipment (\$121), net of the reversal of Galileo's amortization of pre-acquisition goodwill (\$47), other identifiable intangibles (\$39) and property and equipment (\$155).
- (m) Represents interest expense relating to the Galileo long-term debt that was repaid at closing.
- (n) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill).
- (o) Represents the issuance of approximately 117 million shares of CD common stock used to fund a portion of the acquisition price of Galileo.

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SUPPLEMENTAL UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN MILLIONS)

The unaudited pro forma financial data presented below was prepared to reflect the historical consolidated financial statements of Avis, excluding the PHH Europe Transaction. Avis will receive an annual license fee in connection with the PHH Europe Transaction from the joint venture for the license of the PHH fleet management technology, PHH interactive. Avis utilized the proceeds of the PHH Europe Transaction to reduce Avis' indebtedness and to pay transaction costs.

HISTORICAL
SALE OF PRO
FORMA
ADJUSTED AVIS
PHH EUROPE(a)
ADJUSTMENTS
AVIS -----

Revenues
Service fees,
net \$ 241 \$
(86) \$ -- \$
155 Vehicle
rental 2,467
-- -- 2,467
Vehicle
leasing and
other fees
1,389 (73) --
1,316 Other
146 -- 5 (b)
151 ----- --

----- Net
revenues
4,243 (159) 5
4,089
EXPENSES
Operating 966
-- -- 966
Vehicle
depreciation
and lease
charges 1,695
(24) -- 1,671
Selling,
general and
administrative
693 (56) --
637 Interest,
net 577 (37)
(58)(c) 482
Depreciation
and
amortization
89 (12) (3)
(d) 74 -----

----- Total
expenses
4,020 (129)
(61) 3,830
INCOME (LOSS)
BEFORE INCOME

TAXES AND
 MINORITY
 INTEREST 223
 (30) 66 259
 Provision
 (benefit) for
 income taxes
 95 (3) 25(e)
 117 Minority
 interest 7 --
 -- 7 -----

 ----- INCOME
 (LOSS) BEFORE
 EXTRAORDINARY
 LOSS AND
 CUMULATIVE
 EFFECT OF
 ACCOUNTING
 CHANGE \$ 121
 \$ (27) \$ 41 \$
 135 =====
 =====
 ===== SEE
 ACCOMPANYING
 NOTES TO
 SUPPLEMENTAL
 UNAUDITED PRO
 FORMA
 CONDENSED
 COMBINED
 STATEMENT OF
 OPERATIONS.

NOTES TO SUPPLEMENTAL UNAUDITED PRO FORMA
 CONDENSED COMBINED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (DOLLARS IN MILLIONS)

- (a) Represents adjustments to pro forma the results of operations of PHH Europe, assuming that the PHH Europe Transaction occurred on January 1, 2000.
- (b) Represents fleet management technology fee income and the equity in the earnings of the joint venture formed pursuant to the PHH Europe Transaction, net of the amortization of the excess of cost over the assets acquired.
- (c) Represents a reduction in interest expense resulting from the retirement of acquisition debt and revolving credit facilities related to the application of proceeds of \$1,053 from the PHH Europe Transaction.
- (d) Represents a decrease in amortization expense relating to goodwill generated from the PHH Europe Transaction, net of the reversal of PHH Europe goodwill.
- (e) Represents the income tax effect of the pro forma adjustments at an estimated statutory rate of 39% (not including adjustments for non-deductible goodwill).

CENDANT CORPORATION ANNOUNCES COMPLETION OF
\$1.15 BILLION REVOLVING CREDIT FACILITY

New York, NY, October 8, 2001--Cendant Corporation (NYSE: CD) today announced that it has completed a \$1.15 billion revolving credit facility with a banking group led by J.P. Morgan Chase.

The Company initially sought a \$1 billion facility; however, based upon a strong reception by the banking group, the Company increased the facility by an additional \$150 million to \$1.15 billion.

Cendant's Chairman, President and CEO, Henry R. Silverman stated: "With this facility, we now have \$2.9 billion in revolving credit facilities that, along with our strong cash position, provides the Company with considerable liquidity. We are pleased that together with J.P. Morgan Chase we have completed this credit facility in a very difficult environment, owing in part to a banking group comprised of many long-standing relationships."

James B. Lee, Jr., Vice Chairman of J.P. Morgan Chase & Co. stated: "This financing illustrates the confidence the banking community has in Cendant's business model and management team. In the face of recent events, Cendant's diversified business is expected to continue to demonstrate strong growth and generate considerable free cash flow."

The other agent banks are Bank of America, The Bank of Nova Scotia, Citibank, and Credit Lyonnais.

Cendant Corporation is primarily a provider of travel and residential real estate services. With approximately 60,000 employees, New York City-based Cendant provides these services to businesses and consumers in more than 100 countries.

More information about Cendant, its companies, brands and current SEC filings may be obtained by visiting the Company's Web site at www.Cendant.com or by calling 877-4-INFOCD (877-446-3623).

MEDIA CONTACT:
Elliot Bloom
212-413-1832

INVESTOR CONTACTS:
Denise Gillen
212-413-1833

Sam Levenson
212-413-1834

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives.

Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "project", "estimates", "plans", "may increase", "may fluctuate" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical acts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- o The impacts of the September 11, 2001 terrorist attacks on New York City and Washington DC on the travel industry in general, and our travel businesses in particular, are not known at this time, but are expected to include negative impacts on financial results due to reduced demand for travel in the near term; other attacks, acts of war or measures taken by governments in response thereto may negatively affect the travel industry, our financial results and could also result in a disruption of our business;
- o the effect of economic conditions and interest rate changes on the economy on a national, regional or international basis and the impact thereof on our businesses;
- o the effects of a decline in travel, due to political instability, adverse economic conditions or otherwise, on our travel related businesses;
- o the effects of changes in current interest rates, particularly on our real estate franchise and mortgage businesses;
- o the resolution or outcome of our unresolved pending litigation relating to the previously announced accounting irregularities and other related litigation;
- o our ability to develop and implement operational, technological and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings;
- o competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors;
- o failure to reduce quickly our substantial technology costs in response to a reduction in revenue, particularly in our global distribution systems business;
- o our failure to provide fully integrated disaster recovery technology solutions in the event of a disaster;
- o our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, including the acquisitions of Avis Group Holdings, Inc., Fairfield Resorts, Inc., Galileo International, Inc. and Cheap Tickets, Inc., the compatibility of the operating systems of the combining companies, and the degree to which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant;
- o our ability to obtain financing on acceptable terms to finance our growth strategy and to operate within the limitations imposed by financing arrangements and rating agencies;
- o competitive and pricing pressures in the vacation ownership and travel industries, including the car rental industry; changes in the vehicle manufacturer repurchase arrangements between vehicle manufacturers and Avis Group Holdings, Inc. in the event that used vehicle values decrease;
- o and changes in laws and regulations, including changes in accounting standards and privacy policy regulation.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

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You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required by law. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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