SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998
COMMISSION FILE NO. 1-10308

CENDANT CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	06-0918165 (I.R.S. Employer Identification 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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $.01	New York Stock Exchange
Income PRIDES(SM)	New York Stock Exchange
Growth PRIDES(SM)	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

6.45% Trust Originated Preferred Securities
7 1/2% Notes due 2000
7 3/4% Notes due 2003
3% Convertible Subordinated Notes Due 2002

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the Common Stock issued and outstanding and held by nonaffiliates of the Registrant, based upon the closing price for the Common Stock on the New York Stock Exchange on March 22, 1999 was $12,908,560,000. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

The number of shares outstanding of each of the Registrant's classes of common stock was 794,281,319 shares of Common Stock outstanding as at March 22, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement which was mailed to stockholders in connection with the registrant's annual shareholders' meeting which is scheduled to be held on May 27, 1999 (the "Proxy Statement") are incorporated by reference into Part III hereof.

DOCUMENT CONSTITUTING PART OF SECTION 10(A) PROSPECTUS FOR FORM S-8 REGISTRATION STATEMENTS

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

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PART I

ITEM 1. BUSINESS

Except as expressly indicated or unless the context otherwise requires, the "Company", "Cendant", "we", "our", or "us" means Cendant Corporation, a Delaware Corporation, and its subsidiaries.

GENERAL

We are one of the foremost consumer and business services companies in the world. We were created through the merger (the "Merger") of HFS Incorporated ("HFS") into CUC International Inc. ("CUC") in December 1997 with the resultant corporation being renamed Cendant Corporation. We provide the fee-based services formerly provided by each of CUC and HFS, including travel services, real estate services and membership-based consumer services, to our customers throughout the world.

We operate in four principal divisions--travel related services, real estate related services, alliance marketing related services and other consumer and business services. Our businesses provide a wide range of complementary consumer and business services, which together represent nine business segments. The travel related services businesses facilitate vacation timeshare exchanges, manage corporate and government vehicle fleets and franchise car rental and hotel businesses; the real estate related services businesses franchise real estate brokerage businesses, provide home buyers with mortgages and assist in employee relocation; and the alliance marketing related services businesses provide an array of value driven products and services. Our other consumer and business services include our tax preparation services franchise, information technology services, car parks and vehicle emergency support and rescue services in the United Kingdom, credit information services, financial products and other consumer-related services.

As a franchisor of hotels, residential real estate brokerage offices, car rental operations and tax preparation services, we license the owners and operators of independent businesses to use our brand names. We do not own or operate hotels, real estate brokerage offices, car rental operations or tax preparation offices (except for certain company-owned Jackson Hewitt offices which we intend to franchise). Instead, we provide our franchisee customers with services designed to increase their revenue and profitability.

Travel Related Services

The travel division is comprised of the travel and fleet segments. In the travel segment, we franchise hotels primarily in the mid-priced and economy markets. We are the world's largest hotel franchisor, operating the Days Inn (Registered Trademark) , Ramada (Registered Trademark) (in the United States), Howard Johnson (Registered Trademark) , Super 8 (Registered Trademark) , Travelodge (Registered Trademark) (in North America), Villager Lodge (Registered Trademark) , Knights Inn (Registered Trademark) and Wingate Inn (Registered Trademark) lodging franchise systems. We own the Avis (Registered Trademark) worldwide vehicle rental franchise system which, operated by its franchisees, is the second largest car rental system in the world (based on total revenues and volume of rental transactions). We currently own approximately 19% of the capital stock of the largest Avis franchisee, Avis Rent A Car, Inc. ("ARAC"). We also own Resort Condominiums International, LLC ("RCI"), the world's leading timeshare exchange organization.

Our fleet segment is conducted primarily by our PHH Vehicle Management Services Corporation subsidiary which operates the second largest provider in North America of comprehensive vehicle management services and our PHH Vehicle Management Services PLC subsidiary which is the market leader in the United Kingdom for fuel and fleet management services.

Real Estate Related Services

Our real estate division consists of the real estate franchise, relocation and mortgage segments. In the real estate franchise segment, we franchise real estate brokerage offices under the CENTURY 21 (Registered Trademark) , COLDWELL BANKER (Registered Trademark) and ERA (Registered Trademark) real estate brokerage franchise systems and are the world's largest real estate brokerage franchisor. In the relocation segment, our Cendant Mobility Services Corporation subsidiary is the largest provider of corporate relocation services in the world, offering relocation clients a variety of services in connection with the transfer of a client's employees. In the mortgage segment, our Cendant Mortgage Corporation ("Cendant Mortgage") subsidiary originates, sells and services residential mortgage loans in the United States, marketing such services to consumers through relationships with corporations, affinity groups, financial institutions, real estate brokerage firms and mortgage banks.

Alliance Marketing Related Services

Our alliance marketing division is divided into three segments: individual membership; insurance/wholesale; and entertainment publications. The individual membership segment, with approximately 32 million memberships, provides customers with access to a variety of discounted products and services in such areas as retail shopping, travel, auto, dining and home improvement. The insurance/wholesale segment, with nearly 31 million customers, markets and administers insurance products, primarily accidental death and dismemberment insurance and term life insurance, and also provides products and services such as checking account enhancement packages, financial products and discount programs to customers of various financial institutions. The entertainment publications segment provides customers with unique products and services that are designed to enhance a customer's purchasing power. Our alliance marketing activities are conducted principally through our Cendant Membership Services, Inc. subsidiary and certain of the Company's other wholly-owned subsidiaries, including FISI*Madison Financial Corporation ("FISI"), Benefit Consultants, Inc. ("BCI"), and our Entertainment Publications, Inc. ("EPub") subsidiary.

Other Consumer and Business Services

We also provide a variety of other consumer and business services. Our Jackson Hewitt Inc. ("Jackson Hewitt") subsidiary operates the second largest tax preparation service system in the United States with locations in 43 states and franchises a system of approximately 3,000 offices that specialize in computerized preparation of federal and state individual income tax returns. Our National Parking Corporation Limited ("NPC") subsidiary is the largest private (non-municipally owned) car park operator in the United Kingdom and a leader in vehicle emergency support and rescue services for approximately 3.5 million members in the United Kingdom. Our Global Refund subsidiary operates the world's leading value-added tax refund service for travelers. We also provide information technology services, credit information services, financial services and other consumer services.

RECENT DEVELOPMENTS

Change in Focus; Sale of Our Cendant Software and Hebdo Mag International Subsidiaries

General. We recently have changed our focus from making strategic acquisitions of new businesses to maximizing the opportunities and growth potential of our existing businesses. In connection with this change in focus, we intend to review and evaluate our existing businesses to determine if they continue to meet our business objectives. As part of our ongoing evaluation of such businesses, we intend from time to time to explore and conduct discussions with regard to divestitures and related corporate transactions. However, we can give no assurance with respect to the magnitude, timing, likelihood or financial or business effect of any possible transaction. We also cannot predict whether any divestitures or other transactions will be consummated or, if consummated, will result in a financial or other benefit to us. We intend to use a portion of the proceeds from any such dispositions and cash from operations, to retire indebtedness, to repurchase our common stock as our Board of Directors approves and for other general corporate purposes.

As a result of our change in focus, on January 12, 1999, we completed the sale of our consumer software division, Cendant Software and its subsidiaries, to Paris-based Havas SA, a subsidiary of Vivendi SA, for $800 million in cash plus future potential cash payments.

On December 15, 1998, we completed the sale of our Hebdo Mag International subidiary ("Hebdo Mag") to a company organized by Hebdo Mag management for approximately $450 million, including approximately $315 million in cash and 7.1 million shares of our common stock.

Internet Strategy. As part of the aforementioned change in focus, on February 10, 1999, we announced our strategy for our Internet business, following a comprehensive company-wide review. The strategy includes: (i) the proposed sale of three of our internet companies -- RentNet, Match.com and Bookstacks, Inc. (Books.com, MusicSpot.com and GoodMovies.com); (ii) continued investment in our remaining internet membership business, particularly NetMarket, which is an integral part of our overall individual membership business; (iii) active pursuit of strategic partnerships that will leverage our online membership assets, accelerate growth and maximize shareholder value; and (iv) establishment of an outsourcing services business that manages fulfillment and distribution for non-competing third party e-commerce providers.

Termination of American Bankers Acquisition and Settlement Agreement

On March 23, 1998, we announced that we had entered into a definitive agreement (the "ABI Merger Agreement") to acquire American Bankers Insurance Group Inc. ("American Bankers") for $67 per share in cash and stock, for an aggregate consideration of approximately $3.1 billion. Because of uncertainties concerning the eventual completion of this acquisition, on October 13, 1998, we and American Bankers entered into a settlement agreement pursuant to which we and American Bankers terminated the ABI Merger Agreement and our then pending tender offer for American Bankers shares. Pursuant to the settlement agreement:

- we and American Bankers released each other from any claims relating to the proposed acquisition of American Bankers;
- we paid $400 million, pre-tax, in cash to American Bankers;
- we agreed to withdraw any applications we had pending with insurance regulatory authorities in order to obtain control of American Bankers and to withdraw from any proceedings or hearings in connection with these applications; and
- we agreed not to take any actions or make any statements intended to frustrate or delay any business combination between American Bankers and any other party.

In connection with the termination of the American Bankers transaction, we recorded a $281 million after-tax charge in the fourth quarter of 1998 in connection with our payment to American Bankers and transaction-related expenses.

Termination of Providian Acquisition

On December 10, 1997, we announced that we had entered into a definitive agreement to acquire Providian Auto and Home Insurance Company and its subsidiaries ("Providian") from a subsidiary of Aegon N.V. for approximately $219 million in cash. On October 5, 1998, we announced that we terminated the agreement to acquire Providian because the acquisition agreement provided that the closing had to occur on or before September 30, 1998, and certain representations, covenants and conditions of closing in the acquisition agreement had not been fulfilled by that date. We did not pursue an extension of the termination date of the agreement because Providian no longer met our acquisition criteria.

National Parking Corporation Acquisition

On April 27, 1998, we acquired NPC for $1.6 billion in cash, which included our repayment of approximately $227 million of outstanding NPC debt. NPC is the largest private (non-municipally owned) car park operator in the United Kingdom, with a portfolio of approximately 500 owned, leased and managed car parks in over 100 towns and city centers and major airport locations. NPC has also developed a broad-based break-down assistance group under the brand name of Green Flag. Green Flag offers a wide range of emergency support and rescue services to approximately 3.5 million members in the United Kingdom.

Termination of RAC Motoring Services Acquisition

On May 21, 1998, we announced that we reached definitive agreements with the Board of Directors of Royal Automobile Club ("RAC") to purchase RAC Motoring Services ("RACMS") for total consideration of pounds sterling 450 million, or approximately $735 million in cash. On February 4, 1999, the U.K. Secretary of State for Trade and Industry cleared our proposed acquisition of RACMS on the condition that we divest our Green Flag breakdown assistance business. We did not regard this proposed condition as reasonably acceptable or commercially feasible and therefore we have determined not to proceed with the acquisition of RACMS.

MATTERS RELATING TO THE ACCOUNTING IRREGULARITIES AND ACCOUNTING POLICY CHANGE

Accounting Irregularities

On April 15, 1998, we announced that in the course of transferring responsibility for our accounting functions from Cendant personnel associated with CUC prior to the Merger to Cendant personnel associated with HFS before the Merger and preparing for the reporting of first quarter 1998 financial results, we discovered accounting irregularities in certain CUC business units. As a result, we, together with our counsel and assisted by auditors, immediately began an intensive investigation (the "Company Investigation"). In addition, our Audit Committee engaged Willkie Farr & Gallagher ("Willkie Farr") as special legal counsel and Willkie Farr engaged Arthur Andersen LLP to perform an independent investigation into these accounting irregularities (the "Audit Committee Investigation," and together with the Company Investigation, the "Investigations").

On July 14, 1998, we announced that the accounting irregularities were greater than those initially discovered in April and that the irregularities affected the accounting records of the majority of the CUC business units. On August 13, 1998, we announced that the Company Investigation was complete. On August 27, 1998, we announced that our Audit Committee had submitted its report (the "Report") to the Board of Directors on the Audit Committee Investigation into the accounting irregularities and its conclusions regarding responsibility for those actions. A copy of the Report has been filed as an exhibit to the Company's Current Report on Form 8-K dated August 28, 1998.

As a result of the findings of the Investigations, we restated our previously reported financial results for 1997, 1996 and 1995 and the six months ended June 30, 1998 and 1997. The 1997 restated amounts also included certain adjustments related to the former HFS businesses which are substantially comprised of $47.8 million in reductions to merger-related costs and other unusual charges ("Unusual Charges") and a $14.5 million decrease in pre-tax income excluding Unusual Charges, which on a net basis increased 1997 net income from continuing operations. The 1997 annual and six months results have also been restated for a change in accounting, effective January 1, 1997, related to revenue and expense recognition for memberships with a full refund offer (see Notes 2 and 18 to the Consolidated Financial Statements).

Restated consolidated results include, but are not limited to:

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Net Income (loss):					
As restated	$ 325.9	$ (250.6)	(217.2)	$ 330.0	$ 229.8
As originally reported	413.8	11.0	55.4	423.6	302.8
Income from continuing operations excluding Unusual Charges:					
As restated	$ 343.2	$ 252.7	$ 571.0 (1)	$ 383.3 (2)	$ 269.2 (3)
As originally reported	421.2	237.0	817.0	499.8	333.9
Per common share (diluted):					
Net income (loss):					
As restated	$ 0.37	$ (0.30)	$ (0.27)	$ 0.41	$ 0.31
As originally reported	0.46	0.01	0.06	0.52	0.42
Income from continuing operations excluding Unusual Charges:					
As restated	$ 0.38	$ 0.30	$ 0.66(1)	$ 0.47(2)	$ 0.36(3)
As originally reported	0.46	0.30	0.94	0.62	0.46

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(1) For the year ended December 31, 1997, our restated income from continuing operations excluding Unusual Charges, extraordinary gain and the cumulative effect of a change in accounting totaled $571.0 million ($0.66 per diluted share). The original amount included $817.0 million ($0.94 per diluted share) of income from continuing operations. The $246.0 million ($0.28 per diluted share) decrease in income from continuing operations represents additional after-tax expenses of $14.6 million ($0.02 per diluted share) due to a change in accounting described in "--Matters Relating to the Accounting Irregularities and Accounting Policy Change" and $231.4 million ($0.26 per diluted share) of accounting errors and irregularities.

(2) The $116.5 million ($0.15 per diluted share) decrease primarily represents accounting errors and irregularities.

(3) The $64.7 million ($0.10 per diluted share) decrease primarily represents accounting errors and irregularities.

Class Action Litigation and Government Investigation

Since our April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC business units, and prior to the date of this Annual Report on Form 10-K, numerous lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and three individual lawsuits have been filed in various courts against us, and among others, our predecessor, HFS, and certain current and former officers and directors of the Company and HFS, asserting various claims under the federal securities laws and certain state statutory and common laws. SEE "ITEM 3. LEGAL PROCEEDINGS".

In addition, the staff of the Securities and Exchange Commission (the "SEC") and the United States Attorney for the District of New Jersey are conducting investigations relating to the accounting irregularities. The SEC staff has advised us that its inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. While we have made all adjustments considered necessary as a result of the findings of the Investigations and the restatement of our financial statements for 1997, 1996 and 1995 and the first six months of 1998, we can provide no assurances that additional adjustments will not be required as a result of these government investigations.

Other than the PRIDES litigation discussed below, we do not believe that it is feasible to predict or determine the final outcome or resolution of these proceedings and investigations or to estimate the amounts or potential range of loss with respect to the resolution of these proceedings and investigations. In addition, the timing of the final resolution of these proceedings and investigations is uncertain. The possible outcomes or resolutions of these proceedings and investigations could include judgments against us or settlements and could require substantial payments by us. Our management believes that adverse outcomes in such proceedings and investigations or any other resolutions (including settlements) could have a material impact on our financial condition, results of operations and cash flows.

Settlement of PRIDES Class Action Litigation

On March 17, 1999, we announced that we reached a final settlement agreement with plaintiff's counsel representing the class of holders of our PRIDES securities who purchased their securities on or prior to April 15, 1998 ("eligible persons") to settle their class action lawsuit against us. Under the final settlement agreement, eligible persons will receive a new security -- a Right -- for each PRIDES security held on April 15, 1998. Current holders of PRIDES will not receive any Rights (unless they also held PRIDES on April 15, 1998). We had originally announced a preliminary agreement in principle to settle such lawsuit on January 7, 1999. The final agreement maintained the basic structure and accounting treatment as the preliminary agreement.

Based on the settlement agreement, we recorded an after tax charge of approximately $228 million, or $0.26 per diluted share ($351 million pre-tax), in the fourth quarter of 1998 associated with the settlement agreement in principle to settle the PRIDES securities class action. We recorded an increase in additional paid-in capital of $350 million offset by a decrease in retained earnings of $228 million resulting in a net increase in stockholders' equity of $122 million as a result of the prospective issuance of the Rights. As a result, the settlement should not reduce net book value. In addition, the settlement is not expected to reduce 1999 earnings per share unless our common stock price materially appreciates. SEE "ITEM 3. LEGAL PROCEEDINGS" for a more detailed description of the settlement.

Management and Corporate Governance Changes

On July 28, 1998, Walter A. Forbes resigned as Chairman of the Company and as a member of the Board of Directors. Henry R. Silverman, Chief Executive Officer of the Company, was unanimously elected by the Board of Directors to be Chairman and continues to serve as our Chief Executive Officer and President. Since July 28, 1998, ten members of the Board formerly associated with CUC also resigned.

On July 28, 1998, the Board also approved the adoption of Amended and Restated By-Laws of the Company and voted to eliminate the governance plan adopted as part of the Merger, resulting in the elimination of the 80% super-majority vote requirement provisions of our By-Laws relating to the composition of the Board and the limitations on the removal of the Chairman and the Chief Executive Officer.

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FINANCIAL INFORMATION

Financial information about our industry segments may be found in Note 26 to our consolidated financial statements presented in Item 8 of this Annual Report on Form 10-K and incorporated herein by reference.

FORWARD LOOKING STATEMENTS

We make statements about our future results in this Annual Report on Form 10-K that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on our current expectations and the current economic environment. We caution you that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Our actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause our actual results to differ materially from those in the forward-looking statements, include, but are not limited to:

- the resolution or outcome of the pending litigation and government investigations relating to the previously announced accounting irregularities;

- uncertainty as to our future profitability and our ability to integrate and operate successfully acquired businesses and the risks associated with such businesses, including the merger that created Cendant and the NPC acquisition;

- Our ability to successfully divest non-core assets and implement our new internet strategy (described in "-- Recent Developments");

- our ability to develop and implement operational and financial systems to manage rapidly growing operations;

- competition in our existing and potential future lines of business;

- our ability to obtain financing on acceptable terms to finance our growth strategy and for us to operate within the limitations imposed by financing arrangements; and

- our ability and our vendors', franchisees' and customers' ability to complete the necessary actions to achieve a year 2000 conversion for computer systems and applications.

We derived the forward-looking statements in this Annual Report on Form 10-K (including the documents incorporated by reference in this Annual Report on Form 10-K) from the foregoing factors and from other factors and assumptions, and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. We assume no obligation to publicly correct or update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements or if we later become aware that they are not likely to be achieved.

PRINCIPAL EXECUTIVE OFFICES

Our principal executive offices are located at 9 West 57th Street, New York, New York 10019 (telephone number:(212)413-1800).

TRAVEL DIVISION

THE TRAVEL SEGMENT

The Travel Segment consists of our lodging franchise services, timeshare exchange, and Avis car rental franchise businesses and represented approximately 20.1%, 22.9% and 13.2% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively.

LODGING FRANCHISE BUSINESS

GENERAL. The lodging industry can be divided into three broad segments based on price and services: luxury or upscale, which typically charge room rates above $82 per night; middle market, with room rates generally between $55 and $81 per night; and economy, where room rates generally are less than $54 per night. Of our franchised brand names, Ramada, Howard Johnson and Wingate Inn compete principally in the middle market segment and Days Inn, Knights Inn, Super 8, Travelodge and Villager Lodge ("Villager") compete primarily in the economy segment, which is currently the fastest growing segment of the industry.

As franchisor of lodging facilities, we provide a number of services designed to directly or indirectly increase hotel occupancy rates, revenues and profitability, the most important of which is a centralized brand-specific national reservations system. Similarly, brand awareness derived from nationally recognized brand names, supported by national advertising and marketing campaigns, can increase the desirability of a hotel property to prospective guests. We believe that, in general, national franchise brands with a greater number of hotels enjoy greater brand awareness among potential hotel guests, and thus are perceived as more valuable by existing and prospective franchisees than brands with a lesser number of properties. Franchise brands can also increase franchisee property occupancy through national direct sales programs to businesses, associations and affinity groups.

In determining whether to affiliate with a national franchise brand, hotel operators compare the costs of affiliation (including the capital expenditures and operating costs required to meet a brand's quality and operating standards, plus the ongoing payment of franchise royalties and assessments for the reservations system and marketing programs) with the increase in gross room revenue anticipated to be derived from brand membership. Other benefits to brand affiliation include group purchasing services, training programs, design and construction advice, and other franchisee support services, all of which provide the benefits of a national lodging services organization to operators of independently-owned hotels. We believe that, in general, franchise affiliations are viewed as enhancing the value of a hotel property by providing economic benefits to the property.

We entered the lodging franchise business in July 1990 with the acquisition of the Howard Johnson franchise system and the rights to operate the U.S. Ramada franchise system. We acquired the Days Inn franchise system in January 1992, the Super 8 franchise system in April 1993, the Villager Lodge franchise system in November 1994, the Knights Inn franchise system in August 1995 and the Travelodge franchise system in January 1996. Each of these acquisitions has increased our earnings per share. We continue to seek opportunities to acquire or license additional hotel franchise systems, including established brands in the upper end of the market, where we are not currently represented. See "Lodging Franchise Growth" below.

The fee and cost structure of our lodging business provides significant opportunities for us to increase earnings by increasing the number of franchised properties. Hotel franchisors, such as our Company, derive substantially all of their revenue from continuing franchise fees. Continuing franchise fees are comprised of two components, a royalty portion and a marketing and reservations portion, both of which are normally charged by the franchisor as a percentage of the franchisee's gross room revenue. The royalty portion of the franchise fee is intended to cover the operating expenses of the franchisor, such as expenses incurred in quality assurance, administrative support and other franchise services and to provide the franchisor with operating profits. The marketing/reservations portion of the franchise fee is intended to reimburse the franchisor for the expenses associated with providing such franchise services as a national reservations system, national media advertising and certain training programs.

Our franchisees are dispersed geographically which minimizes the exposure to any one hotel owner or geographic region. Of the more than 6,000 properties and 4,000 franchisees in our systems, no individual hotel owner accounts for more than 2% of our lodging revenue.

LODGING FRANCHISE GROWTH. Growth of the franchise systems through the sale of long-term franchise agreements to operators of existing and newly constructed hotels is the leading source of revenue and earnings growth in our lodging franchise business. Franchises are terminated primarily for not paying the required franchise fees and/or not maintaining compliance with brand quality assurance standards required pursuant to the applicable franchise agreement.

LODGING FRANCHISE SALES. We market franchises principally to independent hotel and motel owners, as well as to owners whose properties affiliation with other hotel brands can be terminated. We believe that our existing franchisees also represent a significant potential market because many own, or may own in the future, other hotels which can be converted to our brand names. Accordingly, a significant factor in our sales strategy is maintaining the satisfaction of our existing franchisees by providing quality services.

We employ a national franchise sales force consisting of approximately 80 salespeople and sales management personnel, which is divided into several brandspecific sales groups, with regional offices around the country. The sales force is compensated primarily through commissions. In order to provide broad marketing of our brands, sales referrals are made among the sales groups and a referring salesperson is entitled to a commission for a referral which results in a franchise sale.

We seek to expand our franchise systems and provide marketing and other franchise services to franchisees on an international basis through a series of master license agreements with internationally based developers and franchisors. As of December 31, 1998, our franchising subsidiaries (other than Ramada) have entered into international master licensing agreements for part or all of 46 countries on six continents. The agreements typically include minimum development requirements and requires payment of an initial development fee in connection with the execution of the license agreement as well as recurring franchise fees.

LODGING FRANCHISE SYSTEMS. The following is a summary description of our lodging franchise systems. Information reflects properties which are open and operating and is presented as of December 31, 1998.

BRAND	PRIMARY MARKET SERVED	AVG. ROOMS PER PROPERTY	# OF PROPERTIES	# OF ROOMS	DOMESTIC INTERNATIONAL*
Days Inn	Lower Economy	90	1,830	163,999	International(1)
Howard Johnson	Mid-market	106	489	51,807	International(2)
Knights Inn	Lower Economy	82	222	18,196	International
Ramada	Mid-market	131	1004	131,591	Domestic
Super 8	Economy	61	1759	108,111	International(3)
Travelodge	Upper Economy	82	521	42,857	Domestic(1)(5)
Villager Lodge	Lower Economy	74	99	7,284	International(4)
Wingate	Upper Mid-market	94	54	5,051	International(4)

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* Description of rights owned or licensed.

(1) Includes properties in Mexico, Canada, China, South Africa, India, Uruguay and the Philippines.

(2) Includes Mexico, Canada, Colombia, Israel, Venezuela, Malta, U.A.E. and the Dominican Republic.

(3) Includes properties in Canada and Singapore.

(4) No international properties currently open and operating.

(5) Rights include all of North America.

OPERATIONS -- LODGING. Our organization is designed to provide a high level of service to our franchisees while maintaining a controlled level of overhead expense. In the lodging segment, expenses related to marketing and reservations services are budgeted to match marketing and reservation fees each year.

NATIONAL RESERVATIONS SYSTEMS. Unlike many other franchise businesses (such as restaurants), the lodging business is characterized by remote purchasing through travel agencies and through use by consumers of toll-free telephone numbers. Each of our reservation systems is independently operated, focusing on its specific brand and franchise system, and is comprised of one or more nationally advertised toll-free telephone numbers, reservation agents who accept inbound calls, a computer operation that processes reservations, and automated links which accept reservations from travel agents and other travel providers, such as airlines, and which report reservations made through the system to each franchisee property. Each reservation agent handles reservation requests and inquiries for only one of our franchise systems and there is no "cross selling" of franchise systems to consumers. We maintain seven reservations centers that are located in Knoxville and Elizabethton, Tennessee; Phoenix, Arizona; Winner and Aberdeen, South Dakota; Orangeburg, South Carolina and Saint John, New Brunswick, Canada.

LODGING FRANCHISE AGREEMENTS. Our lodging franchise agreements grant the right to utilize one of the brand names associated our lodging franchise systems to lodging facility owners or operators under long-term franchise agreements. An annual average of 2.1% of our existing franchise agreements are scheduled to expire from January 1, 1999 through December 31, 2006, with no more than 2.8% (in 2002) scheduled to expire in any one of those years.

The current standard agreements generally are for 15-year terms for converted properties and 20-year terms for newly constructed properties and generally require, among other obligations, franchisees to pay a minimum initial fee based on property size and type, as well as continuing franchise fees comprised of royalty fees and marketing/reservation fees based on gross room revenues.

Under the terms of the standard franchise agreements in effect at December 31, 1998, franchisees are typically required to pay recurring fees comprised of a royalty portion and a reservation/marketing portion, calculated as a percentage of annual gross room revenue that range from 7.0% to 8.8%. We discount fees from the standard rates from time to time and under certain circumstances.

Our typical franchise agreement is terminable by us upon the franchisee's failure to maintain certain quality standards, to pay franchise fees or other charges or to meet other specified obligations. In the event of such termination, we are typically entitled to be compensated for lost revenues in an amount equal to the franchise fees accrued during periods specified in the respective franchise agreements which are generally between one and five years.

LODGING SERVICE MARKS AND OTHER INTELLECTUAL PROPERTY. The service marks "Days Inn," "Ramada," "Howard Johnson," "Super 8," "Travelodge" and related logos are material to our business. We, through our franchisees, actively use these marks. All of the material marks in each franchise system are registered (or have applications pending for registration) with the United States Patent and Trademark Office. We own the marks relating to the Days Inn system, the Howard Johnson system, the Knights Inn system, the Super 8 system, the Travelodge system (in North America), the Villager Lodge system and the Wingate Inn system through our subsidiaries.

We franchise the service mark "Ramada" and related marks, Ramada brands and logos (the "Ramada Marks") to lodging facility owners in the United States pursuant to two license agreements (the "Ramada License Agreements") between an indirect subsidiary of Marriott Corporation ("Licensor") and Ramada Franchise Systems, Inc. ("RFS"), our wholly-owned subsidiary. The Ramada License Agreements limit RFS's use of the Ramada Marks to the U.S. market.

The Ramada License Agreements have initial terms terminating on March 31, 2024. At the end of the initial terms, RFS has the right either (i) to extend the Ramada License Agreements, (ii) to purchase the Ramada Marks for their fair market value at the date of purchase, subject to certain minimums after the initial terms, or (iii) to terminate the Ramada License Agreements. The Ramada License Agreements require that RFS pay license fees to the Licensor calculated on the basis of percentages of annual gross room sales, subject to certain minimums and maximums as specified in each Ramada License Agreement. RFS received approximately $46 million in royalties from its Ramada franchisees in 1998 and paid the Licensor approximately $23 million in license fees.

The Ramada License Agreements are subject to certain termination events relating to, among other things, (i) the failure to maintain aggregate annual gross room sales minimum amounts stated in the Ramada License Agreements, (ii) the maintenance by us of a minimum net worth of $50 million (however, this minimum net worth requirement may be satisfied by a guaranty of an affiliate of ours with a net worth of at least $50 million or by an irrevocable letter of credit (or similar form of third-party credit support)), (iii) non-payment of royalties, (iv) failure to maintain registrations on the Ramada Marks and to take reasonable actions to stop infringements, (v) failure to pay certain liabilities specified by the Restructuring Agreement, dated July 15, 1991, by and among New World Development Co., Ltd. (a predecessor to Licensor), Ramada International Hotels and Resorts, Inc., Ramada Inc., Franchise System Holdings, Inc., the Company and RFS and (vi) failure to maintain appropriate hotel standards of service and quality. A termination of the Ramada License Agreements would result in the loss of the income stream from franchising the Ramada brand names and could result in the payment by us of liquidated damages equal to three years of license fees. We do not believe that it will have difficulty complying with all of the material terms of the Ramada License Agreements.

LODGING COMPETITION. Competition among the national lodging brand franchisors to grow their franchise systems is intense. Our primary national lodging brand competitors are the Holiday Inn (Registered Trademark) and Best Western (Registered Trademark) brands and Choice Hotels, which franchises seven brands, including the Comfort Inn (Registered Trademark) , Quality Inn (Registered Trademark) and Econo Lodge (Registered Trademark) brands. Days Inn, Travelodge and Super 8 properties principally compete with Comfort Inn, Red Roof Inn (Registered Trademark) , and Econo Lodge in the limited service economy sector of the market. The chief competitor of Ramada, Howard Johnson and Wingate Inn properties, which compete in the middle market segment of the hotel industry, is Holiday Inn (Registered Trademark) and Hampton Inn (Registered Trademark) . Our Knights Inn and Travelodge brands compete with Motel 6 (Registered Trademark) properties. In addition, a lodging facility owner may choose not to affiliate with a franchisor but to remain independent.

We believe that competition for the sale of franchises in the lodging industry is based principally upon the perceived value and quality of the brand and services offered to franchisees, as well as the nature of those services. We believe that prospective franchisees value a franchise based upon their view of the relationship of conversion costs and future charges to the potential for increased revenue and profitability.

The reputation of the franchisor among existing franchisees is also a factor which may lead a property owner to select a particular affiliation. We also believe that the perceived value of its brand names to prospective franchisees is, to some extent, a function of the success of its existing franchisees.

The ability of our lodging franchisees to compete in the lodging industry is important to our prospects for growth, although, because franchise fees are based on franchisee gross room revenue, our revenue is not directly dependent on franchisee profitability.

The ability of an individual franchisee to compete may be affected by the location and quality of its property, the number of competing properties in the vicinity, its affiliation with a recognized brand name, community reputation and other factors. A franchisee's success may also be affected by general, regional and local economic conditions. The effect of these conditions on our results of operations is substantially reduced by virtue of the diverse geographical locations of our franchises.

LODGING SEASONALITY. The principal source of lodging revenue for us is based upon the annual gross room revenue of franchised properties. As a result, our revenue from the lodging franchise business experiences seasonal lodging revenue patterns similar to those of the hotel industry wherein the summer months, because of increases in leisure travel, produce higher revenues than other periods during the year. Therefore, any occurrence that disrupts travel patterns during the summer period could have a material adverse effort on the franchisee's annual performance and effect our annual performance.

THE TIMESHARE EXCHANGE BUSINESS

GENERAL. We acquired Resort Condominiums International, Inc. (now Resort Condominiums International, LLC), on November 12, 1996. Our RCI subsidiary is the world's largest provider of timeshare vacation exchange opportunities and timeshare services for more than 2.5 million timeshare households from more than 200 nations and more than 3,400 resorts in more than 90 countries around the world. RCI's business consists primarily of the operation of an exchange program for owners of condominium timeshares or whole units at affiliated resorts, the publication of magazines and other periodicals related to the vacation and timeshare industry, travel related services, resort management, integrated software systems and service and consulting services. RCI has significant operations in North America, Europe, the Middle East, Latin America, Africa, Australia, and the Pacific Rim. RCI has more than 3,900 employees worldwide.

The resort component of the leisure industry is primarily serviced by two alternatives for overnight accommodations: commercial lodging establishments and timeshare resorts. Commercial lodging consists principally of: a) hotels and motels in which a room is rented on a nightly, weekly or monthly basis for the duration of the visit and b) rentals of privately-owned condominium units or homes. Oftentimes, this segment is designed to serve both the leisure and business traveler. Timeshare resorts present an economical and reliable alternative to commercial lodging for many vacationers who want to experience the added benefits associated with ownership. Timeshare resorts are purposely designed and operated for the needs and enjoyment of the leisure traveler.

Resort timesharing -- also referred to as vacation ownership -- is the shared ownership and/or periodic use of property by a number of users or owners for a defined period of years or in perpetuity. An example of a simple form of timeshare is a condominium unit that is owned by fifty-one persons, with each person having the right to use the unit for one week of every year and with one week set aside for maintenance. In the United States, industry sources estimate that the average price of such a timeshare is about $10,000, plus a yearly maintenance fee of approximately $350 per interval owned. Based upon information published about the industry, we believe that 1998 sales of timeshares exceeded $6 billion worldwide. Two principal segments make up the timeshare exchange industry: owners of timeshare interests (consumers) and resort properties (developers/operators). Industry sources have estimated that the total number of owner households of timeshare interests is nearly 4.5 million worldwide, while the total number of timeshare resorts worldwide has been estimated to be nearly 5,000. The timeshare exchange industry derives revenue from annual subscribing membership fees paid by owners of timeshare interests, fees paid by such owners for each exchange and fees paid by members and resort affiliates for various other products and services.

The "RCI Network" provides RCI members who own timeshares at RCI-affiliated resorts the capability to exchange their timeshare vacation accommodations in any given year for comparable value accommodations at other RCI-affiliated resorts. Approximately 1.2 million members of the RCI Network, representing approximately 50% of the total members of the RCI Network reside outside of the United States. RCI's membership volume has grown at a compound annual rate for the last five years of approximately 8%, while exchange volumes have grown at a compound annual rate of approximately 8% for the same time period.

RCI provides members of the RCI Network with access to both domestic and international timeshare resorts, publications regarding timeshare exchange opportunities and other travel-related services, including discounted purchasing programs. In 1998, members in the United States paid an average annual subscribing membership fee of $66 as well as an average exchange fee of $120 for every exchange arranged by RCI. In 1998, membership and exchange fees totaled approximately $330 million and RCI arranged more than 1.8 million exchanges.

Developers of resorts affiliated with the RCI Network typically pay the first year subscribing membership fee for new owner/members upon the sale of the timeshare interest.

TIMESHARE EXCHANGE BUSINESS GROWTH. The timeshare exchange industry has experienced significant growth over the past decade. We believe that the factors driving this growth include the demographic trend toward older, more affluent Americans who travel more frequently; the entrance of major hospitality and entertainment companies into timeshare development; a worldwide acceptance of the timeshare concept; and an increasing focus on leisure activities, family travel and a desire for value, variety and flexibility in a vacation experience. We believe that future growth of the timeshare exchange industry will be determined by general economic conditions both in the U.S. and worldwide, the public image of the industry, improved approaches to marketing and sales, a greater variety of products and price points, the broadening of the timeshare market and a variety of other factors. Accordingly, we cannot predict if future growth trends will continue at rates comparable to those of the recent past.

OPERATIONS. Our timeshare exchange business is designed to provide high-quality, leisure travel services to its members and cost-effective, single-source support services to its affiliated timeshare resorts. Most members are acquired from timeshare developers who purchase an initial RCI subscribing membership for each buyer at the time the timeshare interval is sold. A small percentage of members are acquired through direct solicitation activities of RCI.

MEMBER SERVICES. International Exchange System. Members are served through a network of call centers located in more than 20 countries throughout the world. These call centers are staffed by approximately 1,900 people. Major regional call and information support centers are located in Indianapolis, Saint John (Canada), Kettering (England), Cork (Ireland), Mexico City and Singapore. All members receive a directory that lists resorts available through the exchange system, a periodic magazine and other information related to the exchange system and available travel services. These materials are published in various languages.

TRAVEL SERVICES. In addition to exchange services, RCI's call centers also engage in telemarketing and crossselling of other ancillary travel and hospitality services. These services are offered to a majority of members depending on their location. RCI provides travel services to U.S. members of the RCI Network through its affiliate, RCI Travel, Inc. ("RCIT"). On a global basis, RCI provides travel services through entities operating in local jurisdictions (hereinafter, RCIT and its local entities are referred to as "Travel Agencies"). Travel Agencies provide airline reservations and airline ticket sales to members in conjunction with the arrangement of their timeshare exchanges, as well as providing other types of travel services, including hotel accommodations, car rentals, cruises and tours. Travel Agencies also from time to time offer travel packages utilizing resort developers' unsold inventory to generate both revenue and prospective timeshare purchasers to affiliated resorts.

RESORT SERVICES. Resort Affiliations. Growth of the timeshare business is dependent on the sale of timeshare units by affiliated resorts. RCI affiliates international brand names and independent developers, owners' associations and vacation clubs. We believe that national lodging and hospitality companies are attracted to the timeshare concept because of the industry's relatively low product cost and high profit margins, and the recognition that timeshare resorts provide an attractive alternative to the traditional hotel-based vacation and allow the hotel companies to leverage their brands into additional resort markets where demand exists for accommodations beyond traditional rental-based lodging operations. Today, 7 of every 10 timeshare resorts worldwide are affiliated with RCI. We also believe that RCI's existing affiliates represent a significant potential market because many developers and resort managers may become involved in additional resorts in the future which can be affiliated with RCI. Accordingly, a significant factor in RCI's growth strategy is maintaining the satisfaction of its existing affiliates by providing quality support services.

TIMESHARE CONSULTING. RCI provides worldwide timeshare consulting services through its affiliate, RCI Consulting, Inc. ("RCIC"). These services include comprehensive market research, site selection, strategic planning, community economic impact studies, resort concept evaluation, financial feasibility assessments, on-site studies of existing resort developments, and tailored sales and marketing plans.

RESORT MANAGEMENT SOFTWARE. RCI provides computer software systems to timeshare resorts and developers through its affiliate, Resort Computer Corporation ("RCC"). RCC provides software that integrates resort functions such as sales, accounting, inventory, maintenance, dues and reservations. Our RCC Premier information management software is believed to be the only technology available today that can fully support timeshare club operations and pointsbased reservation systems.

PROPERTY MANAGEMENT. RCI provides resort property management services through its affiliate, RCI Management, Inc. ("RCIM"). RCIM is a single source for any and all resort management services, and offers a menu including hospitality services, a centralized reservations service center, advanced reservations technology, human resources expertise and owners' association administration.

TIMESHARE PROPERTY AFFILIATION AGREEMENTS. More than 3,400 timeshare resorts are affiliated with the RCI Network, of which more than 1,400 resorts are located in the United States and Canada, more than 1,260 in Europe and Africa, more than 475 in Mexico and Latin America, and more than 320 in the Asia-Pacific region. The terms of RCI's affiliation agreement with its affiliates generally require that the developer enroll each new timeshare purchaser at the resort as a subscribing member of RCI, license the affiliated resort to use the RCI name and trademarks for certain purposes, set forth the materials and services RCI will provide to the affiliate, and generally describe RCI's expectations of the resort's management. The affiliation agreement also includes stipulations for representation of the exchange program, minimum enrollment requirements and treatment of exchange guests. Affiliation agreements are typically for a term of five years, and automatically renew thereafter for terms of one to five years unless either party takes affirmative action to terminate the relationship. RCI makes available a wide variety of goods and services to its affiliated developers, including publications, advertising, sales and marketing materials, timeshare consulting services, resort management software, travel packaging and property management services.

RCI LICENSED MARKS AND INTELLECTUAL PROPERTY. The service marks "RCI", "Resort Condominiums International" and related trademarks and logos are material to RCI's business. RCI and its subsidiaries actively use the marks. All of the material marks used in RCI's business are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as major countries worldwide where RCI or its subsidiaries have significant operations. We own the marks used in RCI's business.

COMPETITION. The global timeshare exchange industry is comprised of a number of entities, including resort developers and owners. RCI's largest competitor is Interval International Inc. ("Interval"), formerly our wholly-owned subsidiary, and a few other smaller firms. Based upon industry sources, we believe that 98% of the nearly 5,000 timeshare resorts in the world are affiliated with either RCI or Interval. Based upon 1997 published statistics and our information, RCI had over 2.5 million timeshare households that are members, while Interval had approximately 850,000 timeshare households that are members. Also, in 1997, RCI confirmed more than 1.8 million exchange transactions while Interval confirmed approximately 480,000 transactions. As a result, based on 1997 business volume, RCI services approximately 73% of members and approximately 79% of exchange transactions. RCI is bound by the terms of a Consent Order issued by the Federal Trade Commission which restricts the right of RCI to solicit, induce, or attempt to induce clients of Interval International Inc. to either terminate or not to renew their existing Interval contracts. The proposed Consent Order contains certain other restrictions. The restrictions generally expire on or before December 17, 1999.

SEASONALITY. A principal source of timeshare revenue relates to exchange services to members. Since members have historically shown a tendency to plan their vacations in the first quarter of the year, revenues are generally slightly higher in the first quarter in comparison to other quarters of the year. The Company cannot predict whether this trend will continue in the future as the timeshare business expands outside of the United States and Europe, and as global travel patterns shift with the aging of the world population.

AVIS CAR RENTAL FRANCHISE BUSINESS

GENERAL. On October 17, 1996, we completed the acquisition of all of the outstanding capital stock of Avis, Inc. which together with its subsidiaries, licensees and affiliates, operated the Avis Worldwide Vehicle System (the "Avis System"). As part of its previously announced plan, on September 24, 1997, we completed the initial public offering ("IPO") of our subsidiary, Avis Rent A Car, Inc. ("ARAC"), which owned and operated the company-owned Avis car rental operations. We currently own approximately 19% of the outstanding Common Stock of ARAC. We no longer operate any car rental locations but own the Avis brand name and the Avis System, which we license to our franchisees, including ARAC, the largest Avis System franchisee.

The Avis System is comprised of approximately 4,200 rental locations, including locations at the largest airports and cities in the United States and approximately 160 other countries and territories and a fleet of approximately 404,000 vehicles during the peak season, all of which are granted by franchisees. Approximately 90% of the Avis System rental revenues in the United States are received from locations operated by ARAC directly or under agency arrangements, with the remainder being received from locations operated by independent licensees. The Avis System in Europe, Africa, part of Asia and the Middle East is operated under franchise by Avis Europe Ltd. ("Avis Europe").

INDUSTRY. The car rental industry provides vehicle rentals to business and individual customers worldwide. The industry has been composed of two principal segments: general use (mainly at airport and downtown locations) and local (mainly at downtown and suburban locations). The car rental industry rents primarily from on-airport, near-airport, downtown and suburban locations to business and leisure travelers and to individuals who have lost the use of their vehicles through accident, theft or breakdown. In addition to revenue from vehicle rentals, the industry derives significant revenue from the sale of rental related products such as insurance, refueling services and loss damage waivers (a waiver of the franchisee's right to make a renter pay for damage to the rented car).

Car renters generally are (i) business travelers renting under negotiated contractual arrangements between specified rental companies and the travelers' employers, (ii) business travelers who do not rent under negotiated contractual arrangements (but who may receive discounts through travel, professional or other organizations), (iii) leisure travelers and (iv) renters who have lost the use of their own vehicles through accident, theft or breakdown. Contractual arrangements normally are the result of negotiations between rental companies and large corporations, based upon rates, billing and service arrangements, and influenced by reliability and renter convenience. Business travelers who are not parties to negotiated contractual arrangements and leisure travelers generally are influenced by advertising, renter convenience and access to special rates because of membership in travel, professional and other organizations.

AVIS SYSTEM AND WIZARD SYSTEM SERVICES. The Avis System provides Avis System franchisees access to the benefits of a variety of services, including (i) comprehensive safety initiatives, including the "Avis Cares" Safe Driving Program, which offers vehicle safety information, directional assistance such as satellite guidance, regional maps, weather reports and specialized equipment for travelers with disabilities; (ii) standardized systemidentity for rental location presentation and uniforms; (iii) training program and business policies, quality of service standards and data designed to monitor service commitment levels; (iv) marketing/advertising/public relations support for national consumer promotions including

Frequent Flyer/Frequent Stay programs and the Avis System internet website; and (v) brand awareness of the Avis System through the familiar "We try harder" service announcements.

Avis System franchisees are also provided with access to the Wizard System, a reservations, data processing and information management system for the vehicle rental business. The Wizard System is linked to all major travel networks on six continents through telephone lines and satellite communications. Direct access with other computerized reservations systems allows realtime processing for travel agents and corporate travel departments. Among the principal features of the Wizard System are:

- an advanced graphical interface reservation system;

- "Roving Rapid Return," which permits customers who are returning vehicles to obtain completed charge records from radio-connected "Roving Rapid Return" agents who complete and deliver the charge record at the vehicle as it is being returned;

- "Preferred Service," an expedited rental service that provides customers with a preferred service rental record printed prior to arrival, a pre-assigned vehicle and fast convenient check out;

- "Wizard on Wheels," which enables the Avis System locations to assign vehicles and complete rental agreements while customers are being transported to the vehicle;

- "Flight Arrival Notification," a flight arrival notification system that alerts the rental location when flights have arrived so that vehicles can be assigned and paperwork prepared automatically;

- "Avis Link," which automatically identifies the fact that a user of a major credit card is entitled to special rental rates and conditions, and therefore sharply reduces the number of instances in which the Company inadvertently fails to give renters the benefits of negotiated rate arrangements to which they are entitled;

- interactive interfaces through third-party computerized reservation systems; and

- sophisticated automated ready-line programs that, among other things, enable rental agents to ensure that a customer who rents a particular type of vehicle will receive the available vehicle of that type which has the lowest mileage.

In 1998, the Wizard System processed approximately 30.8 million incoming customer calls, during which customers inquired about locations, rates and availability and placed or modified reservations. In addition, millions of inquiries and reservations come to franchisees through travel agents and travel industry partners, such as airlines. Regardless of where in the world a customer may be located, the Wizard System is designed to ensure that availability of vehicles, rates and personal profile information is accurately delivered at the proper time to the customer's rental destination.

AVIS LICENSED MARKS AND INTELLECTUAL PROPERTY. The service mark "Avis", related marks incorporating the word "Avis", and related logos are material to our business. Our subsidiaries, joint ventures and licensees, actively use these marks. All of the material marks used in Avis's business are registered (or have applications pending for registration) with the United States Patent and Trademark Office. We own the marks used in Avis's business. The purposes for which we are authorized to use the marks include use in connection with businesses in addition to car rental and related businesses, including, but not limited to, equipment rental and leasing, hotels, insurance and information services.

LICENSEES AND LICENSE AGREEMENTS. We have 68 independent licensees which operate locations in the United States. The largest licensee, ARAC, accounts for approximately 89% of all United States licensees' rentals. Other than ARAC, certain licensees in the United States pay us a fee equal to 5% of their total time and mileage charges, less all customer discounts, of which we are required to pay 40% for corporate licensee-related programs, while 6 licensees pay 8% of their gross revenue. Licensees outside the United States normally pay higher fees. Other than ARAC, our United States licensees currently pay .54 cents per rental agreement for use of certain portions of the Wizard System, and they are charged for use of other aspects of the Wizard System.

ARAC has entered into a Master License Agreement with the Company which grants ARAC the right to operate the Avis vehicle rental business in certain specified territories. Pursuant to the Master

License Agreement, ARAC has agreed to pay us a monthly base royalty of 3.0% of ARAC's gross revenue. In addition, ARAC has agreed to pay a supplemental royalty of 1.1 % of gross revenue payable quarterly in arrears which will increase 0.1% per year in each of the following three years thereafter to a maximum of 1.5% (the "Supplemental Fee"). These fees have been paid by ARAC since January 1, 1997. Until the fifth anniversary of the effective date of the Master License Agreement, the Supplemental Fee or a portion thereof may be deferred by ARAC if ARAC does not attain certain financial targets.

In 1997, Avis Europe's previously paidup license for Europe, the Middle East and Africa was modified to provide for a paid-up license only as to Europe and the Middle East. Avis Europe will pay us annual royalties for Africa and a defined portion of Asia which covers the area between 60E longitude and 150E longitude, excluding Australia, New Zealand and Papua New Guinea. The Avis Europe license expires on November 30, 2036, unless earlier termination is effected in accordance with the license terms. Avis Europe also entered into a Preferred Alliance Agreement with us under which Avis Europe became a preferred alliance provider for car rentals to RCI customers in Europe, Asia and Africa, and for car rentals to PHH customers needing replacement vehicles for fleets managed by PHH in Europe, Asia and Africa.

COMPETITION. The vehicle rental industry is characterized by intense price and service competition. In any given location, franchisees may encounter competition from national, regional and local companies, many of which, particularly those owned by the major automobile manufacturers, have greater financial resources than us and Avis. However, because the Company's royalty fees are based upon the gross revenue of Avis and the other Avis System franchisees, our revenue is not directly dependent on franchisee profitability.

The franchisees' principal competitors for commercial accounts in the United States are the Hertz Corporation ("Hertz") and National Car Rental System, Inc. ("National"). Principal competitors for unaffiliated business and leisure travelers in the United States are Budget Rent A Car Corporation, Hertz and National, and, particularly with regard to leisure travelers, Alamo Rent-A-Car Inc. In addition, the franchisees compete with a variety of smaller vehicle rental companies throughout the country.

SEASONALITY. The car rental franchise business is subject to seasonal variations in customer demand, with the third quarter of the year, which covers the summer vacation period, representing the peak season for vehicle rentals. Therefore, any occurrence that disrupts travel patterns during the summer period could have a material adverse effect on the franchisee's annual performance and affect our annual financial performance. The fourth quarter is generally the weakest financial quarter for the Avis System because there is limited leisure travel and a greater potential for adverse weather conditions at such time.

FLEET SEGMENT

GENERAL. The Fleet Segment represented approximately 7.3%, 7.6% and 9.0% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. Through our PHH Vehicle Management Services Corporation and PHH Management Services PLC subsidiaries, we offer a full range of fully integrated fleet management services to corporate clients and government agencies comprising over 780,000 vehicles under management on a worldwide basis. These services include vehicle leasing, advisory services and fleet management services for a broad range of vehicle fleets. Advisory services include fleet policy analysis and recommendations, benchmarking, and vehicle recommendations and specifications. In addition, we provide managerial services which include ordering and purchasing vehicles, arranging for their delivery through dealerships located throughout the United States, Canada, the United Kingdom, Germany and the Republic of Ireland, as well as capabilities throughout Europe, administration of the title and registration process, as well as tax and insurance requirements, pursuing warranty claims with vehicle manufacturers and remarketing used vehicles. We also offer various leasing plans for our vehicle leasing programs, financed primarily through the issuance of commercial paper and medium-term notes and through unsecured borrowings under revolving credit agreements, securitization financing arrangements and bank lines of credit.

Through our PHH Vehicle Management Services and Wright Express subsidiaries in the United States and our Harper Group Limited subsidiary in the U.K., we also offer fuel and expense management programs to corporations and government agencies for the effective management and control of automotive business travel expenses. By utilizing our service cards issued under the fuel and expense management programs, a client's representatives are able to purchase various products and services such as gasoline, tires, batteries, glass and maintenance services at numerous outlets.

We also provide fuel and expense management programs and a centralized billing service for companies operating truck fleets in each of the United Kingdom, Republic of Ireland and Germany. Drivers of the clients' trucks are furnished with courtesy cards together with a directory listing the names of strategically located truck stops and service stations which participate in this program. Service fees are earned for billing, collection and record keeping services and for assuming credit risk. These fees are paid by the truck stop or service stations and/or the fleet operator and are based upon the total dollar amount of fuel purchased or the number of transactions processed.

PRODUCTS. Our fleet management services are divided into two principal products: (1) Asset Based Products, and (2) Fee Based Products.

Asset Based Products represent the services our clients require to lease a vehicle which includes vehicle acquisition, vehicle remarketing, financing, and fleet management consulting. We lease in excess of 350,000 units on a worldwide basis through both open end lease structures and closed end structures. Open-end leases are the prevalent structure in North America representing 96% of the total vehicles financed in North America and 86% of the total vehicles financed worldwide. The open-end leases can be structured on either a fixed rate or floating rate basis (where the interest component of the lease payment changes month to month based upon an index) depending upon client preference. The open-end leases are typically structured with a 12 month minimum lease term, with month to month renewals thereafter. The typical unit remains under lease for approximately 34 months. A client receives a full range of services in exchange for a monthly rental payment which includes a management fee. The residual risk on the value of the vehicle at the end of the lease term remains with the lessee under an open-end lease, except for a small amount which is retained by the lessor.

Closed-end leases are structured with a fixed term with the lessor retaining the vehicle residual risk. The most prevalent lease terms are 24 months, 36 months, and 48 months. The closed end structure is preferred in Europe due to certain accounting regulations. The closed-end lease structure is utilized by approximately 71% of the vehicles leased in Europe, but only 14% of the vehicles leased on a worldwide basis. We utilize independent third party valuations and internal projections to set the residuals utilized for these leases.

The Fee Based Products are designed to effectively manage costs and enhance driver productivity. The three main Fee Based Products are Fuel Services, Maintenance Services and Accident Management. Fuel Services represents the utilization of our proprietary cards to access fuel through a network of franchised and independent fuel stations. The cards operate as a universal card with centralized billing designed to measure and manage costs. In the United States, Wright Express is the leading fleet fuel cards supplier with over 125,000 fuel facilities in its network and in excess of 1.6 million cards issued. Wright Express distributes its fuel cards and related offerings through three primary channels: (1) the WEX-branded Universal Card, which is issued directly to fleets by Wright Express, (2) the Private Label Card, under which Wright Express provides private label fuel cards and related services to commercial fleet customers of major petroleum companies, and (3) Co-Branded Marketing, under which Wright Express fuel cards are co-branded and issued in conjunction with products and services of partners such as commercial vehicle leasing companies. In the UK, our Harper Group Limited and Cendant Business Answers PLC subsidiaries, utilizing the All Star and Dial brands, maintain the largest independent fueling network with more than 12,000 fueling sites and more than 1.2 million cards in circulation.

We offer customer vehicle maintenance charge cards that are used to facilitate repairs and maintenance payments. The vehicle maintenance cards provide customers with benefits such as (1) negotiated discounts off full retail prices through our convenient supplier network, (2) access to our in-house team of certified maintenance experts that monitor each card transaction for policy compliance, reasonability, and cost effectiveness, and (3) inclusion of vehicle maintenance card transactions in a consolidated information and billing database that helps evaluate overall fleet performance and costs. We maintain an extensive network of service providers in the United States, Canada, and the United Kingdom to ensure ease of use by the client's drivers.

We also provide our clients with comprehensive accident management services such as (1) providing immediate assistance after receiving the initial accident report from the driver (i.e. facilitating emergency towing services and car rental assistance, etc.) (2) organizing the entire vehicle appraisal and repair process through a network of preferred repair and body shops, and (3) coordinating and negotiating potential accident claims. Customers receive significant benefits from our accident management services such as (1) convenient coordinated 24-hour assistance from our call center, (2) access to our leverage with the repair and body shops included in our preferred supplier network (the largest in the industry), which typically provides customers with extremely favorable repair terms and (3) expertise of our damage specialists, who ensure that vehicle appraisals and repairs are appropriate, cost-efficient, and in accordance with each customer's specific repair policy.

COMPETITIVE CONDITIONS. The principal factors for competition in vehicle management services are service quality and price. We are competitively positioned as a fully integrated provider of fleet management services with a broad range of product offerings. We rank second in the United States in the number of vehicles under management and first in the number of proprietary fuel and maintenance cards for fleet use in circulation. There are four other major providers of fleet management service in the United States, hundreds of local and regional competitors, and numerous niche competitors who focus on only one or two products and do not offer the fully integrated range of products provided by us. In the United States, it is estimated that only 45% of fleets are leased by third party providers. The unpenetrated market and the continued focus by corporations on cost efficiency and outsourcing will provide the growth platform in the future.

In the UK, we rank first in both vehicles under management and proprietary fuel and maintenance cards. We continue to compete against numerous local and regional competitors. The UK operation has been able to differentiate itself through its breadth of product offerings.

REAL ESTATE DIVISION

REAL ESTATE FRANCHISE SEGMENT

GENERAL. Our Real Estate Franchise Segment represented approximately 8.6%, 7.9% and 7.3% of our revenue for the year ended December 31, 1998, 1997 and 1996, respectively. In August 1995, we acquired Century 21 Real Estate Corporation ("CENTURY 21"). Century 21 is the world's largest franchisor of residential real estate brokerage offices with approximately 6,300 independently owned and operated franchised offices with approximately 102,000 active sales agents worldwide. In February 1996, we acquired the ERA franchise system. The ERA system is a leading residential real estate brokerage franchise system with over 2,600 independently owned and operated franchised offices and more than 29,000 sales agents worldwide. In May 1996, we acquired Coldwell Banker Corporation ("COLDWELL BANKER"), the owner of the world's premier brand for the sale of million-dollar-plus homes and now the third largest residential real estate brokerage franchise system with approximately 3,000 independently owned and operated franchised offices and approximately 72,000 sales agents worldwide.

We believe that application of our franchisee focused management strategies and techniques can significantly increase the revenues produced by our real estate brokerage franchise systems while also increasing the quality and quantity of services provided to franchisees. We believe that independent real estate brokerage offices currently affiliate with national real estate franchisors principally to gain the consumer recognition and credibility of a nationally known and promoted brand name. Brand recognition is especially important to real estate brokers since home buyers are generally infrequent users of brokerage services and have often recently arrived in an area, resulting in little ability to benefit from word-of-mouth recommendations.

During 1996, we implemented a preferred alliance program which seeks to capitalize on the dollar volume of home sales brokered by CENTURY 21, COLDWELL BANKER and ERA agents and the valuable access point these brokerage offices provide for service providers who wish to reach these home buyers and sellers. Preferred alliance marketers include providers of property and casualty insurance, moving and storage services, mortgage and title insurance, environmental testing services, and sellers of furniture, fixtures and other household goods.

Our real estate brokerage franchisees are dispersed geographically, which minimizes the exposure to any one broker or geographic region. During 1997, we acquired a preferred equity interest in NRT Incorporated ("NRT"), a newly formed corporation created to acquire residential real estate brokerage firms. NRT acquired the assets of National Realty Trust, the largest franchisee of the COLDWELL BANKER system, in August 1997. NRT has also acquired other independent regional real estate brokerage businesses during 1998 and 1997 which NRT has converted to COLDWELL BANKER, CENTURY 21 and ERA franchises. As a result, NRT is the largest franchisee of our franchise systems, based on gross commissions, and represents 6% of the franchised offices. Of the nearly 12,000 franchised offices in our real estate brokerage franchise systems, no individual broker, other than NRT, accounts for more than 1% of our real estate brokerage revenues.

REAL ESTATE FRANCHISE SYSTEMS. CENTURY 21. CENTURY 21 is the world's largest residential real estate brokerage franchisor, with approximately 6,300 independently owned and operated franchise offices with more than 102,000 active sales agents located in 25 countries and territories.

The primary component of CENTURY 21's revenue is service fees on commissions from real estate transactions. Service fees are 6% of gross commission income. CENTURY 21 franchisees who meet certain levels of annual gross revenue (as defined in the franchise agreements) are eligible for the CENTURY 21 Incentive Bonus ("CIB") Program, which results in a rebate payment to qualifying franchisees determined in accordance with the applicable franchise agreement (up to 2% of gross commission income in current agreements) of such annual gross revenue. For 1998, approximately 15% of CENTURY 21 franchisees qualified for CIB payments and such payments aggregated less than 1% of gross commissions.

CENTURY 21 franchisees generally contribute 2% (subject to specified minimums and maximums) of their brokerage commissions each year to the CENTURY 21 National Advertising Fund (the "NAF") which in turn disburses them for local, regional and national advertising, marketing and public relations campaigns. In 1998, the NAF spent approximately $45 million on advertising and marketing campaigns.

COLDWELL BANKER. COLDWELL BANKER is the world's premier brand for the sale of million-dollar-plus homes and the third largest residential real estate brokerage franchisor, with approximately 3,000 independently owned and operated franchise offices in the United States, Canada and the Caribbean, with approximately 72,000 sales agents. The primary revenue from the COLDWELL BANKER system is derived from service and other fees paid by franchisees, including initial franchise fees and ongoing services. COLDWELL BANKER franchisees pay us annual fees consisting of ongoing service and advertising fees, which are generally 6.0% and 2.5%, respectively, of a franchisee's annual gross revenues (subject to annual rebates to franchisees who achieve certain threshold levels of gross commission income annually, and to minimums and maximums on advertising fees).

COLDWELL BANKER franchisees who meet certain levels of annual gross revenue (as defined in the franchise agreements) are eligible for the Performance Premium Award ("PPA") Program, which results in a rebate payment to qualifying franchisees determined in accordance with the applicable franchise agreement (up to 3% in current agreements) of such annual gross revenue. For 1998, approximately 28% of COLDWELL BANKER franchisees qualified for PPA payments and such payments aggregated approximately less than 1% of gross commissions.

Advertising fees collected from COLDWELL BANKER franchisees are generally expended on local, regional and national marketing activities, including media purchases and production, direct mail and promotional activities and other marketing efforts. In 1998, the COLDWELL BANKER National Advertising Fund expended approximately $21 million for such purposes.

ERA. The ERA franchise system is a leading residential real estate brokerage franchise system, with more than 2,600 independently owned and operated franchise offices, and more than 29,000 sales agents located in 20 countries. The primary revenue from the ERA franchise system results from (i) franchisees' payments of monthly membership fees ranging from $216 to $852 per month, based on volume, plus $196 per branch and a per transaction fee of approximately $121, and (ii) for franchise agreements entered into after July 1997, royalty fees equal to 6% of the franchisees' gross revenues (5.0% until December 31, 1999). For franchise agreements dated after January 1, 1998, the Volume Incentive Program may result in a rebate payment to qualifying franchisees determined in accordance with the applicable franchise agreement.

In addition to membership fees and transaction fees, franchisees of the ERA system pay (i) a fixed amount per month, which ranges from $233 to $933, based on volume, plus an additional $233 per month for each branch office, into the ERA National Marketing Fund (the "ERA NMF") and (ii) for franchise agreements entered into after July 1997, an NMF equal to 2% of the franchisees' gross revenues, subject to minimums and maximums. The funds in the ERA NMF are utilized for local, regional and national marketing activities, including media purchases and production, direct mail and promotional activities and other marketing efforts. In 1998, the ERA NMF spent approximately $10 million on marketing campaigns.

REAL ESTATE BROKERAGE FRANCHISE SALES. We market real estate brokerage franchises primarily to independent, unaffiliated owners of real estate brokerage companies as well as individuals who are interested in establishing real estate brokerage businesses. We believe that our existing franchisee base represents another source of potential growth, as franchisees seek to expand their existing business to additional markets. Therefore, our sales strategy focuses on maintaining satisfaction and enhancing the value of the relationship between the franchisor and the franchisee.

Our real estate brokerage franchise systems employ a national franchise sales force consisting of approximately 125 salespersons and sales management personnel, which is divided into separate sales organizations for the CENTURY 21, COLDWELL BANKER and ERA systems. These sales organizations are compensated primarily through commissions on sales concluded. Members of the sales forces are also encouraged to provide referrals to the other sales forces when appropriate.

OPERATIONS -- REAL ESTATE BROKERAGE. Our brand name marketing programs for the real estate brokerage business focus on increasing brand awareness generally, in order to increase the likelihood of potential home buyers and home sellers engaging franchise brokers' services. Each brand has a dedicated marketing staff in order to develop the brand's marketing strategy while maintaining brand integrity. The corporate marketing services department provides services related to production and implementation of the marketing strategy developed by the brand marketing staffs.

Each brand provides its franchisees and their sales associates with training programs which have been developed by such brand. The training programs include mandatory programs instructing the franchisee and/or the sales associate on how to best utilize the methods of the particular system and additional optional training programs which expand upon such instruction. Each brand's training department is staffed with instructors experienced in both real estate practice and instruction. In addition, we have established regional support personnel who provide consulting services to the franchisees in their respective regions.

Each system provides a series of awards to brokers and their sales associates who are outstanding performers in each year. These awards signify the highest levels of achievement within each system and provide a significant incentive for franchisees to attract and retain sales associates.

Each system provides its franchisees with referrals of potential customers, which referrals are developed from sources both within and outside of the system.

Through our Cendant Supplier Services operations, we provide our franchisees with volume purchasing discounts for products, services, furnishings and equipment used in real estate brokerage operations. In addition to the preferred alliance programs described hereinafter, Cendant Supplier Services establishes relationships with vendors and negotiates discounts for purchases by its customers. We do not maintain inventory, directly supply any of the products or, generally, extend credit to franchisees for purchases. See "COMBINED OPERATIONS -- Preferred Alliance and CoMarketing Arrangements" below.

REAL ESTATE BROKERAGE FRANCHISE AGREEMENTS. Our real estate brokerage franchise agreements grant the franchises the right to utilize one of the brand names associated with our real estate brokerage franchise systems to real estate brokers under franchise agreements.

Our current form of franchise agreement for all real estate brokerage brands is terminable by us for the franchisee's failure to pay fees thereunder or other charges or for other material default under the franchise agreement. In the event of such termination, the Century 21 and ERA agreements generally provide that we are entitled to be compensated for lost revenues in an amount equal to the average monthly franchise fees calculated for the remaining term of the agreement. Pre-1996 agreements do not provide for liquidated damages of this sort. See "CENTURY 21," "COLDWELL BANKER" and "ERA" above for more information regarding the commissions and fees payable under our franchise agreements.

NRT is the largest franchisee, based on gross commission income, for our real estate franchise systems. NRT's status as a franchisee is governed by franchise agreements (the "Franchise Agreements") with our wholly owned subsidiaries (the "Real Estate Franchisors") pursuant to which NRT has the non-exclusive right to operate as part of the COLDWELL BANKER, ERA and CENTURY 21 real estate franchise systems at locations specified in the Franchise Agreements. In February 1999, NRT entered into new fifty year franchise agreements with the Real Estate Franchisors. These agreements require NRT to pay royalty fees and advertising fees of 6.0% and 2.0% (2.5% for its COLDWELL BANKER offices), respectively, on its annual gross revenues. Lower royalty fees apply in certain circumstances. The Franchise Agreements generally provide restrictions on NRT's ability to close offices beyond certain limits.

REAL ESTATE BROKERAGE SERVICE MARKS. The service marks "CENTURY 21," "COLDWELL BANKER," and "ERA" and related logos are material to our business. Through our franchisees, we actively uses these marks. All of the material marks in each franchise system are registered (or have applications pending for registration) with the United States Patent and Trademark Office. The marks used in the real estate brokerage systems are owned by us through our subsidiaries.

COMPETITION. Competition among the national real estate brokerage brand franchisors to grow their franchise systems is intense. The chief competitors to our real estate brokerage franchise systems are the Prudential, Better Homes & Gardens and RE/MAX real estate brokerage brands. In addition, a real estate broker may choose to affiliate with a regional chain or not to affiliate with a franchisor but to remain independent.

We believe that competition for the sale of franchises in the real estate brokerage industry is based principally upon the perceived value and quality of the brand and services offered to franchisees, as well as the nature of those services. We also believe that the perceived value of its brand names to prospective franchisees is, to some extent, a function of the success of its existing franchisees.

The ability of our real estate brokerage franchisees to compete in the industry is important to our prospects for growth, although, because franchise fees are based on franchisee gross commissions or volume, our revenue is not directly dependent on franchisee profitability.

The ability of an individual franchisee to compete may be affected by the location and quality of its office, the number of competing offices in the vicinity, its affiliation with a recognized brand name, community reputation and other factors. A franchisee's success may also be affected by general, regional and local economic conditions. The effect of these conditions on our results of operations is substantially reduced by virtue of the diverse geographical locations of our franchises. At December 31, 1998, the combined real estate franchise systems had approximately 8,400 franchised brokerage offices in the United States and approximately 12,000 offices worldwide. The real estate franchise systems have offices in 31 countries and territories in North America, Europe, Asia, Africa and Australia.

SEASONALITY. The principal sources of our real estate segment revenue are based upon the timing of residential real estate sales, which are lower in the first calendar quarter each year, and relatively level the other three quarters of the year. As a result, our revenue from the real estate brokerage segment of its business is less in the first calendar quarter of each year.

RELOCATION SEGMENT

GENERAL. Our Relocation Segment represented approximately 8.4%, 9.5% and 10.7% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. Our Cendant Mobility Services Corporation ("Cendant Mobility") subsidiary is the largest provider of employee relocation services in the world. Our Cendant Mobility subsidiary assists more than 100,000 transferring employees annually, including approximately 15,000 employees internationally each year in 92 countries and 300 destination cities. At December 31, 1998, we employed approximately 2,400 people in our relocation business.

SERVICES. The employee relocation business offers a variety of services in connection with the transfer of our clients' employees. The relocation services provided to our customers include primarily evaluation, inspection and selling of transferees' homes or purchasing a transferee's home which is not sold for at least a price determined on the estimated value within a specified time period, equity advances (generally guaranteed by the corporate customer), certain home management services, assistance in locating a new home at the transferee's destination, consulting services and other related services.

Corporate clients pay a fee for the services performed. Another source of revenue is interest on the equity advances. Substantially, all costs associated with such services are reimbursed by the corporate client, including, if necessary, repayment of equity advances and reimbursement of losses on the sale of homes purchased in most cases (other than government clients and one corporate client). As a result of the obligations of most corporate clients to pay the losses and guarantee repayment of equity advances, our exposure on such items is limited to the credit risk of the corporate clients of our relocation businesses and not on the potential changes in value of residential real estate. We believe such risk is minimal, due to the credit quality of the corporate clients of our relocation subsidiaries. In transactions with government clients and one corporate client, which comprise approximately 5% of net revenue, we assume the risk for losses on the sale of homes but we control all facets of the resale process, thereby limiting our exposure.

The homesale program service is the core service for many domestic and international programs. This program gives employees guaranteed offers for their homes and assists clients in the management of employees' productivity during their relocation. Cendant Mobility allows clients to outsource their relocation programs by providing clients with professional support for planning and administration of all elements of their relocation programs. The majority of new proposals involve outsourcing due to corporate downsizing, cost containment, and increased need for expense tracking.

Our relocation accounting services supports auditing, reporting, and disbursement of all relocation-related expense activity.

Our group move management services provides coordination for moves involving a number of employees. Services include planning, communications, analysis, and assessment of the move. Policy consulting provides customized consultation and policy review, as well as industry data, comparisons and recommendations. Cendant Mobility also has developed and/or customized numerous non-traditional services including outsourcing of all elements of relocation programs, moving services, and spouse counseling.

Our moving service, with nearly 70,000 shipments annually, provides support for all aspects of moving an employee's household goods. We also handle insurance and claim assistance, invoice auditing, and control the quality of van line, driver, and overall service.

Our marketing assistance service provides assistance to transferees in the marketing and sale of their own home. A Cendant Mobility professional assists in developing a custom marketing plan and monitors its implementation through the broker. The Cendant Mobility contact also acts as an advocate, with the local broker, for employees in negotiating offers which helps clients' employees benefit from the highest possible price for their homes.

Our affinity services provides value-added real estate and relocation services to organizations with established members and/or customers. Organizations, such as insurance and airline companies, that have established members offer our affinity services' to their members at no cost. This service helps the organizations attract new members and to retain current members. Affinity services provides home buying and selling assistance, as well as mortgage assistance and moving services to members of applicable organizations. Personal assistance is provided to over 40,000 individuals with approximately 17,500 real estate transactions annually.

Our international assignment service provides a full spectrum of services for international assignees. This group coordinates the services previously discussed; however, they also assist with immigration support, candidate assessment, intercultural training, language training, and repatriation coaching.

VENDOR NETWORKS. Cendant Mobility provides relocation services through various vendor networks that meet the superior service standards and quality deemed necessary by Cendant Mobility to maintain its leading position in the marketplace. We have a real estate broker network of approximately 340 principal brokers and 420 associate brokers. Our van line, insurance, appraisal and closing networks allow us to receive deep discounts while maintaining control over the quality of service provided to clients' transferees.

COMPETITIVE CONDITIONS. The principal methods of competition within relocation services are service, quality and price. In the United States, there are two major national providers of such services. We are the market leader in the United States and third in the United Kingdom.

SEASONALITY. Our principal sources of relocation service revenue are based upon the timing of transferee moves, which are lower in the first and last quarter each year, and at the highest levels in the second quarter.

MORTGAGE SEGMENT

GENERAL. Our Mortgage Segment represented approximately 6.7%, 4.2% and 3.9% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. Through our Cendant Mortgage Corporation ("Cendant Mortgage") subsidiary, we are the tenth largest originator of residential first mortgage loans in the United States as reported by Inside Mortgage Finance in 1998, and, on a retail basis, we are the sixth largest originator in 1998. We offer services consisting of the origination, sale and servicing of residential first mortgage loans. A full line of first mortgage products are marketed to consumers through relationships with corporations, affinity groups, financial institutions, real estate brokerage firms, including CENTURY 21, COLDWELL BANKER and ERA franchisees, and other mortgage banks. Cendant Mortgage is a centralized mortgage lender conducting its business in all 50 states. At December 31, 1998, Cendant Mortgage had approximately 4,000 employees.

Cendant Mortgage customarily sells all mortgages it originates to investors (which include a variety of institutional investors) either as individual loans, as mortgagebacked securities or as participation certificates issued or guaranteed by Fannie Mae Corp., the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association. Cendant Mortgage also services mortgage loans. We earn revenue from the sale of the mortgage loans to investors, as well as from fees earned on the servicing of the loans for investors. Mortgage servicing consists of collecting loan payments, remitting principal and interest payments to investors, holding escrow funds for payment of mortgagerelated expenses such as taxes and insurance, and otherwise administering our mortgage loan servicing portfolio.

Cendant Mortgage offers mortgages through the following platforms:

- Teleservices. Mortgages are offered to consumers through an 800 number teleservices operation based in New Jersey under programs including Phone In-Move In (Registered Trademark) for real estate organizations, private label programs for financial institutions and for relocation clients in conjunction with the operations of Cendant Mobility. The teleservices operation provides us with retail mortgage volume which contributes to Cendant Mortgage ranking as the sixth largest retail originator (Inside Mortgage Finance) in 1998.

- Point of Sale. Mortgages are offered to consumers through 175 field sales professionals with all processing, underwriting and other origination activities based in New Jersey. These field sales professionals generally are located in real estate offices and are equipped with software to obtain product information, quote interest rates and prepare a mortgage application with the consumer. Originations from these point of sale offices are generally more costly than teleservices originations.

- Wholesale/Correspondent. We purchase closed loans from financial institutions and mortgage banks after underwriting the loans. Financial institutions include banks, thrifts and credit unions. Such institutions are able to sell their closed loans to a large number of mortgage lenders and generally base their decision to sell to Cendant Mortgage on price, product menu and/or underwriting. We also have wholesale/correspondent originations with mortgage banks affiliated with real estate brokerage organizations. Originations from our wholesale/correspondent platform are more costly than point of sale or teleservices originations.

STRATEGY. Our strategy is to increase market share by expanding all of our sources of business with emphasis on the Phone In-Move In (Registered Trademark) program. Phone In-Move In (Registered Trademark) was developed for real estate firms approximately 21 months ago and is currently established in over 4,000 real estate offices at December 31, 1998. We are well positioned to expand our relocation and financial institutions business channels as it increases our linkage to Cendant Mobility clients and works with financial institutions which desire to outsource their mortgage originations operations to Cendant Mortgage. Each of these market share growth opportunities is driven by our low cost teleservices platform which is centralized in Mt. Laurel, New Jersey. The competitive advantages of using a centralized, efficient and high quality teleservices platform allows us to capture a higher percentage of the highly fragmented mortgage market more cost effectively.

COMPETITIVE CONDITIONS. The principal methods of competition in mortgage banking services are service, quality and price. There are an estimated 20,000 national, regional or local providers of mortgage banking services across the United States. Cendant Mortgage has increased its mortgage origination market share in the United States to 1.8% in 1998 from 0.9% in 1996. The market share leader reported a 7.7% market share in the United States according to Insider Mortgage Finance for 1998.

SEASONALITY. The principal sources of mortgage services segment revenue are based principally on the timing of mortgage origination activity which is based upon the timing of residential real estate sales. Real estate sales are lower in the first calendar quarter each year and relatively level the other three quarters of the year. As a result, our revenue from the mortgage services business is less in the first calendar quarter of each year.

ALLIANCE MARKETING DIVISION

Our Alliance Marketing division is divided into three segments: individual membership: insurance/wholesale; and entertainment publications. The individual membership segment, with approximately

32 million memberships, provides customers with access to a variety of discounted products and services in such areas as retail shopping, travel, auto and home improvement. The individual membership products and services are designed to enhance customer loyalty by delivering value to the customer. The insurance/wholesale segment, with nearly 31 million customers, markets and administers insurance products, primarily accidental death insurance, and also provides products and services such as checking account enhancement packages, financial products and discount programs to customers of various financial institutions. The entertainment publications segment provides customers with unique products and services that are designed to enhance a customer's purchasing power. The Alliance Marketing activities are conducted principally through our Cendant Membership Services, Inc. subsidiary and certain of our other whollyowned subsidiaries, including FISI, BCI, and EPub.

We derive our Alliance Marketing revenue principally from membership service fees, insurance premiums and product sales. We solicit members and customers for many of our programs by direct marketing and by using a direct sales force to call on financial institutions, schools, community groups, companies and associations. Some of the our individual memberships are available online to interactive computer users via major online services and the Internet's World Wide Web. See "-- Distribution Channels".

INDIVIDUAL MEMBERSHIP SEGMENT

Our Individual Membership segment represented approximately 17.6%, 18.4% and 23% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. We affiliate with business partners such as leading financial institutions, retailers, and oil companies to offer membership as an enhancement to their credit card customers. Participating institutions generally receive commissions on initial and renewal memberships, based on a percentage of the net membership fees. Individual memberships are marketed, primarily using direct marketing techniques, through participating institutions with the Company generally paying for the marketing costs to solicit the prospective members. The member pays our business partners directly for the service and, in most instances, is billed via a credit card. Membership fees vary depending upon the particular membership program, and annual fees generally range from $49 to $79 per year. Most of our memberships are for one-year renewable terms, and members are generally entitled to unlimited use during the membership period of the service for which the members have subscribed. Members generally may cancel their memberships and obtain a full refund at any point during the membership term. As of November 1998, all new online individual memberships are refundable on a pro-rata basis over the term of the membership. The services may be accessed either through the internet (online) or through the mail or by telephone (off-line).

OFFLINE PRODUCTS

Individual membership programs offer consumers discounts on over 500,000 products and services by providing shop at home convenience in areas such as retail shopping, travel, automotive, dining and home improvement. Membership programs include among others Shoppers Advantage (Registered Trademark) , Travelers Advantage (Registered Trademark) , AutoVantage (Registered Trademark) , Credit Card Guardian (Registered Trademark) , and PrivacyGuard (Registered Trademark) , and other membership programs. A brief description of the different types of membership programs are as follows:

Shopping. Shoppers Advantage (Registered Trademark) is a discount shopping program whereby we provide product price information and home shopping services to our members. Our merchandise database contains information on over 100,000 brand name products, including a written description of the product, the manufacturer's suggested retail price, the vendor's price, features and availability. All of these products may be purchased through our independent vendor network. Vendors include manufacturers, distributors and retailers nationwide. Individual members are entitled to an unlimited number of tollfree calls seven days a week to our shopping consultants, who access the merchandise database to obtain the lowest available fully delivered cost from participating vendors for the product requested and accept any orders that the member may place. We inform the vendor providing the lowest price of the member's order and that vendor then delivers the requested product directly to the member. We act as a conduit between our members and the vendors; accordingly, we do not maintain an inventory of products.

As part of our individual member Shoppers Advantage (Registered Trademark) program, we distribute catalogs four to ten times per year to certain members. In addition, we automatically extend the manufacturer's warranty on all products purchased through the Shoppers Advantage (Registered Trademark) program and offer a low price guarantee.

Travel. Travelers Advantage (Registered Trademark) is a discount travel service program whereby our Cendant Travel, Inc. ("Cendant Travel") subsidiary (one of the ten largest fullservice travel agencies in the U.S.), obtains information on schedules and rates for major scheduled airlines, hotel chains and car rental agencies from the American Airlines Sabre (Registered Trademark) Reservation System. In addition, we maintain our own database containing information on tours, travel packages and shortnotice travel arrangements. Members book their reservations through Cendant Travel, which earns commissions (ranging from 5%-25%) on all travel sales from the providers of the travel services. Certain Travelers Advantage (Registered Trademark) members can earn cash awards from the Company equal to a specified percentage (generally 5%) of the price of travel arrangements purchased by the member through Cendant Travel. Travel members may book their reservations by making toll-free telephone calls seven days a week, generally twenty-four hours a day to agents at Cendant Travel. Cendant Travel provides its members with special negotiated rates on many air, car and hotel bookings. Cendant Travel's agents reserve the lowest air, hotel and car rental fares available for the members' travel requests and offers a low price guarantee on such fares.

Auto. Our auto service, AutoVantage (Registered Trademark) , offers members comprehensive new car summaries and preferred prices on new domestic and foreign cars purchased through our independent dealer network (which includes over 1,800 dealer franchises); discounts on maintenance, tires and parts at more than 25,000 locations, including over 35 chains, including nationally known names, such as Goodyear (Registered Trademark) and Firestone (Registered Trademark) , plus regional chains and independent locations; and used car valuations. AutoVantage Gold (Registered Trademark) offers members additional services including road and tow emergency assistance 24 hours a day in the United States and trip routing.

Credit Card Registration. Our Credit Card Guardian (Registered Trademark) and "Hot-Line" services enable consumers to register their credit and debit cards with us so that the account numbers of these cards may be kept securely in one place. If the member notifies us that any of these credit or debit cards are lost or stolen, we will notify the issuers of these cards, arrange for them to be replaced and reimburse the member for any amount for which the card issuer may hold the member liable.

PrivacyGuard Service. The PrivacyGuard (Registered Trademark) and Credentials (Registered Trademark) services provide members with a comprehensive and understandable means of monitoring key personal information. The service offers a member access to information in certain key areas including: credit history and monitoring, driving records maintained by state motor vehicle authorities, and medical files maintained by third parties. This service is designed to assist members in obtaining and monitoring information concerning themselves that is used by third parties in making decisions such as granting or denying credit or setting insurance rates.

Buyers Advantage. The Buyers Advantage (Registered Trademark) service extends the manufacturer's warranty on products purchased by the member. This service also rebates 20% of repair costs and offers members price protection by refunding any difference between the price the member paid for an item and its reduced price, should the item be sold at a lower price within sixty days after purchase. In addition, the service offers return guarantee protection by refunding the purchase price of an item that the member wishes to return.

CompleteHome. The CompleteHome (Registered Trademark) service is designed to save members time and money in maintaining and improving their homes. Members can order do-it-yourself "How-To Guides" or call the service for a tradesperson referral. Tradespersons are available in all 50 states through a toll-free phone line. Members also receive discounts ranging from 10% to 50% off on a full range of home-related products and services.

Family FunSaver Club. The Family FunSaver Club (Registered Trademark) provides its members with a variety of benefits, including the opportunity to inquire about and purchase family travel services and family related products, the opportunity to buy new cars at a discount, a discounted family dining program and a Family Values Guide offering coupon savings on family related products such as movie tickets, casual restaurants, and theme parks.

The Family Software Club. The Family Software Club(SM) has no membership fee and offers members a way to purchase educational and entertainment CD-ROM titles, often at an introductory price with a small commitment to buy titles at regular club prices over a specified time period. Approximately every six to eight weeks, members receive information on CD-ROM titles and other related products and have the opportunity to purchase their featured selection, alternate titles or no selections at that time. The club also provides its members with special offers and discounts on software and other related products from time to time.

Health Services. The HealthSaver(SM) membership provides discounts ranging from 10% to 60% off retail prices on prescription drugs, eyewear, eyecare, dental care, selected health-related services and fitness equipment, including sporting goods. Members may also purchase prescription and over-the-counter drugs through the mail.

Other Clubs. Our North American Outdoor Group, Inc. subsidiary ("NAOG") owns and operates the North American Hunting Club (Registered Trademark) , the North American Fishing Club (Registered Trademark) , the Handyman Club of America (Registered Trademark) , the National Home Gardening Club (Registered Trademark) and the PGA Tour Partners Club (Registered Trademark) , among others. Members of these clubs receive fulfillment kits, discounts on related goods and services, magazines and other benefits.

ONLINE PRODUCTS

We operate Netmarket (www.netmarket.com), our flagship online, membership-based, value-oriented consumer site which offers discounts on over 800,000 products and services. Netmarket offers discounted shopping and other benefits to both members and non-members, with members receiving preferred pricing, access to specials, cash back benefits, low price guarantees and extended warranties on certain items. In addition, we also offer the following online products and services: Autovantage (Registered Trademark) , Travelers Advantage (Registered Trademark) and PrivacyGuard (Registered Trademark) membership programs and Haggle Zone (Trade Mark) and Fair Agent (Trade Mark) consumer services.

We also currently operate other online consumer offerings such as Books.com (www.books.com), one of the largest online booksellers in the world with more than four million titles available in its database with discounts of up to 20 to 40 percent below retail prices; Musicspot (www.musicspot.com) an online music store with more than 145,000 titles discounted up to 20 percent below retail prices; and GoodMovies (www.goodmovies.com) an online movie store offering more than 30,000 movie titles up to 20 to 40 percent below retail cost. Through our Match.com, Inc. ("Match") subsidiary, we are the leading matchmaking service on the Internet, servicing over 100,000 consumers. Subscriptions to the Match service range from approximately $10 per month to just under $60 for one year.

Through our Rent Net operation (www.rent.net) subsidiary, we are the leading apartment information and rental service on the Internet, with listings in more than 2,000 North American cities. Rent Net's clients include many of the top 50 property management companies across North America, and its apartment and relocation information has been seen by more than one million users monthly. The RentNet operation principally derives revenues from advertising or listing fees of products and service providers.

As part of our new internet strategy which we developed following a comprehensive company-wide review, we intend to: (i) sell RentNet, Match and Bookstacks, Inc. (Books.com, MusicSpot.com and GoodMovies.com); (ii) continue to invest in our remaining Internet membership business, particularly NetMarket, which is an integral part of our overall individual membership business; (iii) actively pursue strategic partnerships that will leverage our online membership assets, accelerate growth and maximize shareholder value; and (iv) establish an outsourcing services business that manages fulfillment and distribution for non-competing third party e-commerce providers.

INSURANCE/WHOLESALE SEGMENT

Our Insurance/Wholesale segment represented approximately 10.3%, 11.4% and 13.8% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. We affiliate with financial institutions, including credit unions and banks, to offer their respective customer base competitively priced insurance products, primarily accidental death and dismemberment insurance and term life insurance, as well as an array of services associated with the Individual Membership division segment.

ENHANCEMENT PACKAGE SERVICE. Primarily through our FISI subsidiary, we sell enhancement packages for financial institution consumer and business checking and deposit account holders. FISI's financial institution clients select a customized package of our products and services and then usually adds its own services (such as unlimited check writing privileges, personalized checks, cashiers' or travelers' checks without issue charge, or discounts on safe deposit box charges or installment loan interest rates). With our marketing and promotional assistance, the financial institution then offers the complete package of account enhancements to its checking account holders as a special program for a monthly fee. Most of these financial institutions choose a standard enhancement package, which generally includes $10,000 of accidental death insurance, travel discounts and a nationwide check cashing service. Others may our shopping and credit card registration services, a financial newsletter or pharmacy, eyewear or entertainment discounts as enhancements. The accidental death coverage is underwritten under group insurance policies with independent insurers. We continuously seek to develop new enhancement features which may be added to any package at an additional cost to the financial institution. We generally charge a financial institution client an initial fee to implement this program and monthly fees thereafter based on the number of customer accounts participating in that financial institution's program. Our enhancement packages are designed to enable a financial institution to generate additional fee income, because the institution should be able to charge participating accounts more than the combined costs of the services it provides and the payments it makes to us.

Primarily through our National Card Control Inc. ("NCCI") subsidiary, we also sell enhancement services to credit card issuers who make these services available to their credit card holders to foster increased product usage and loyalty. NCCI's clients create a customized package of our products and services. These enhancements include loyalty products, such as frequent flyer/buyer programs, as well as shopping, travel, concierge, insurance and credit card registration services. Like FISI, NCCI generally charges its credit card issuer clients an initial fee to implement the program and monthly fees thereafter, based on the number of accounts participating in that institution's program.

INSURANCE PRODUCTS. Through our BCI subsidiary, we serve as a third party administrator for marketing accidental death insurance throughout the country to the customers of BCI's financial institution clients. This accidental death insurance is often combined with our other services to enhance their value. These products are generally marketed through direct mail solicitations, which generally offer $1,000 of accidental death insurance at no cost to the customers and the opportunity to choose additional coverage of up to $300,000. The annual premium generally ranges from $10 to $250. BCI also acts as an administrator for term life, graded term life and hospital accident insurance. BCI's insurance products and other services are offered through banks and credit unions to their account holders.

ENTERTAINMENT PUBLICATIONS SEGMENT

Our Entertainment Publications Segment represented approximately 3.7%, 4.4%, and 5.4% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. The Entertainment Publications Segment includes numerous businesses established to provide unique products and services that are designed to enhance a customer's purchasing power.

Products. Primarily through our EPub subsidiary, we offer discount programs in specific markets throughout North America and certain international markets and enhances other of our Individual and Insurance/Wholesale segment products. We believe that EPub is the largest marketer of discount program books of this type in the United States. EPub has a sales force of approximately 1,100 people with approximately 800 people soliciting schools and approximately 300 people soliciting merchants.

EPub solicits restaurants, hotels, theaters, sporting events, retailers and other businesses which agree to offer services and/or merchandise at discount prices (primarily on a two-for-the-price-of-one or 50% discount basis). EPub sells discount programs, under its Entertainment (Registered Trademark) , Entertainment (Registered Trademark) Values, Gold C (Registered Trademark) and other trademarks, which typically provides discount offers to individuals in the form of local discount coupon books. These books typically contain coupons and/or a card entitling individuals to hundreds of discount offers from participating establishments. Targeting middle to upper income consumers, many of EPub's products also contain selected discount travel offers, including offers for hotels, car rentals, airfare, cruises and tourist attractions. More than 70,000 merchants with over 275,000 locations participate in these programs. EPub also uses this national base of merchants to develop other products, most notably, customized discount programs for major corporations. These programs also may contain additional discount offers, specifically designed for customized discount programs.

EPub's discount coupon books are sold annually by geographic area. Customers are solicited primarily through schools and community groups that distribute the discount coupon books and retain a portion of the proceeds for their nonprofit causes. To a lesser extent, distribution occurs through corporations as an employee benefit or customer incentive, as well as through retailers and directly to the public. The discount coupon books are generally provided to schools and community groups on a consignment basis. Customized discount programs are distributed primarily by major corporations as loyalty incentives for their current customers and/or as premiums to attract new customers.

While prices of local discount coupon books vary, the customary price for Entertainment (Registered Trademark) , Entertainment (Registered Trademark) Values and Gold C (Registered Trademark) coupon books range between $10 and $45. Customized discount programs are generally sold at significantly lower prices. In 1998, over nine million Entertainment (Registered Trademark) , Entertainment (Registered Trademark) Values, Gold C (Registered Trademark) and other trademarked local discount coupon books were published in North America.

Sally Foster, Inc., a subsidiary of EPub, provides elementary and middle schools and selected youth community groups with gift wrap and other seasonal products for sale in their fund-raising efforts. EPub uses the same sales force that sells the discount coupon books to schools, attempting to combine the sale of gift wrap with the sale of discount coupon books. In addition, EPub has a specialized Sally Foster sales force.

ALLIANCE MARKETING DISTRIBUTION CHANNELS

We market our Individual Membership, Insurance/Wholesale and Entertainment Publications products through a variety of distribution channels. The consumer is ultimately reached in the following ways: 1) at financial institutions or other associations through direct marketing; 2) at financial institutions or other associations through a direct sales force, participating merchants or general advertising; and 3) through schools, community groups and companies. Some of our individual memberships, such as shopping, travel, privacy guard and auto services, are available to computer users via online services and the internet's World Wide Web. These users are solicited primarily through major online services such as America Online, traditional offline direct marketing channels, major destination sites on the World Wide Web, such as portals, and through our affinity partners. We believe that our interactive members account for approximately 4% of our total Individual Membership Segment members. Strategic alliances have been formed with online services and various other companies, including the major internet portals.

ALLIANCE MARKETING INTERNATIONAL OPERATIONS

Individual Membership and Insurance/Wholesale. Our Cendant International Membership Services subsidiary has developed the international distribution of Enhancement Package Service and Insurance Products together with certain Individual Memberships including Shopping, Auto and Payment Card Protection.

As of December 31, 1998, Cendant International Membership Services had expanded its international membership and customer base to almost four million individuals. This base is driven by retail and wholesale membership through over 35 major banks in Europe and Asia, as well as through other distribution channels. We also have exclusive licensing agreements covering the use of our merchandising systems in Canada, Australia, Japan and certain other Asian countries under which licensees paid initial license fees and agree to pay royalties to us on membership fees, access fees and merchandise service fees paid to them. Royalties to us from these licenses were less than 1% of our Alliance Marketing revenues and profits in the yearsended December 31, 1998, 1997 and 1996, respectively.

EPub. In 1998, in addition to Canadian discount coupon books, Entertainment (Registered Trademark) discount coupon books were distributed in Australia. The Canadian discount coupon books are published independently by a Canadian subsidiary of EPub and the European discount books are published by our European subsidiaries. The Australian discount coupon books are published by an Australian joint venture in which EPub has a controlling interest. United States and Canadian discount coupon books are also made available to foreign travelers. With publication of these overseas discount programs, the Company has created additional customized discount programs for international use.

The economic impact of currency exchange rate movements on the Company is complex because it is linked to variability in real growth, inflation, interest rates and other factors. Because we operate in a mix of services and numerous countries, management believes currency exposures are fairly well diversified. See Item 7A: "Quantitative and Qualitative Disclosure About Market Risk".

ALLIANCE MARKETING SEASONALITY

Except principally for the sale of discount coupon books and gift wrap, our Alliance Marketing businesses are not seasonal. Publication of Entertainment (Registered Trademark) , Entertainment (Registered Trademark) Values and Gold (Registered Trademark) discount coupon books is substantially completed by the end of August of each year with significant solicitations beginning immediately thereafter. Most cash receipts from these discount coupon books are received in the fourth quarter and, to a lesser extent, in the first and third quarters of each fiscal year.

ALLIANCE MARKETING COMPETITION

Individual Membership. We believe that there are competitors which offer membership programs similar to ours and some of these entities, which include large retailers, travel agencies, insurance companies and financial service institutions, have financial resources, product availability, technological capabilities or customer bases greater than ours. To date, we have been able to compete effectively with such competitors. However, there can be no assurances that we will continue to be able to do so. In addition, we compete with traditional methods of merchandising that enjoy widespread consumer acceptance, such as catalog and instore retail shopping and shopping clubs (with respect to its discount shopping service), and travel agents (with respect to its discount travel service). Our systems are, for the most part, not protected by patent.

Insurance/Wholesale. Each of our account enhancement services competes with similar services offered by other companies, including insurance companies. Many of the competitors are large and more established, with greater resources and financial capabilities than ours. Finally, in attempting to attract any relatively large financial institution as a client, we also compete with that institution's in-house marketing staff and the institution's perception that it could establish programs with comparable features and customer appeal without paying for the services of an outside provider.

Entertainment Publications. We believe that there are a number of competitors in most markets throughout North America which offer similar discount book products. The majority of these competitors are relatively small, with discount coupon books in only a few markets. To date, we have been able to compete effectively in markets that include these competitors, primarily on the basis of price and product performance. We do not anticipate that these competitors will significantly affect our ability to expand our product offerings.

OTHER CONSUMER AND BUSINESS SERVICES DIVISION

Our Other Consumer and Business Services Division represented approximately 17.2%, 13.7% and 13.5% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively.

TAX PREPARATION BUSINESS. In January 1998, we acquired Jackson Hewitt, the second largest tax preparation service in the United States. The Jackson Hewitt franchise system is comprised of a 43-state network (plus the District of Columbia) with approximately 3,000 offices operating under the trade name

"Jackson Hewitt Tax Service". We believe that the application of our focused management strategies and techniques for franchise systems to the Jackson Hewitt network can significantly increase revenues produced by the Jackson Hewitt franchise system while also increasing the quality and quantity of services provided to franchisees.

Office locations range from stand-alone store front offices to offices within Wal-Mart Stores, Inc. and Montgomery Ward & Co., Inc. locations. Through the use of proprietary interactive tax preparation software, we are engaged in the preparation and electronic filing of federal and state individual income tax returns (collectively referred to as "tax returns"). During 1998, Jackson Hewitt prepared approximately 1.2 million tax returns, which represented an increase of 37% from the approximately 875,000 tax returns it prepared during 1997. To complement our tax preparation services, we also offer accelerated check refunds and refund anticipation loans to our tax preparation customers.

NATIONAL CAR PARKS. Our National Car Parks ("NCP") subsidiary is the largest single, commercial car park operating company in the UK and Europe, with over 60 years experience of owning and/or managing a portfolio of nearly 500 car parks, mostly located in city and town centers and at airports.

NCP owns or operates nearly 500 car parks across the UK and has approximately 2,800 full and part-time employees. NCP provides a high-quality, professional service, developing a total solution for its customers and for organizations such as town and city administrations that wish to develop modern and professionally managed parking and traffic management facilities, tailored towards local business.

NCP owns and operates car parks in over 100 city and town centers throughout the UK, most of which are regularly patrolled and many of which have closed-circuit television surveillance. NCP is the only car park manager that can provide the motorist with such a comprehensive geographical coverage and such levels of investment in security facilities. In addition, NCP is a leader in on-airport car parking at UK airports, with over 35,000 car parking spaces in facilities close to passenger terminals at ten airports across the UK. Booking facilities are available through NCP's telesales service for convenient car parking reservation at these airports, with free courtesy coach transfers to and from airport terminals at most locations.

The brand names of NCP and Flightpath (NCP's airport brand) are registered in the UK as trademarks. Furthermore, the NCP trademark is in the process of being registered in the rest of the European Community.

NCP's business has a distinct seasonal trend with revenue from parking in city and town centers being closely associated with levels of retail business. Therefore, peaks in revenue are experienced particularly around the Christmas period. In respect of the airport parking side of the business, seasonal peaks are experienced in line with summer vacations.

NCP's main competition is from non-commercial, local government authorities who usually choose to operate car parking facilities themselves in their respective cities and towns.

There is increasing government regulation over all aspects of transport within the UK. Therefore, an objective of NCP is to work together with its customers, local and national government and other service organizations in order to maintain the mutually beneficial partnership between motorists and city center environment.

GREEN FLAG. Green Flag is the third largest assistance group in the UK providing a wide range of emergency, support and rescue services to millions of drivers and home owners in the UK through its Green Flag Motor, Green Flag Truck and Green Flag Home services. Green Flag has approximately 900 full and part-time employees.

Using a well established network of 6,000 mechanics and 1,500 fully equipped garages, Green Flag Motor provides roadside recovery and assistance services to over 3.5 million members who can choose from five levels of cover. A distinctive feature of the Green Flag Motor service is its partnership with independent operators who provide emergency assistance to motorists throughout the UK and Europe. Using a network of specialists allows Green Flag to offer its customers a fast service in emergency situations. Through regular inspections and strictly enforced performance measures, Green Flag's teams of operators are able to delivery reassurance to the customer, as well as a highly reliable service.

In the truck assistance sector, the Green Flag Truck service has developed to include pay-on-use services in the UK and Europe and a service in the UK suited to operators who run local delivery businesses. Service is provided using the same network of independent operators that provide fast and efficient expertise for businesses who cannot afford to be off the road.

A network of specialists is also available to provide Green Flag's Emergency Home Assistance and Property Repair Services. Reassurance is key for home owners who take an insured assistance service or choose a pay-on-use option. Two levels of coverage are available to insure against a wide range of problems, including central heating, roofing, gas and electrical appliances. Through its specially selected network of operators, 75% of Green Flag's calls for assistance are completed within one hour, 90% within two hours.

Green Flag operates in a number of principal markets. Direct services to the consumer is one route to market, but also through insurance companies, car manufacturers and dealers and a large number of businesses that sell on Green Flag assistance services as an optional or a mandatory product linked to their own service, i.e. with car insurance or via a bank or building society account.

The brand name of `Green Flag' (together with the LOGO) is registered in the United Kingdom. There is also a pending registration for a European Union Community Mark. In addition, we have registered or pending marks for other key brands used within the business. These include names such as: Fleetcall/Truckcall/Dialassist/React/ Locator/Home-call and Home Assistance Services. Also registered is the CHEQUERED SIDE STRIPE used in connection with the MOTOR Roadside Assistance and Recovery service. (This is a safety device for use on vehicles which attend at the roadside.)

Green Flag's operations are seasonally influenced in that the purchase of motoring assistance follows holiday patterns and used car purchase, as well as by weather conditions. This has a great impact on call volumes especially in the winter.

INFORMATION TECHNOLOGY SERVICES. Our WizCom International, Ltd ("WizCom") subsidiary owns and operates the Wizard System more fully described under "TRAVEL SERVICES -- Avis Car Rental Franchise Business -- Avis System and Wizard System" above. In 1995, Budget Rent A Car Corporation ("Budget") entered into a computer services agreement with WizCom that provides Budget with certain reservation system computer services that are substantially similar to computer services provided to the Avis System. WizCom has also entered into agreements with hotel and other rental car companies to provide travel related reservation and distribution system services.

CREDIT INFORMATION BUSINESS. In 1995, we acquired Central Credit Inc. ("CCI"), a gambling patron credit information business. CCI maintains a database of information provided by casinos regarding the credit records of casino gaming patrons, and provides, for a fee, such information and related services to its customers, which primarily consist of casinos.

FINANCIAL PRODUCTS. Our former Essex Corporation ("Essex") subsidiary is a third-party marketer of financial products for banks, primarily marketing annuities, mutual funds and insurance products through financial institutions. Essex generally markets annuities issued by insurance companies or their affiliates, mutual funds issued by mutual fund companies or their affiliates, and proprietary mutual funds of banks. Essex's contracts with the insurance companies whose financial products it distributes generally entitle Essex to a commission of slightly less than 1% on the premiums generated through Essex's sale of annuities for these insurance companies. In January 1999, Essex was sold to John Hancock Subsidiaries, Inc.

MUTUAL FUNDS. In August 1997, we formed an alliance with Frederick R. Kobrick, a longtime mutual fund manager, to form a mutual fund company known as Kobrick-Cendant Funds, Inc. (Kobrick which was subsequently renamed the Kobrick Funds). Kobrick currently offers three no-load funds, Kobrick Capital Fund, Kobrick Emerging Growth Fund and Kobrick Growth Fund.

TAX REFUND BUSINESS. Through our Global Refund subsidiary, we assist travelers to receive valuedadded tax ("VAT") refunds in 22 European countries, Canada and Singapore. Global Refund is the world's leading VAT refund service, with over 125,000 affiliated retailers and seven million transactions per year. Global Refund operates over 400 cash refund offices at international airports and other major points of departure and arrival worldwide. We plan to expand the services Global Refund provides to travelers to include Entertainment (Registered Trademark) coupon book memberships and the Travelers Advantage (Registered Trademark) service product.

OTHER SERVICES. Spark Services, Inc. ("Spark") provides database-driven dating services to over 300 radio stations throughout the United States and Canada. Spark is the leading provider of dating and personals services to the radio industry. Spark has also begun to test television distribution of its services through infomercials, as well as through short form advertising and affiliation deals with various programs. Consumers pay for Spark's services on a per minute of usage transaction basis.

Our Numa Corporation subsidiary publishes personalized heritage publications, including publications under the Halbert's name, and markets and sells personalized merchandise.

Operating under the trade name "Welcome Wagon", we distribute complimentary welcoming packages which provide new homeowners and other consumers throughout the United States and Canada with discounts for local merchants. These activities are conducted through our Welcome Wagon International Inc. and Getko Group, Inc. subsidiaries. We are exploring opportunities to leverage the assets and the distribution channels of such subsidiaries.

COMBINED OPERATIONS

PREFERRED ALLIANCE AND CO-MARKETING ARRANGEMENTS. We believe that there are significant opportunities to capitalize on the significant and increasing amount of aggregate purchasing power and marketing outlets represented by the businesses in our business units. We initially tapped the potential of these synergies within the lodging franchise systems in 1993 when we launched our Preferred Alliance Program, under which hotel industry vendors provide significant discounts, commissions and co-marketing revenue to hotel franchisees plus preferred alliance fees to us in exchange for being designated as the preferred provider of goods or services to the owners of our franchised hotels or the preferred marketer of goods and services to the millions of hotel guests who stay in the hotels and customers of our real estate brokerage franchisees each year.

We currently participate in preferred alliance relationships with more than 95 companies, including some of the largest corporations in the United States. The operating profit generated by most new preferred alliance arrangements closely approximates the incremental revenue produced by such arrangements since the costs of the existing infrastructure required to negotiate and operate these programs are largely fixed.

DISCONTINUED OPERATIONS

On August 12, 1998, we announced that our Executive Committee of the Board of Directors committed to discontinue our consumer software and classified advertising businesses by disposing of our wholly-owned subsidiaries Cendant Software Corporation ("Software") and Hebdo Mag, respectively. On December 15, 1998, we completed the sale of Hebdo Mag to a company organized by Hebdo Mag management for approximately $450 million, including approximately $315 million in cash and 7.1 million shares of our common stock. On January 12, 1999, we completed the sale of Software to Paris based Havas SA, a subsidiary of Vivendi SA, for $800 million in cash plus future potential cash payments.

SOFTWARE. Our Software subsidiary offered consumer software in various multimedia forms, predominately on CD-ROM for personal computers. The Software unit was one of the largest personal computer consumer software groups in the world, and a leader in entertainment, educational and personal productivity software. It included Sierra On-Line, Inc., Blizzard Entertainment and Knowledge Adventure, Inc., and offered such titles as Diablo, Starcraft, You Don't Know Jack, King's Quest, JumpStart, Math Blaster, Reading Blaster and many others. These products were offered through a variety of distribution channels, including specialty retailers, mass merchandisers, discounters and schools.

The entertainment, education and productivity software industry is competitive. Software competed primarily with other developers of multimedia PC based software. Products in the market compete primarily on the basis of subjective factors such as entertainment value and objective factors such as price, graphics and sound quality. Large diversified entertainment, cable and telecommunications companies, in addition to large software companies, are increasing their focus on the interactive entertainment and education software market, which will result in greater competition.

The software segment had seasonal elements. Revenues were typically highest during the third and fourth quarters and lowest during the first and second quarters. This seasonal pattern was due primarily to the increased demand for software products during the holiday season.

CLASSIFIED ADVERTISING BUSINESS. Hebdo Mag is an international publisher of over 180 titles and distributor of classified advertising information with operations in fifteen countries including Canada, France, Sweden, Hungary, Taiwan, the United States, Italy, Russia, the Netherlands, Australia, Argentina and Spain. Hebdo Mag is involved in the publication, printing and distribution, via print and electronic media, of branded classified advertising information products. Hebdo Mag has also expanded into other related business activities, including the distribution of third-party services and classified advertising web sites.

Hebdo Mag publishes over 11 million advertisements per year in over 180 publications. With a total annual circulation of over 85 million, management estimates Hebdo Mag publications are read by over 200 million people. Unlike newspapers which contain significant editorial content, Hebdo Mag publications contain primarily classified and display advertisements. These advertisements target buyers and sellers of goods and services in the markets for used and new cars, trucks, boats, real estate, computers, second-hand general merchandise and employment as well as personals.

Hebdo Mag owns leading local classified advertising publishing franchises in most of the regional markets where it has a presence. In addition to its print titles, Hebdo Mag generates revenues by distributing third-party services related to its classified business such as vehicle financing, vehicle and life insurance and warranty protection.

The classified advertising information industry is highly fragmented, with a large number of small, independent companies publishing local or regional titles. Hebdo Mag is the only major company focused exclusively on this industry on an international basis. In most of its major markets, Hebdo Mag owns leading classified advertising franchises which have long standing, recognized reputations with readers and advertisers. Among Hebdo Mag's leading titles, many of which have been in existence for over 15 years, are: La Centrale des Particuliers (France), Expressz (Hungary), The Trader (Indianapolis), Traders Post (Nashville), Car News (Taiwan), Secondamano (Italy), Auto Trader, Renters News, The Computer Paper (Canada), Iz Ruk v Ruki (Russia), Gula Tidningen (Sweden), Segundamano (Argentina) and The Melbourne Trading Post (Australia).

REGULATION

ALLIANCE MARKETING REGULATION. We market our products and services through a number of distribution channels including telemarketing, direct mail and on-line. These channels are regulated on the state and federal level and we believe that these activities will increasingly be subject to such regulation. Such regulation may limit our ability to solicit new members or to offer one or more products or services to existing members.

A number of our products and services (such as Travelers Advantage (Registered Trademark) and certain insurance products) are also subject to state and local regulations. We believe that such regulations do not have a material impact on our business or revenues.

FRANCHISE REGULATION. The sale of franchises is regulated by various state laws, as well as by the Federal Trade Commission (the "FTC"). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. A number of states require registration or disclosure in connection with franchise offers and sales. In addition, several states have "franchise relationship laws" or "business opportunity laws" that limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. While our franchising operations have not been materially adversely affected by such existing regulation, we cannot predict the effect of any future legislation or regulation.

REAL ESTATE REGULATION. The federal Real Estate Settlement Procedures Act and state real estate brokerage laws restrict payments which real estate brokers and mortgage brokers and other parties may receive or pay in connection with the sales of residences and referral of settlement services (e.g., mortgages, homeowners insurance, title insurance). Such laws may to some extent restrict preferred alliance arrangements involving our real estate brokerage franchisees, mortgage business and relocation business. Our mortgage banking services business is also subject to numerous federal, state and local laws and regulations, including those relating to real estate settlement procedures, fair lending, fair credit reporting, truth in lending, federal and state disclosure, and licensing.

TIMESHARE EXCHANGE REGULATION. Our timeshare exchange business is subject to foreign, federal, state and local laws and regulations including those relating to taxes, consumer credit, environmental protection and labor matters. In addition, we are subject to state statutes in those states regulating timeshare exchange services, and must prepare and file annually, with regulators in states which require it, the "RCI Disclosure Guide to Vacation Exchange". We are not subject to those state statutes governing the development of timeshare condominium units and the sale of timeshare interests, but such statutes directly affect the members and resorts that participate in the RCI Network. Therefore, the statutes indirectly impact our timeshare exchange business.

EMPLOYEES

As of December 31, 1998, we employed approximately 35,000 persons full time. Management considers our employee relations to be satisfactory.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased space and located at 9 West 57th Street, New York, NY 10019. Many of our general corporate functions are conducted at a building owned by us and located at 6 Sylvan Way, Parsippany, New Jersey 07054 and at a building leased by us and located at 1 Sylvan Way, Parsippany, New Jersey 07054 with a lease term expiring in 2008.

Our Travel Division has two properties which we own, a 166,000 square foot facility in Virginia Beach, Virginia which serves as a satellite administrative and reservations facility for Wizcom and ARAC, and a property located in Kettering, UK which is the European office for RCI. The Travel Division also leases space for its reservations centers and data warehouse in Winner and Aberdeen, South Dakota; Phoenix, Arizona; Knoxville and Elizabethtown, Tennessee; Tulsa and Drumright, Oklahoma; Indianapolis, Indiana; Orangeburg, South Carolina and St. John, New Brunswick, Canada pursuant to leases that expire in 2000, 2003, 2007, 2004, 1999, 2001, 2000, 2001, 2008, 2001 and 2008, respectively. The Tulsa and Drumwright, Oklahoma location serves as an Avis car rental reservations center. In addition, the Travel Division has 18 leased offices spaces located within the United States and an additional 30 leased spaces in various countries outside the United States.

The Real Estate Division shares approximately six leases with the Travel Division in various locations that function as sales offices.

The Individual Membership Segment has its principal offices located in Stamford and Trumbull, Connecticut. The Individual Membership Segment leases space for several of its call centers in Aurora, Colorado; Westerville, Ohio; Brentwood, Tennessee; Houston and Arlington, Texas; Woburn, Massachusetts and Great Falls, Montana pursuant to leases that expire in 2000, 2005, 2002, 2000, 2000, 2001 and 1999, respectively. We also own one building located in Cheyenne, Wyoming which serves as a call center. In addition, the Individual Membership Segment has leased smaller space in various locations for business unit and ancillary needs. Internationally, the Individual Membership Segment has approximately seven leased offices spaces located in various countries.

The main offices for the Fleet Segment are located in two leased spaces; one in Hunt Valley, Maryland (200,000 square feet) and three in South Portland, Maine (91,000 square feet) pursuant to leases that expire in 2003, 2008, 2004 and 2007, respectively. In addition, there are nine smaller leased spaces that function as sales/distribution locations.

The Relocation Segment has their main corporate operations located in a leased building in Danbury, Connecticut with a lease term expiring in 2008. There are also five regional offices located in Walnut Creek, California; Oakbrook and Schaumburg, Illinois; Irving, Texas and Mission Viejo, California which provide operation support services for the region pursuant to leases that expire in 2004, 2003, 2001 and 2003, respectively. We own the office in Mission Viejo.

The Mortgage Segment has centralized its operations to one main area occupying various leased offices in Mt. Laurel, New Jersey for a total of approximately 600,000 square feet. The lease terms expire over the next ten years.

The Insurance/Wholesale Segment leases domestic space in Nashville, Tennessee; San Carlos, California; and Crozier, Virginia with lease terms ending in 2002, 2003 and 1999, respectively. In addition, there are 11 leased locations internationally that function as sales and administrative offices for international membership with the main office located in Portsmouth, UK.

The primary office for the Entertainment Publication Segment is located in Troy, Michigan (75,000 square feet) with a lease term expiring in 2004. EPub also leases approximately 100 small office locations throughout the United States and 10 internationally to conduct distribution activities.

We own properties in Virginia Beach, Virginia and Westbury, New York and lease space in Garden City, New York that supports the Other Consumer and Business Services Segment. The Garden City location is the main operation and administrative center for Wizcom. In addition, there are approximately six leased office locations in the United States. Internationally, we lease office space in London, UK (18,000 square feet) and own two buildings in Leeds, UK (86,000 square feet) and one building in Bradford, England (25,000 square feet) to support this segment.

We believe that such properties are sufficient to meet our present needs and we do not anticipate any difficulty in securing additional space, as needed, on acceptable terms.

ITEM 3. LEGAL PROCEEDINGS

Class Action Litigation

Since our April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC business units, and prior to the date of this Annual Report on Form 10-K, more than 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and three individual lawsuits have been filed in various courts against us and other defendants. With the exception of an action pending in the Delaware Chancery Court and an action filed in the Superior Court of New Jersey that has been dismissed, these actions were all filed in or transferred to the United States District Court for the District of New Jersey, where they are pending before Judge William H. Walls and Magistrate Judge Joel A. Pisano. The Court has ordered consolidation of many of the actions.

In re: Cendant Corporation Litigation, Master File No. 98-1664 (WHW) (D.N.J.) (the "Calpers Action"), is a consolidated action consisting of over sixty constituent class action lawsuits, and one individual lawsuit, that were originally filed in the District of New Jersey, the District of Connecticut, and the Eastern District of Pennsylvania. The Calpers Action is brought on behalf of all persons who acquired securities of the Company and CUC, except our PRIDES securities, between May 31, 1995 and August 28, 1998. The Court granted the plaintiffs' unopposed motion for class certification on January 27, 1999. Named as defendants are the Company; twenty-eight current and former officers and directors of the Company, CUC and HFS Incorporated ("HFS"); and Ernst & Young LLP, CUC's former independent accounting firm.

The Amended and Consolidated Class Action Complaint in the Calpers Action alleges that, among other things, the plaintiffs were damaged when they acquired securities of the Company and CUC because, as a result of accounting irregularities, the Company's and CUC's previously issued financial statements were materially false and misleading, and the allegedly false and misleading financial statements caused the prices of the Company's and CUC's securities to be inflated artificially. The Amended and Consolidated Complaint alleges violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the "Securities Act") and Sections 10(b), 14(a), 20(a), and 20A of the Securities Exchange Act of 1934 (the "Exchange Act"). The Calpers Action seeks damages in unspecified amounts.

On December 14, 1998, the plaintiffs in the Calpers Action moved for partial summary judgment, on liability only, against the Company on the claims under Section 11 of the Securities Act. The plaintiffs adjourned this motion sine die, however, without prejudice to the plaintiffs' right to re-notice the motion. In connection with the plaintiffs' agreement to withdraw their summary judgment motion, the Company agreed not to assert any automatic stay of discovery that would otherwise apply to the Calpers Action if any defendant were to file a motion to dismiss the Calpers Action.

On January 25, 1999, the Company answered the Amended Consolidated Complaint and asserted Cross-Claims against Ernst & Young LLP ("Ernst & Young"). The Company's Cross-Claims allege that Ernst & Young failed to follow professional standards to discover, and recklessly disregarded, the accounting irregularities, and is therefore liable to the Company for damages. The Cross-Claims assert breaches of Ernst & Young's audit agreements with the Company, negligence, breaches of fiduciary duty, fraud, and contribution.

Welch & Forbes, Inc. v. Cendant Corp., et al., No. 98-2819 (WHW) (the "PRIDES Action") is a class action brought on behalf of purchasers of the Company's PRIDES securities between February 24 and July 15, 1998. Named as defendants are the Company; Cendant Capital I, a statutory business trust formed by the Company to participate in the offering of PRIDES securities; seventeen current and former officers and directors of the company, CUC and HFS; Ernst & Young; and the underwriters for the PRIDES offering, Merrill Lynch & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Chase Securities Inc. A substantially similar action filed in the Superior Court of New Jersey, entitled First Trust Corp. IRA of Gloria Rosenberg v. Cendant Corp., et al., No. L-1406-98 (Law Div.), was dismissed on August 7, 1998, without prejudice to the plaintiff's right to re-file the case in the United States District Court for the District of New Jersey.

The allegations in the Amended Consolidated Complaint in the PRIDES Action are substantially similar to those in the Calpers Action, and violations of Sections 11, 12(a)(2) and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act are asserted. Damages in unspecified amounts are sought.

On November 11, 1998, the plaintiffs in the PRIDES Action brought motions for (i) certification of a proposed class of PRIDES purchasers; (ii) summary judgment against the Company under Section 11 of the Securities Act; and (iii) an injunction requiring the Company to place $300 million in a trust account for the benefit of the PRIDES investors pending final resolution of their claims. These motions were withdrawn in connection with a partial settlement of the PRIDES Action (see Note 6) .

On April 27, 1998, a purported shareholder derivative action, Deutch v. Silverman, et al., No. 98-1998 (WHW), was filed in the District of New Jersey against certain of the Company's current or former directors and officers; The Bear Stearns Companies, Inc.; Bear Stearns & Co., Inc.; and, as a nominal party, the Company. The complaint in the Deutch action, as amended on December 7, 1998, alleges that certain individual officers and directors of the Company breached their fiduciary duties by selling shares of the Company's stock while in possession of non-public material information concerning the accounting irregularities. The complaint also alleges various other breaches of fiduciary duty and gross negligence in connection with, among other things, the accounting irregularities discussed above. Damages are sought on behalf of Cendant in unspecified amounts.

Semerenko v. Cendant Corp., et al., Civ. Action No. 98-5384 (D. N.J.) and P. Schoenfeld Asset Management LLC v. Cendant Corp., et al., (Civ. Action No. 98-4734) (D. N.J) (the "ABI Actions") were initially commenced in October and November of 1998, respectively, on behalf of a putative class of persons who purchased securities of American Bankers Insurance Group, Inc. ("ABI") between

March 23, 1998 and October 13, 1998. Named as defendants are the Company, four former CUC officers and directors, and Ernst & Young. The complaints in the ABI Actions, as amended on February 8, 1999, assert violations of Sections 10(b), 14(e) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, relating to the accounting irregularities discussed above. Plaintiffs allege, among other things, that the Company made misrepresentations and omissions regarding its ability and intent to complete a tender offer and subsequent merger with ABI. Plaintiffs allege that such misrepresentations and omissions caused the price of ABI securities to be artificially inflated. Plaintiffs seek, among other things, unspecified compensatory damages. The Company filed a motion to dismiss the ABI Actions on March 10, 1999. The other defendants have also moved to dismiss.

Kennilworth Partners, L.P., et al. v. Cendant Corp., et al., 98 Civ. 8939 (DC) (the "Kennilworth Action") was filed on December 18, 1998 in the Southern District of New York on behalf of three investment companies. Named as defendants are the Company; thirty of its present and former officers and directors; HFS; and Ernst & Young. The complaint in the Kennilworth Action, as amended on January 26, 1999, alleges that the plaintiffs purchased convertible notes issued by HFS pursuant to an indenture dated February 28, 1996 and were damaged because they converted their notes into shares of common stock in the Company in the weeks prior to the Company's April 15, 1998 announcement. The amended complaint also alleges that plaintiffs were damaged by purchasing in March 1998 additional notes issued by the Company, whose market value declined as a result of the April 15, 1998 announcement and the subsequent events described above. The amended complaint asserts violations of Sections 11, 12 and 15 of the Securities Act and Sections 10(b) and 20 of the Exchange Act; a common-law breach of contract claim is also asserted. Damages are sought in an amount estimated to be in excess of $13.6 million. On February 4, 1999, the Court ordered the Kennilworth Action transferred to the District of New Jersey, with the consent of the plaintiff and the Company.

Another action, entitled Corwin v. Silverman, et al., No. 16347-NC (the "Corwin Action"), was filed on April 29, 1998 in the Court of Chancery for the State of Delaware. The Corwin Action is purportedly brought derivatively, on behalf of the Company, and as a class action, on behalf of all shareholders of HFS who exchanged their HFS shares for CUC shares in connection with the Merger. The Corwin Action names as defendants HFS and twenty-eight individuals who are or were directors of the Company and HFS. The complaint in the Corwin Action, as amended on July 28, 1998, alleges that HFS and its directors breached their fiduciary duties of loyalty, good faith, care and candor in connection with the Cendant Merger, in that they failed to properly investigate the operations and financial statements of CUC before approving the Merger at an allegedly inadequate price. The amended complaint also alleges that the Company's directors breached their fiduciary duties by entering into an employment agreement with our former Chairman, Walter A. Forbes, in connection with the Merger that purportedly amounted to corporate waste. The Corwin Action seeks, among other things, recission of the Merger and compensation for all losses and damages allegedly suffered in connection therewith. On October 7, 1998, Cendant filed a motion to dismiss the Corwin Action or, in the alternative, for a stay of the Corwin Action pending determination of the Calpers Action and the Deutch Action. The plaintiffs in the Corwin Action have moved for leave to file a second amended complaint.

The SEC and the United States Attorney for the District of New Jersey are conducting investigations relating to the matters referenced above. The SEC has advised us that its inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. While our management has made all adjustments considered necessary as a result of the findings of the Investigations and the restatement of our financial statements for 1997, 1996 and 1995, and the first six months of 1998, we can provide no assurances that additional adjustments will not be necessary as a result of these government investigations.

In connection with the Merger, certain officers and directors of HFS exchanged their shares of HFS common stock and options exercisable for HFS common stock for shares of the Company's Common Stock and options exercisable for the Company's Common Stock, respectively. As a result of the aforementioned accounting irregularities, such officers and directors have advised the Company that they believe they have claims against the Company in connection with such exchange. In addition, certain current and former officers and directors of the Company would consider themselves to be members of any class ultimately certified in the Federal Securities Actions now pending in which the Company is named as a defendant by virtue of their having been HFS stockholders at the time of the Merger.

Other than with respect to the PRIDES class action litigation described below, we do not believe it is feasible to predict or determine the final outcome or resolution of these proceedings or to estimate the amounts or potential range of loss with respect to these proceedings and investigations. In addition, the timing of the final resolution of these proceedings and investigations is uncertain. The possible outcomes or resolutions of these proceedings and investigations could include judgements against us or settlements and could require substantial payments by us. Our management believes that adverse outcomes with respect to such proceedings and investigations could have a material adverse impact on our financial condition, results of operations and cash flows.

Settlement of PRIDES Class Action Litigation

On March 17, 1999, we announced that we reached a final settlement agreement with plaintiff's counsel representing the class of holders of our PRIDES securities who purchased their securities on or prior to April 15, 1998 ("eligible persons") to settle their class action lawsuit against us. Under the final settlement agreement, eligible persons will receive a new security -- a Right -- for each PRIDES security held on April 15, 1998. Current holders of PRIDES will not receive any Rights (unless they also held PRIDES on April 15, 1998). We had originally announced a preliminary agreement in principle to settle such lawsuit on January 7, 1999. The final agreement maintained the basic structure and accounting treatment as the preliminary agreement.

Based on the settlement agreement, we recorded an after tax charge of approximately $228 million, or $0.26 per share ($351 million pre-tax), in the fourth quarter of 1998 associated with the settlement agreement in principle to settle the PRIDES securities class action. We recorded an increase in additional paid-in capital of $350 million offset by a decrease in retained earnings of $228 million resulting in a net increase in stockholders' equity of $122 million as a result of the prospective issuance of the Rights. As a result, the settlement should not reduce net book value. In addition the settlement is not expected to reduce 1999 earnings per share unless our common stock price materially appreciates.

At any time during the life of the Rights, holders may (a) sell them or (b) exercise them by delivering to us three Rights together with two PRIDES in exchange for two new PRIDES (the "New PRIDES"). The terms of the New PRIDES will be the same as the currently outstanding PRIDES, except that the conversion rate will be revised so that, at the time the Rights are distributed, each New PRIDES will have a value equal to $17.57 more than each original PRIDES, based upon a generally accepted valuation model. Based upon the closing price per share of $16.6875 of our Common Stock on March 17, 1999, the effect of the issuance of the New PRIDES will be to distribute approximately 19 million more shares of our common stock when the mandatory purchase of our common stock associated with the PRIDES occurs in February of 2001. This represents approximately 2% more shares of common stock than are currently outstanding.

The settlement agreement also requires us to offer to sell 4 million additional PRIDES (having identical terms to currently outstanding PRIDES) (the "Additional PRIDES") at "theoretical value" to holders of Rights for cash. Theoretical value will be based on the same valuation model utilized to set the conversion rate of the New PRIDES. Based on that valuation model, the currently outstanding PRIDES have a theoretical value of $28.07 based on the closing price for our common stock on March 17, 1999, which is less than their current trading price. The offering of Additional PRIDES will be made only pursuant to a prospectus filed with the SEC. We currently expect to use the proceeds of such an offering to repurchase our common stock and for other general corporate purposes. The arrangement to offer Additional PRIDES is designed to enhance the trading value of the Rights by removing up to 6 million Rights from circulation via exchanges associated with the offering and to enhance the open market liquidity of New PRIDES by creating 4 million New PRIDES via exchanges associated with the offering. If holders of Rights do not acquire all such PRIDES, they will be offered to the public.

Under the settlement agreement, we have also agreed to file a shelf registration statement for an additional 15 million PRIDES, which could be issued by us at any time for cash. However, during the last 30 days prior to the expiration of the Rights in February 2001, we will be required to make these additional PRIDES available to holders of Rights at a price in cash equal to 105% of the theoretical value of the additional PRIDES as of a specified date. The PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights.

The Rights will be distributed following final court approval of the settlement and after the effectiveness of the registration statement filed with the SEC covering the New PRIDES.
It is presently expected that if the court approves the settlement and such conditions are fulfilled, the Rights will be distributed in August or September 1999. This summary of the settlement does not constitute an offer to sell any securities, which will only be made by means of a prospectus after a registration statement is filed with the SEC. There can be no assurance that the court will approve the agreement or that the conditions contained in the agreement will be fulfilled.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held an annual meeting of its shareholders on October 30, 1998, pursuant to a Notice of Annual Meeting and Proxy Statement dated September 28, 1998, a copy of which has been filed previously with the Securities and Exchange Commission, at which our shareholders considered and approved the election of six directors for a term of three years, the Company's 1998 Employee Stock Purchase Plan, and ratification of Deloitte & Touche LLP as auditors. The results of such matters are as follows:

Proposal 1: To elect six directors for a three year term and until their successors are duly elected and qualified.

Results:	For	Against
	729,374,048	21,047,428

Proposal 2: To approve the Company's 1998 Employee Stock Purchase Plan

Results:	For	Against	Abstain
	714,345,354	33,516,760	1,938,144

Proposal 3: To ratify and approve the appointment of Deloitte & Touche LLP as the Company's Independent Auditors for the year ending December 31, 1998.

Results:	For	Against	Abstain
	744,191,719	5,471,312	758,445

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCK HOLDER MATTERS

MARKET PRICE ON COMMON STOCK

Our Common Stock is listed on the New York Stock Exchange ("NYSE") under the symbol "CD". At March 22, 1999 the number of stockholders of record was approximately 10,841. The following table sets forth the quarterly high and low sales prices per share as reported by the NYSE for 1998 and 1997 based on a year ended December 31.

1997	HIGH	LOW
First Quarter	26 7/8	22 1/2
Second Quarter	26 3/4	20
Third Quarter	31 3/4	23 11/16
Fourth Quarter	31 3/8	26 15/16

1998	HIGH	LOW
First Quarter	41	32 7/16
Second Quarter	41 3/8	18 9/16
Third Quarter	22 7/16	10 7/16
Fourth Quarter	20 5/8	7 1/2

On March 22, 1999, the last sale price of our Common Stock on the NYSE was $16 5/16 per share.

All stock price information has been restated to reflect a three-for-two stock split effected in the form of a dividend to stockholders of record on October 7, 1996, payable on October 21, 1996.

DIVIDEND POLICY

We expect to retain our earnings for the development and expansion of its business and the repayment of indebtedness and does not anticipate paying dividends on Common Stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA (1) (2)

(In millions, except per share amounts)	AT OR FOR THE YEAR ENDED DECEMBER 31, 1998	1997	1996	1995
OPERATIONS				
NET REVENUES	$ 5,283.8	$ 4,240.0	$ 3,237.7	$ 2,616.1
Operating expense	1,869.1 (3)	1,322.3	1,183.2	1,024.9
Marketing and reservation expense	1,158.5	1,031.8	910.8	743.6
General and administrative expense	666.3	636.2	341.0	283.3
Depreciation and amortization expense	322.7	237.7	145.5	100.4
Other charges	838.3 (4)	704.1 (5)	109.4 (6)	97.0 (7)
Interest expense, net	113.9	50.6	14.3	16.6
Provision for income taxes	104.5	191.0	220.2	143.2
Minority interest, net	50.6	--	--	--
INCOME FROM CONTINUING OPERATIONS	$ 159.9	$ 66.3	$ 313.3	$ 207.1
INCOME FROM CONTINUING OPERATIONS PER SHARE:				
Basic	$ 0.19	$ 0.08	$ 0.41	$ 0.30
Diluted	0.18	0.08	0.39	0.28
FINANCIAL POSITION				
Total assets	$ 20,216.5	$ 14,073.4	$ 12,762.5	$ 8,519.5
Long-term debt	3,362.9	1,246.0	780.8	336.0
Assets under management and mortgage programs	7,511.9	6,443.7	5,729.2	4,955.6
Debt under management and mortgage programs	6,896.8	5,602.6	5,089.9	4,427.9
Mandatorily redeemable securities issued by subsidiary	1,472.1	--	--	--
Shareholders' equity	4,835.6	3,921.4	3,955.7	1,898.2
OTHER INFORMATION (8)				
ADJUSTED EBITDA (9)	$ 1,589.9	$ 1,249.7	$ 802.7	$ 564.3
Cash flows provided by (used in):				
Operating activities	808.0	1,213.0	1,525.6	1,144.3
Investing activities	(4,351.8)	(2,328.6)	(3,090.8)	(1,789.0)
Financing activities	4,689.6	900.1	1,780.8	661.2

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(1) Selected financial data is presented for four years. Financial data subsequent to December 31, 1994 had been restated as a result of findings from investigations into accounting irregularities discovered at the former business units of CUC International, Inc. ("CUC"). Financial data for periods prior to December 31, 1994 was not restated and therefore should not be relied on (see Note 18 to the consolidated financial statements).

(2) Selected financial data includes the operating results of acquisitions accounted for under the purchase method of accounting since the respective dates of acquisition, including: (i) National Parking Corporation in April 1998; (ii) Harpur Group in January 1998; (iii) Jackson Hewitt, Inc. in January 1998; (iv) Resort Condominiums International, Inc. in November 1996; (v) Avis, Inc. in October 1996; (vi) Coldwell Banker Corporation in May 1996; and (vii) Century 21 Real Estate Corporation in August 1995.

(3) Includes a non-cash charge of $50.0 million ($32.2 million, after tax or $0.04 per diluted share) related to the write off of certain equity investments in interactive membership businesses and impaired goodwill associated with the National Library of Poetry, a Company subsidiary.

(4) Represents charges of: (i) $433.5 million ($281.7 million, after tax or $0.32 per diluted share) for the costs of terminating the proposed acquisitions of American Bankers Insurance Group, Inc. and Providian Auto and Home Insurance Company; (ii) $351.0 million ($228.2 million, after tax or $0.26 per diluted share) associated with the final agreement to settle the PRIDES securities class action suit; and (iii) $121.0 million ($78.7 million, after tax or $0.09 per diluted share) comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including

incremental financing costs and separation payments, principally to the Company's former chairman. The aforementioned charges were partially offset by a credit of $67.2 million ($43.7 million, after tax or $0.05 per diluted share) associated with changes in the original estimate of 1997 merger-related costs and other unusual charges.

(5) Represents merger-related costs and other unusual charges related to continuing operations of $704.1 million ($504.7 million, after tax or $0.58 per diluted share) primarily associated with the Cendant merger in December 1997 and merger with PHH Corporation ("PHH") in April 1997.

(6) Represents merger-related costs and other unusual charges related to continuing operations of $109.4 million ($70.0 million, after tax or $0.09 per diluted share) substantially related to the Company's August 1996 merger with Ideon Group, Inc. ("Ideon").

(7) Represents a provision for costs related to the abandonment of certain Ideon development efforts and the restructuring of certain Ideon operations. The charges aggregated $97.0 million ($62.1 million, after tax or $0.08 per diluted share).

(8) There were no dividends declared during the periods presented above except for PHH and Ideon, which declared and paid dividends to their shareholders prior to their respective mergers with the Company.

(9) Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, adjusted to exclude other charges which are of a non-recurring or unusual nature. Adjusted EBITDA is a measure of performance which is not recognized under generally accepted accounting principles and should not replace income from continuing operations or cash flows in measuring operating results or liquidity. However, management believes such measure is an informative representation of how management evaluates the operating performance of the Company and its underlying business segments (see Note 26 to the consolidated financial statements).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are one of the foremost consumer and business services companies in the world. We were created through the December 1997 merger (the "Cendant Merger") of HFS Incorporated ("HFS") and CUC International Inc. ("CUC"). We provide business services to our customers, many of which are consumer services companies, and also provide fee-based services directly to consumers, generally without owning the assets or sharing the risks associated with the underlying businesses of our customers or collaborative partners.

We operate in four principal divisions -- travel related services, real estate related services, alliance marketing related services and other consumer and business services. Our businesses provide a wide range of complementary consumer and business services, which together represent nine business segments. The travel related services businesses facilitate vacation timeshare exchanges, manage corporate and government vehicle fleets and franchise car rental and hotel businesses; the real estate related services businesses franchise real estate brokerage businesses, provide home buyers with mortgages and assist in employee relocation; and the alliance marketing related services businesses, provide an array of value driven products and services. Our other consumer and business services include our tax preparation services franchise, information technology services, car parking facility services, vehicle emergency support and rescue services, credit information services, financial products and other consumer-related services.

As a franchisor of hotels, real estate brokerage offices, car rental operations and tax preparation services, we license the owners and operators of independent businesses to use our brand names. We do not own or operate hotels, real estate brokerage offices, car rental operations or tax preparation offices (except for certain company-owned Jackson Hewitt offices, which we intend to franchise). Instead, we provide our franchisee customers with services designed to increase their revenue and profitability.

We have recently changed our focus from making strategic acquisitions of new businesses to maximizing the opportunities and growth potential of our existing businesses. In connection with this change in focus, we intend to review and evaluate our existing businesses to determine whether certain businesses continue to meet our business objectives. As part of our ongoing evaluation of such businesses, we intend from time to time to explore and conduct discussions with regard to divestitures and related corporate transactions. However, we can give no assurance with respect to the magnitude, timing, likelihood or business effect of any possible transaction. We also cannot predict whether any divestiture or other transactions will be consummated or, if consummated, will result in a financial or other benefit to us. We intend to use a portion of the proceeds from future dispositions, if any, together with the proceeds of potential future debt issues and bank borrowings and cash from operations, to retire indebtedness, to repurchase our common stock commensurate with approvals from our Board of Directors and for other general corporate purposes. As a result of our aforementioned change in focus, we completed the sale of two of our business segments and divested a separate subsidiary (see "Liquidity and Capital Resources -- Divestitures").

Prior to the Cendant Merger, both HFS and CUC had grown significantly through mergers and acquisitions accounted for under both the pooling of interests method, the most significant being the merger of HFS with PHH Corporation ("PHH") in April 1997 (the "PHH Merger"), and purchase method of accounting. The underlying Results of Operations discussions are presented as if all businesses acquired in mergers and acquisitions accounted for as poolings of interests have operated as one entity since inception.

RESULTS OF OPERATIONS

This discussion should be read in conjunction with the information contained in our Consolidated Financial Statements and accompanying Notes thereto appearing elsewhere in this Annual Report on Form 10-K.

Our operating results and the operating results of certain of our underlying business segments are comprised of business combinations accounted for under the purchase method of accounting. Accordingly, the results of operations of such acquired companies have been included in our consolidated operating results and our applicable business segments from the respective dates of acquisition. See "Liquidity and Capital Resources" for a discussion of our purchase method acquisitions.

The underlying discussions of each segment's operating results focuses on Adjusted EBITDA, which is defined as earnings before interest, income taxes, depreciation and amortization, adjusted for Other charges which are of a non-recurring or unusual nature, and are not included in assessing segment performance or are not segment-specific. Our management believes such discussion is the most informative representation of how management evaluates performance. We have determined that we have nine reportable operating segments based primarily on the types of services we provide, the consumer base to which marketing efforts are directed and the methods we use to sell services. For additional information, including a description of the services provided in each of our reportable operating segments, see Note 26 to the Consolidated Financial Statements.

CONSOLIDATED RESULTS -- 1998 VS. 1997

(Dollars in millions)	YEAR ENDED DECEMBER 31, 1998	1997	% CHANGE
Net revenues	$ 5,283.8	$ 4,240.0	25%
Operating expenses (1)	3,693.9	2,990.3	24%
Adjusted EBITDA	1,589.9	1,249.7	27%
Other charges			
Litigation settlement	351.0	--	*
Termination of proposed acquisitions	433.5	--	*
Executive terminations	52.5	--	*
Investigation-related costs	33.4	--	*
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	*
Financing costs	35.1	--	*
Depreciation and amortization expense	322.7	237.7	36%
Interest expense, net	113.9	50.6	125%
Pre-tax income from continuing operations before minority interest, extraordinary gain and cumulative effect of accounting change	315.0	257.3	22%
Provision for income taxes	104.5	191.0	(45%)
Minority interest, net of tax	50.6	--	*
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	159.9	66.3	141%
Loss from discontinued operations, net of tax	(25.0)	(26.8)	*
Gain on sale of discontinued operations, net of tax	404.7	--	*
Extraordinary gain, net of tax	--	26.4	*
Cumulative effect of accounting change, net of tax	--	(283.1)	*
Net income (loss)	$ 539.6	$ (217.2)	*

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(1) Exclusive of Other charges and depreciation and amortization expense.

* Not meaningful.

REVENUES AND ADJUSTED EBITDA

Revenues and Adjusted EBITDA increased $1.0 billion (25%) and $340.2 million (27%), respectively, in 1998 over 1997, which reflected growth in substantially all of our reportable operating segments. Significant contributing factors which gave rise to such increases included substantial growth in the volume of mortgage services provided and an increase in the amount of royalty fees received from our franchised brands, principally within the real estate franchise segment. In addition, revenues and Adjusted EBITDA in 1998 included the operating results of 1998 acquisitions, including National Parking Corporation ("NPC") and Jackson Hewitt Inc. ("Jackson Hewitt"). A detailed discussion of revenues and Adjusted EBITDA trends from 1997 to 1998 is included in the section entitled "Results of Reportable Operating Segments -- 1998 vs. 1997."

1998 OTHER CHARGES

LITIGATION SETTLEMENT. We recorded a non-cash charge of $351.0 million in the fourth quarter of 1998 in connection with an agreement to settle a class action lawsuit that was brought on behalf of the holders of our Income or Growth FELINE PRIDES securities who purchased their securities on or prior to April 15, 1998, the date on which we announced the discovery of accounting irregularities in the former business units of CUC (see "Liquidity and Capital Resources -- FELINE PRIDES and Trust Preferred Securities").

TERMINATION OF PROPOSED ACQUISITIONS. We incurred $433.5 million of costs, which included a $400.0 million cash payment to American Bankers Insurance Group, Inc. ("American Bankers"), in connection with terminating the proposed acquisitions of American Bankers and Providian Auto and Home Insurance Company ("Providian") (see "Liquidity and Capital Resources -- Termination of Proposed Acquisitions").

EXECUTIVE TERMINATIONS. We incurred $52.5 million of costs in 1998 related to the termination of certain of our former executives, principally Walter A. Forbes, who resigned as our Chairman and as a member of our Board of Directors in July 1998. The severance agreement reached with Mr. Forbes entitled him to the benefits required by his employment contract relating to a termination of Mr. Forbes' employment with us for reasons other than for cause. Aggregate benefits given to Mr. Forbes resulted in a charge of $50.9 million comprised of $38.4 million in cash payments and 1.3 million of immediately vested Company stock options, with a Black-Scholes value of $12.5 million.

INVESTIGATION-RELATED COSTS. We incurred $33.4 million of professional fees, public relations costs and other miscellaneous expenses in connection with our discovery of accounting irregularities in the former business units of CUC and the resulting investigations into such matters.

FINANCING COSTS. In connection with our discovery and announcement of accounting irregularities and the corresponding lack of audited financial statements, we were temporarily disrupted in accessing public debt markets. As a result, we paid $27.9 million in fees associated with waivers and various financing arrangements. Additionally, during 1998, we exercised our option to redeem our 4 3/4% Convertible Senior Notes (the "4 3/4% Notes"). At such time, we anticipated that all holders of the 4 3/4% Notes would elect to convert the 4 3/4% Notes to our common stock. However, at the time of redemption, holders of the 4 3/4% Notes elected not to convert the 4 3/4% Notes to our common stock and as a result, we redeemed such notes at a premium. Accordingly, we recorded a $7.2 million loss on early extinguishment of debt.

1997 MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES

We incurred merger-related costs and other unusual charges ("Unusual Charges") in 1997 related to continuing operations of $704.1 million primarily associated with the Cendant Merger (the "Fourth Quarter 1997 Charge") and the PHH Merger (the "Second Quarter 1997 Charge").

(In millions)	NET UNUSUAL CHARGES	REDUCTIONS 1997	REDUCTIONS 1998	BALANCE AT DECEMBER 31, 1998
Fourth Quarter 1997 Charge	$ 454.9	$ (257.5)	$ (130.2)	$ 67.2
Second Quarter 1997 Charge	283.1	(207.0)	(59.7)	16.4
Total	738.0	(464.5)	(189.9)	83.6
Reclassification for discontinued operations	(33.9)	33.9	--	--
Total Unusual Charges related to continuing operations	$ 704.1	$ (430.6)	$ (189.9)	$ 83.6

FOURTH QUARTER 1997 CHARGE. We incurred Unusual Charges in the fourth quarter of 1997 totaling $454.9 million substantially associated with the Cendant Merger and our merger in October 1997 with Hebdo Mag International, Inc. ("Hebdo Mag"), a classified advertising business. Reorganization plans were formulated prior to and implemented as a result of the mergers. We determined to streamline our corporate organization functions and eliminate several office locations in overlapping markets. Our management's plan included the consolidation of European call centers in Cork, Ireland and terminations of franchised hotel properties.

Unusual Charges included $93.0 million of professional fees primarily consisting of investment banking, legal and accounting fees incurred in connection with the aforementioned mergers. We also incurred $170.7 million of personnel-related costs including $73.3 million of retirement and employee benefit plan costs, $23.7 million of restricted stock compensation, $61.4 million of severance resulting from consolidations of European call centers and certain corporate functions and $12.3 million of other personnel--

related costs. Unusual Charges included $78.3 million of business termination costs which consisted of a $48.3 million non-cash impairment write-down of hotel franchise agreement assets associated with a quality upgrade program and $30.0 million of costs incurred to terminate a contract which may have restricted us from maximizing opportunities afforded by the Cendant Merger. We also provided for facility-related and other costs of $112.9 million including $70.0 million of irrevocable contributions made to independent technology trusts for the direct benefit of lodging and real estate franchisees, $16.4 million of building lease termination costs and a $22.0 million reduction in intangible assets associated with our wholesale annuity business for which impairment was determined in 1997. During the year ended December 31, 1998, we recorded a net credit of $28.1 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred. We made cash payments of $102.6 million and $152.2 million during 1998 and 1997, respectively, related to the Fourth Quarter 1997 Charge. Liabilities of $67.2 million remained at December 31, 1998 which were primarily attributable to future severance costs and executive termination benefits.

SECOND QUARTER 1997 CHARGE. We incurred $295.4 million of Unusual Charges in the second quarter of 1997 primarily associated with the PHH Merger. During the fourth quarter of 1997, as a result of changes in estimate, we adjusted certain merger-related liabilities, which resulted in a $12.3 million credit to Unusual Charges. Reorganization plans were formulated in connection with the PHH Merger and were implemented upon consummation. The PHH Merger afforded us, at such time, an opportunity to rationalize our combined corporate, real estate and travel-related businesses, and enabled our corresponding support and service functions to gain organizational efficiencies and maximize profits. We initiated a plan just prior to the PHH Merger to close hotel reservation call centers, combine travel agency operations and continue the downsizing of fleet operations by reducing headcount and eliminating unprofitable products. In addition, we initiated plans to integrate our relocation, real estate franchise and mortgage origination businesses to capture additional revenues through the referral of one business unit's customers to another. We also formalized a plan to centralize the management and headquarters functions of our corporate relocation business unit subsidiaries. Such initiatives resulted in write-offs of abandoned systems and leasehold assets commencing in the second quarter of 1997. The aforementioned reorganization plans included the elimination of PHH corporate functions and facilities in Hunt Valley, Maryland.

Unusual Charges included $154.1 million of personnel-related costs associated with employee reductions necessitated by the planned and announced consolidation of our corporate relocation service businesses worldwide as well as the consolidation of our corporate activities. Personnel-related charges also included termination benefits such as severance, medical and other benefits and provided for retirement benefits pursuant to pre-existing contracts resulting from a change in control. Unusual Charges also included professional fees of $30.3 million, primarily comprised of investment banking, accounting and legal fees incurred in connection with the PHH Merger. We incurred business termination charges of $55.6 million, which were comprised of $38.8 million of costs to exit certain activities primarily within our fleet business (including $35.7 million of asset write-offs associated with discontinued activities), a $7.3 million termination fee associated with a joint venture that competed with our PHH Mortgage Services business (now known as Cendant Mortgage Corporation) and $9.6 million of costs to terminate a marketing agreement with a third party in order to replace the function with internal resources. We also incurred facility-related and other charges totaling $43.1 million including costs associated with contract and lease terminations, asset disposals and other expenses related to the consolidation and closure of excess office space. During the year ended December 31, 1998, we recorded a net credit of $39.6 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred. We made cash payments of $27.8 million and $150.2 million during 1998 and 1997, respectively, related to the Second Quarter 1997 Charge. Liabilities of $16.4 million remained at December 31, 1998 which were attributable to future severance and lease termination payments.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense increased $85.0 million (36%) in 1998 over 1997 as a result of incremental amortization of goodwill and other intangible assets from 1998 acquisitions and increased capital spending primarily to accommodate growth in our businesses.

INTEREST EXPENSE AND MINORITY INTEREST, NET

Interest expense, net, increased $63.3 million (125%) in 1998 over 1997 primarily as a result of incremental average borrowings during 1998 and a nominal increase in the cost of funds. We primarily used debt to finance $2.9 billion of acquisitions and investments during 1998, which resulted in an increase in the average debt balance outstanding as compared to 1997. The weighted average interest rate on long-term debt increased from 6.0% in 1997 to 6.2% in 1998. In addition to interest expense on long-term debt, we also incurred $50.6 million of minority interest, net of tax, primarily related to the preferred dividends payable in cash on our FELINE PRIDES and trust preferred securities issued in March 1998 (see "Liquidity and Capital Resources - -- Financing Exclusive of Management and Mortgage Financing -- FELINE PRIDES and Trust Preferred Securities").

PROVISION FOR INCOME TAXES

Our effective tax rate was reduced from 74.3% in 1997 to 33.2% in 1998 due to the non-deductibility of a significant amount of Unusual Charges recorded during 1997 and the favorable impact in 1998 of reduced rates in international tax jurisdictions in which we commenced business operations during 1998. The 1997 effective income tax rate included a tax benefit on 1997 Unusual Charges, which were deductible at an effective rate of only 29.1%. Excluding Unusual Charges, the effective income tax rate on income from continuing operations in 1997 was 40.6%.

DISCONTINUED OPERATIONS

We recorded a $404.7 million gain, net of tax, on the sale of discontinued operations in 1998, related to the dispositions of our classified advertising and consumer software businesses. Pursuant to a program to divest non-core businesses and assets, in August 1998 (the "Measurement Date"), we committed to discontinue such businesses (see "Liquidity and Capital Resources -- Divestitures -- Discontinued Operations"). Loss from discontinued operations, net of tax, was $25.0 million in 1998 and $26.8 million in 1997. Loss from discontinued operations in 1998 includes operating results through the Measurement Date. The operating results of discontinued operations in 1997 included $24.4 million of Unusual Charges and $15.2 million of extraordinary losses, net of tax. Unusual Charges, net of tax, in 1997 primarily consisted of $19.4 million of severance associated with terminated consumer software company executives and $5.0 million of compensation related to a stock appreciation rights plan which was paid in connection with our merger with Hebdo Mag in October 1997. Such merger also resulted in a $15.2 million extraordinary loss, net of tax, associated with the early extinguishment of debt.

EXTRAORDINARY GAIN, NET

In 1997, we recorded a $26.4 million extraordinary gain, after tax, on the sale of Interval International, Inc. ("Interval") in December 1997. The Federal Trade Commission requested that we sell Interval in connection with the Cendant Merger as a result of their anti-trust concerns within the timeshare industry.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET

In 1997, we recorded a non-cash after-tax charge of $283.1 million to account for the cumulative effect of an accounting change. In August 1998, the Securities and Exchange Commission ("SEC") requested that we change our accounting policies with respect to revenue and expense recognition for our membership businesses, effective January 1, 1997. Although we believed that our accounting for memberships had been appropriate and consistent with industry practice, we complied with the SEC's request and adopted new accounting policies for our individual membership businesses.

RESULTS OF REPORTABLE OPERATING SEGMENTS -- 1998 VS. 1997

	YEAR ENDED DECEMBER 31,							
	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	1998	1997	% CHANGE	1998 (1)	1997 (2)	% CHANGE	1998	1997
(Dollars in millions)								
Travel	$ 1,063.3	$ 971.6	9%	$ 542.5	$ 467.3	16%	51%	48%
Individual Membership	929.1	778.7	19%	(57.8)	5.3	*	(6%)	1%
Insurance/ Wholesale	544.0	482.7	13%	137.8	111.0	24%	25%	23%
Real Estate Franchise	455.8	334.6	36%	348.6	226.9	54%	76%	68%
Relocation	444.0	401.6	11%	124.5	92.6	34%	28%	23%
Fleet	387.4	324.1	20%	173.8	120.5	44%	45%	37%
Mortgage	353.4	179.2	97%	187.6	74.8	151%	53%	42%
Entertainment Publications	197.2	188.1	5%	32.1	36.8	(13%)	16%	20%
Other	909.6	579.4	57%	100.8 (3)	114.5	(12%)	11%	20%
Total	$ 5,283.8	$ 4,240.0	25%	$ 1,589.9	$ 1,249.7	27%	30%	29%

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(1) Excludes the following Other charges or credits: (i) $433.5 million for the costs of terminating the proposed acquisitions of American Bankers and Providian; (ii) $351.0 million of costs associated with an agreement to settle the PRIDES securities class action suit; (iii) $121.0 million comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation payments, principally to our former chairman; and (iv) $67.2 million of net credits associated with changes to the original estimate of costs to be incurred in connection with 1997 Unusual Charges.

(2) Excludes Unusual Charges of $704.1 million primarily associated with the Cendant Merger and the PHH Merger.

(3) Includes a $50.0 million non-cash write-off of certain equity investments in interactive membership businesses and impaired goodwill associated with our National Library of Poetry subsidiary.

* Not meaningful.

TRAVEL

Revenues and Adjusted EBITDA increased $91.7 million (9%) and $75.2 million (16%), respectively, in 1998 over 1997. Contributing to the revenue and Adjusted EBITDA increase was a $35.4 million (7%) increase in franchise fees, consisting of increases of $23.5 million (6%) and $11.9 million (8%) in lodging and car rental franchise fees, respectively. Our franchise businesses experienced increases during 1998 in worldwide available rooms (29,800 incremental rooms, domestically), revenue per available room, car rental days and average car rental rates per day. Timeshare subscription and exchange revenue increased $27.1 million (9%) as a result of a 7% increase in average membership volume and a 4% increase in the number of exchanges. Also contributing to the revenue and Adjusted EBITDA increase was $16.4 million of incremental fees received from preferred alliance partners seeking access to our franchisees and their customers, $12.7 million of fees generated from the execution of international master license agreements and a $17.7 million gain on our sale of one million shares of Avis common stock in 1998. The aforementioned drivers supporting increases in revenues and Adjusted EBITDA were partially offset by a $37.8 million reduction in the equity in earnings of our investment in the car rental operations of Avis, Inc. ("ARAC") as a result of reductions in our ownership percentage in such investment during 1997 and 1998 (see "Liquidity and Capital Resources -- 1996 Purchase Acquisitions and Investments -- Avis"). A $16.7 million (7%) increase in marketing and reservation costs resulted in a $16.5 million increase in total expenses while other operating expenses were relatively flat due to leveraging our corporate infrastructure among more businesses, which contributed to an improvement in the Adjusted EBITDA margin from 48% in 1997 to 51% in 1998.

INDIVIDUAL MEMBERSHIP

Revenues increased $150.4 million (19%) in 1998 over 1997 while Adjusted EBITDA and Adjusted EBITDA margin decreased $63.1 million and 7 percentage points, respectively, for the same period. The revenue growth was primarily attributable to an incremental $27.9 million associated with an increase in the average price of a membership, $25.8 million of increased billings as a result of incremental marketing arrangements, primarily with telephone and mortgage companies, and $35.9 million from the acquisition of a company in April 1998 that, among other services, provides members access to their personal credit information. Also contributing to the revenue growth are increased product sales and service fees which are offered and provided to individual members. The reduction in Adjusted EBITDA and Adjusted EBITDA margin is a direct result of a $104.3 million (25%) increase in membership solicitation costs. We increased our marketing efforts during 1998 to solicit new members and as a result increased our gross average annual membership base by approximately 3.3 million members (11%) at December 31, 1998, compared to the prior year. The growth in members during 1998 resulted in increased servicing costs during 1998 of approximately $33.2 million (13%). While the costs of soliciting and acquiring new members were expensed in 1998, the revenue associated with these new members will not begin to be recognized until 1999, upon expiration of the membership period.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased $61.3 million (13%) and $26.8 million (24%), respectively, in 1998 over 1997, primarily due to customer growth. This growth generally resulted from increases in affiliations with financial institutions. Domestic operations, which comprised 77% of segment revenues in 1998, generated higher Adjusted EBITDA margins than the international businesses as a result of continued expansion costs incurred internationally to penetrate new markets.

Domestic revenues and Adjusted EBITDA increased $25.4 million (6%) and $23.6 million (22%), respectively. Revenue growth, which resulted from an increase in customers, also contributed to an improvement in the overall Adjusted EBITDA margin from 23% in 1997 to 25% in 1998, as a result of the absorption of such increased volume by the existing domestic infrastructure. International revenues and Adjusted EBITDA increased $35.9 million (41%) and $3.2 million (54%), respectively, due primarily to a 42% increase in customers while the Adjusted EBITDA margin remained relatively flat at 7%.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $121.2 million (36%) and $121.7 million (54%), respectively, in 1998 over 1997. Royalty fees collectively increased for our CENTURY 21, COLDWELL BANKER and ERA franchise brands by $102.0 million (35%) as a result of a 20% increase in home sales by franchisees and a 13% increase in the average price of homes sold. Home sales by franchisees benefited from existing home sales in the United States reaching a record 4.8 million units in 1998, according to data from the National Association of Realtors, as well as from expansion of our franchise systems. Because many costs associated with the real estate franchise business, such as franchise support and information technology, do not vary directly with home sales volumes or royalty revenues, the increase in royalty revenues contributed to an improvement in the Adjusted EBITDA margin from 68% to 76%.

RELOCATION

Revenues and Adjusted EBITDA increased $42.4 million (11%) and $31.9 million (34%), respectively, in 1998 over 1997. The Adjusted EBITDA margin improved from 23% to 28%. The primary source of revenue growth was a $29.3 million increase in revenues from the relocation of government employees. We also experienced growth in the number of relocation-related services provided to client corporations and in the number of household goods moves handled, partially offset by lower home sale volumes. The divestiture of certain niche-market property management operations accounted for other revenue of $8.2 million. Expenses associated with government relocations increased in conjunction with the volume and revenue growth, but economies of scale and a reduction in overhead and administrative expenses permitted the reported improvement in Adjusted EBITDA margin.

FLEET

Revenues and Adjusted EBITDA increased $63.3 million (20%) and $53.3 million (44%), respectively, in 1998 over 1997, contributing to an improvement in the Adjusted EBITDA margin from 37% to 45%. We acquired The Harpur Group Ltd. ("Harpur"), a leading fuel card and vehicle management company in the United Kingdom ("UK"), on January 20, 1998. Harpur contributed incremental revenues and Adjusted EBITDA in 1998 of $31.8 million and $20.8 million, respectively. The revenue increase is further attributable to a 12% increase in fleet leasing fees and a 31% increase in service fee revenue. The fleet leasing revenue increase is due to a 5% increase in pricing and a 7% increase in the number of vehicles leased, while the service fee revenue increase is the result of a 40% increase in number of fuel cards and vehicle maintenance cards partially offset by a 7% decline in pricing. The Adjusted EBITDA margin improvement reflects streamlining of costs at newly acquired Harpur and a leveraging of our corporate infrastructure among more businesses.

MORTGAGE

Revenues and Adjusted EBITDA increased $174.2 million (97%) and $112.8 million (151%), respectively, in 1998 over 1997, primarily due to strong mortgage origination growth and average fee improvement. The Adjusted EBITDA margin improved from 42% to 53%. Mortgage origination grew across all lines of business, including increased refinancing activity and a shift to more profitable sale and processing channels and was responsible for substantially all of the segment's revenue growth. Mortgage closings increased $14.3 billion (122%) to $26.0 billion and average origination fees increased 12 basis points, resulting in a $180.3 million increase in origination revenues. Although the servicing portfolio grew $9.6 billion (36%), net servicing revenue was negatively impacted by average servicing fees declining 7 basis points due to the increased refinancing levels in the 1998 mortgage market, which shortened the servicing asset life and increased amortization charges. Consequently, net servicing revenues decreased $9.1 million, partially offset by a $5.7 million increase in the sale of servicing rights. Operating expenses increased in all areas, reflecting increased hiring and expansion of capacity in order to support continued growth; however, revenue growth marginally exceeded such infrastructure enhancements.

ENTERTAINMENT PUBLICATIONS

Revenues increased $9.1 million (5%) and Adjusted EBITDA decreased $4.7 million, in 1998 when compared to 1997. Revenue growth was primarily driven by a $4.0 million (2%) increase in coupon book sales, a $3.4 million (29%) increase in related advertising revenues and a $3.4 million (11%) increase in gift wrap sales. The decline in Adjusted EBITDA is directly attributable to an increased absorption of corporate infrastructure costs in 1998 as compared to 1997.

OTHER SERVICES

Revenues increased $330.2 million (57%), while Adjusted EBITDA decreased $13.7 million (12%). Revenues increased primarily from acquired NPC and Jackson Hewitt operations, which contributed $409.8 million and $53.7 million to 1998 revenues, respectively. The revenue increase attributable to 1998 acquisitions was partially offset by a $140.0 million reduction in revenues associated with the operations of certain of our ancillary businesses which were sold during 1997, including Interval, which contributed $121.0 million to 1997 revenues. We sold Interval in December 1997 coincident to the proposed Cendant Merger, in consideration of Federal Trade Commission anti-trust concerns within the timeshare industry.

The revenue increase did not translate into increases in Adjusted EBITDA primarily due to asset write-offs, dispositions of certain ancillary business operations and approximately $8.0 million of incremental operating costs associated with establishing a consolidated worldwide data center. We wrote-off $37.0 million of impaired goodwill associated with our National Library of Poetry subsidiary, and $13.0 million of certain of our equity investments in interactive membership businesses. Adjusted EBITDA in 1997 associated with aforementioned disposed ancillary operations included $27.2 million from Interval and $18.0 million related to services formerly provided to the casino industry. Our NPC and Jackson Hewitt subsidiaries contributed $92.7 million and $27.0 million to 1998 Adjusted EBITDA, respectively.

CONSOLIDATED RESULTS -- 1997 VS. 1996

(Dollars in millions)	YEAR ENDED DECEMBER 31, 1997	1996	% CHANGE
Net revenues	$ 4,240.0	$ 3,237.7	31%
Operating expenses(1)	2,990.3	2,435.0	23%
Adjusted EBITDA	1,249.7	802.7	56%
Merger-related costs and other unusual charges	704.1	109.4	544%
Depreciation and amortization expense	237.7	145.5	63%
Interest expense, net	50.6	14.3	254%
Pre-tax income from continuing operations before extraordinary gain and cumulative effect of accounting change	257.3	533.5	(52%)
Provision for income taxes	191.0	220.2	(13%)
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	66.3	313.3	(79%)
Income (loss) from discontinued operations, net of tax	(26.8)	16.7	*
Extraordinary gain, net of tax	26.4	--	*
Cumulative effect of accounting change, net of tax	(283.1)	--	*
Net income (loss)	$ (217.2)	$ 330.0	*

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(1) Exclusive of merger-related costs, unusual charges and depreciation and amortization expense

* Not meaningful.

REVENUES AND ADJUSTED EBITDA

Revenues and Adjusted EBITDA increased $1.0 billion (31%) and $447.0 million (56%), respectively, in 1997 over 1996, and were supported by growth in substantially all of our reportable operating segments. Revenues and Adjusted EBITDA in 1997 included a full year of operations from companies acquired during 1996, including Coldwell Banker Corporation ("Coldwell Banker") in May 1996, Avis, Inc. ("Avis") in October 1996 and Resort Condominiums International, Inc. ("RCI") in November 1996 (see "Liquidity and Capital Resources -- 1996 Purchase Acquisitions and Investments"). A detailed discussion of fluctuations in revenues and Adjusted EBITDA from 1996 to 1997 is included in the section entitled "Results of Reportable Operating Segments -- 1997 vs. 1996."

MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES

1997. We incurred merger-related costs and other unusual charges ("Unusual Charges ") in 1997 related to continuing operations of $704.1 million primarily associated with the Cendant Merger and the PHH Merger. See "Results of Operations -- Consolidated Results 1998 vs. 1997 -- Merger-Related Costs and Other Unusual Charges" for a detailed discussion of such charges.

1996. We incurred Unusual Charges in 1996 related to continuing operations of $109.4 million substantially related to our merger with Ideon Group, Inc. ("Ideon"). Unusual Charges primarily included $80.4 million of litigation-related liabilities associated with our determination to settle acquired Ideon litigation which existed at the August 1996 merger date. We have since settled all outstanding litigation matters pursuant to which the primary resulting obligation consisted of a settlement made in June 1997 with the cofounder of SafeCard Services, Inc. which was acquired by Ideon in 1995. The settlement required us to make $70.5 million of payments in annual installments through 2003. We made cash payments of $27.8 million and $56.3 million in 1998 and 1997, respectively, associated with 1996 Unusual Charges.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense increased $92.2 million (63%) in 1997 over 1996, primarily as a result of incremental amortization of goodwill and other intangible assets from 1996 acquisitions and increased capital spending.

INTEREST EXPENSE, NET

Interest expense, net, increased $36.3 million in 1997 over 1996 primarily as a result of the February 1997 issuance of $550 million 3% Convertible Subordinated Notes and interest income earned in 1996 on approximately $420 million of excess proceeds generated from the $1.2 billion public offering of 46.6 million shares of our common stock in May 1996. The increase in interest, net, was partially offset by a reduction in the weighted average interest rate from 7.5% in 1996 to 6.0% in 1997 as a result of a greater proportion of fixed rate debt, carrying lower interest rates, to total debt.

PROVISION FOR INCOME TAXES

Our effective tax rate increased from 41.2% in 1996 to 74.3% in 1997. The 1997 effective income tax rate included a 29.1% effective tax rate on the tax benefit related to Unusual Charges due to the significant non-deductibility of such costs. The effective income tax rate on 1997 income from continuing operations excluding Unusual Charges was 40.6%.

DISCONTINUED OPERATIONS

We recorded a $26.8 million net loss from discontinued operations in 1997 compared to net income of $16.7 million in 1996. The operating results of discontinued operations included $15.2 million of extraordinary losses, net of tax, in 1997 and $24.4 million and $24.9 million of Unusual Charges, net of tax, in 1997 and 1996, respectively. The extraordinary losses and Unusual Charges incurred in 1997 have been previously discussed in the section entitled "Results of Operations -- Consolidated Results -- 1998 vs. 1997." Unusual Charges in 1996 consisted primarily of professional fees incurred in connection with our mergers with certain software businesses acquired in 1996. Excluding Unusual Charges and extraordinary items, income from discontinued operations decreased $28.8 million (69%) from $41.6 million in 1996 to $12.8 million in 1997. Net income from the classified advertising business remained relatively unchanged from 1996 while net income from the consumer software businesses decreased $28.5 million (72%) to $11.1 million in 1997. In 1997 revenues increased $49.2 million (13%) which were offset by increased operating expenses of $93.2 million (29%). The disproportionate increase in operating expenses resulted from accelerating development and marketing costs incurred on titles without a corresponding revenue increase because titles were not released to the marketplace as planned in December 1997.

RESULTS OF REPORTABLE OPERATING SEGMENTS -- 1997 VS. 1996

	YEAR ENDED DECEMBER 31,							
	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	1997	1996	% CHANGE	1997 (1)	1996 (2)	% CHANGE	1997	1996
(Dollars in millions)								
Travel	$ 971.6	$ 429.2	126%	$ 467.3	$ 189.5	147%	48%	44%
Individual Membership	778.7	745.9	4%	5.3	43.2	(88%)	1%	6%
Insurance/Wholesale	482.7	448.0	8%	111.0	99.0	12%	23%	22%
Real Estate Franchise	334.6	236.3	42%	226.9	137.8	65%	68%	58%
Relocation	401.6	344.9	16%	92.6	65.5	41%	23%	19%
Fleet	324.1	293.5	10%	120.5	99.0	22%	37%	34%
Mortgage	179.2	127.7	40%	74.8	45.7	64%	42%	36%
Entertainment Publications	188.1	174.6	8%	36.8	22.0	67%	20%	13%
Other	579.4	437.6	32%	114.5	101.0	13%	20%	23%
Total	$ 4,240.0	$ 3,237.7	31%	$ 1,249.7	$ 802.7	56%	29%	25%

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(1) Excludes Unusual Charges of $704.1 million primarily associated with the Cendant Merger and the PHH Merger.

(2) Excludes Unusual Charges of $109.4 million incurred in connection with the Ideon merger.

TRAVEL

Revenues and Adjusted EBITDA increased $542.4 million (126%) and $277.8 million (147%), respectively, while the Adjusted EBITDA margin improved from 44% to 48%. The acquisitions of Avis and RCI in October 1996 and November 1996, respectively, contributed incremental revenues and Adjusted EBITDA of $503.9 million and $248.2 million, respectively. Excluding the 1996 acquisitions, revenues and Adjusted EBITDA increased $38.5 million (9%) and $29.6 million (16%), respectively, primarily as a result of an increase in lodging franchise fees which was driven by a 4% increase in franchised rooms and a 2% increase in revenue per available room. Expense increases were minimized due to the significant operating leverage associated with mature franchise operations and a leveraging of the corporate infrastructure among more businesses.

INDIVIDUAL MEMBERSHIP

Revenues increased $32.8 million (4%) while Adjusted EBITDA and Adjusted EBITDA margin decreased $37.9 million (88%) and 5 percentage points, respectively. The revenue increase in 1997 was primarily due to $25.4 million of increased product sales and service fees, which are offered and provided to individual members. The increase in revenues also included $7.1 million of incremental monthly billings from new marketing arrangements made during 1996 with telephone and mortgage companies. The reduction in Adjusted EBITDA and Adjusted EBITDA margin from 1996 to 1997 was principally due to increased membership solicitation costs incurred during 1997, higher call center and servicing expenses and start-up costs incurred to introduce new membership clubs. The accounting policies for membership revenue and expense recognition were changed effective January 1, 1997. Therefore, results of operations for 1997 and 1996 were accounted for using different accounting policies. The pro forma effect of the accounting change, as if such a change had been applied retroactively to 1996, would have resulted in a reduction in 1996 revenues and Adjusted EBITDA of $16.6 million and $11.3 million, respectively.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased $34.7 million (8%) and $12.0 million (12%), respectively, primarily due to an overall growth in customer base during 1997. Domestic operations, which comprised 82% and 84% of segment revenues in 1997 and 1996, respectively, generated higher Adjusted EBITDA margins than the international businesses as a result of expansion costs incurred internationally to penetrate new markets. Domestic revenues and Adjusted EBITDA increased $18.7 million (5%) and $10.2 million (11%), respectively, in 1997 over 1996 while international revenues and Adjusted EBITDA increased $16.0 million (22%) and $1.8 million (45%), respectively, for the comparable periods.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $98.3 million (42%) and $89.1 million (65%), respectively, in 1997 over 1996 while the Adjusted EBITDA margin improved from 58% to 68%. The acquisitions of ERA and Coldwell Banker franchised brands in February 1996 and May 1996, respectively, contributed incremental revenues and Adjusted EBITDA of $73.8 million and $74.6 million, respectively, in 1997. Excluding the 1996 acquisitions, revenues and Adjusted EBITDA increased $24.5 million (17%) and $14.5 million (17%) which was principally driven by increased royalty fees generated from the Century 21 franchised brand. Royalty fees from Century 21 franchisees increased as a result of a 5% increase in home sales by franchisees and an 11% increase in the average price of homes sold. Existing home sales in the United States increased 3% from 1996 to 1997 according to data from the National Association of Realtors. Operating expenses, which did not change proportionately with home sale volume, increased a minimal $9.3 million (9%) to support the significant growth of the business. In addition, the corporate infrastructure was leveraged among more businesses.

RELOCATION

Revenues and Adjusted EBITDA increased $56.7 million (16%) and $27.1 million (41%), respectively, primarily as a result of the acquisition of Coldwell Banker in May 1996. Coldwell Banker was a leading provider of corporate relocation services and contributed incremental revenues and Adjusted EBITDA of $47.2 million and $18.6 million, respectively. The Adjusted EBITDA margin improved from 19% to 23% as a result of economic efficiencies realized from the consolidation of our relocation businesses.

FLEET

Revenues and Adjusted EBITDA increased $30.6 million (10%) and $21.5 million (22%), respectively, in 1997 over 1996. The Adjusted EBITDA margin improved from 34% to 37%. Revenue and Adjusted EBITDA growth in 1997 was primarily attributable to a 24% increase in service fee revenues, supported by a 20% increase in number of cards and an 8% increase in fleet leasing revenues, principally resulting from a 5% increase in pricing. The Adjusted EBITDA margin improvement reflected a leveraging of the corporate infrastructure among more businesses.

MORTGAGE

Revenues and Adjusted EBITDA increased $51.5 million (40%) and $29.1 million (64%), respectively, which was primarily driven by mortgage origination growth and gain on sale of servicing rights. The Adjusted EBITDA margin improved from 36% to 42%. Mortgage originations increased 40% to $11.7 billion contributing $35.3 million additional revenue while servicing revenue was relatively flat. The loan servicing portfolio grew 18% to $26.7 billion while gain on sale of servicing rights increased $12.6 million to $14.1 million. Operating expenses increased to support volume growth and to prepare for continued expansion as the annual loan origination run rate approached $18.0 billion. However, revenue growth marginally exceeded increases in operating expenses.

ENTERTAINMENT PUBLICATIONS

Revenues and Adjusted EBITDA increased $13.5 million (8%) and $14.8 million (67%), respectively, in 1997 over 1996. The Adjusted EBITDA margin improved from 13% to 20%. Revenue growth was primarily driven by an increase in coupon book sales. New sales channels were added in 1997, which accounted for a majority of the revenue increase. The Adjusted EBITDA margin improvement in 1997 reflected economic benefits realized from the consolidation of two independent sales force.

OTHER SERVICES

Revenues and Adjusted EBITDA increased $141.8 million (32%) and $13.5 million (13%), respectively, in 1997 over 1996. Such increases were primarily supported by the operating results of an information technology business ("WizCom") which was acquired in October 1996 as part of the Avis acquisition. Our WizCom subsidiary operates the telecommunications and computer system that facilitates reservations and agreement processing for lodging and car rental operations. The acquisition of WizCom accounted for incremental revenues and Adjusted EBITDA in 1997 of $90.3 million and $30.6 million, respectively.

Our other ancillary businesses collectively contributed to the additional revenue growth, although Adjusted EBITDA margins declined, primarily within certain business units which were sold during 1997.

LIQUIDITY AND CAPITAL RESOURCES

DIVESTITURES

Discontinued Operations. During 1998, we implemented a program to divest non-core businesses and assets in order to focus on our core businesses, repay debt and repurchase our common stock (see "Overview"). Pursuant to such program, on August 12, 1998, we announced that our Board of Directors committed to discontinue our classified advertising and consumer software businesses by disposing of Hebdo Mag and Cendant Software Corporation ("CDS"), respectively. On December 15, 1998, we completed the sale of Hebdo Mag to its former 50% owners for $449.7 million. We received $314.8 million in cash and 7.1 million shares of our common stock valued at $134.9 million on the date of sale. We recognized a $206.9 million gain on the sale of Hebdo Mag, which included a tax benefit of $52.1 million.

On November 20, 1998, we announced the execution of a definitive agreement to sell CDS for $800.0 million in cash plus potential future contingent payments pursuant to the contract. The sale was completed on January 12, 1999. We estimate that we will realize a gain of approximately $380.0 million based upon the finalization of the closing balance sheet as of the sale date. We recognized $197.8 million of such gain in 1998 substantially in the form of a tax benefit and corresponding deferred tax asset.

Other. On January 12, 1999, we completed the sale of our Essex Corporation ("Essex) subsidiary for $8.0 million. Essex is a third-party marketer of financial products for banks, primarily marketing annuities, mutual funds and insurance products through financial institutions.

TERMINATION OF PROPOSED ACQUISITIONS

RAC Motoring Services. On February 4, 1999, we announced our intention to not proceed with the acquisition of RAC Motoring Services ("RACMS") due to certain conditions imposed by the UK Secretary of State for Trade and Industry that we determined to be not commercially feasible and, therefore, unacceptable. We originally announced on May 21, 1998 a definitive agreement with the Board of Directors of Royal Automobile Club Limited to acquire RACMS for approximately $735.0 million in cash. We wrote-off $7.0 million of deferred acquisition costs in the first quarter of 1999 in connection with the termination of the proposed acquisition of RACMS.

American Bankers Insurance Group, Inc. On October 13, 1998, we and American Bankers entered into a settlement agreement (the "ABI Settlement Agreement"), pursuant to which we and American Bankers terminated a definitive agreement dated March 23, 1998, which provided for our acquisition of American Bankers for $3.1 billion. Accordingly, our pending tender offer for American Bankers shares was also terminated. Pursuant to the ABI Settlement Agreement and in connection with the termination of our proposed acquisition of American Bankers, we made a $400.0 million cash payment to American Bankers and wrote off $32.3 million of costs, primarily professional fees. In addition, we terminated a bank commitment to provide a $650.0 million, 364-day revolving credit facility, which was made available to partially fund the acquisition.

Providian Auto and Home Insurance Company. On October 5, 1998, we announced the termination of an agreement to acquire Providian, for $219.0 million in cash. Certain representations and covenants in such agreement had not been fulfilled and the conditions to closing had not been met. We did not pursue an extension of the termination date of the agreement because Providian no longer met our acquisition criteria. In connection with the termination of our proposed acquisition of Providian, we wrote off $1.2 million of costs.

1998 PURCHASE ACQUISITIONS

National Parking Corporation. On April 27, 1998, we acquired NPC for $1.6 billion, substantially in cash, which included the repayment of approximately $227.0 million of outstanding NPC debt. NPC was substantially comprised of two operating subsidiaries: National Car Parks and Green Flag. National Car Parks is the largest private (non-municipal) car park operator in the UK and Green Flag operates the third largest roadside assistance group in the UK and offers a wide-range of emergency support and rescue services. We funded the NPC acquisition with borrowings under our revolving credit facilities.

Harpur Group. On January 20, 1998, we completed the acquisition of Harpur, a leading fuel card and vehicle management company in the UK, for $206.1 million in cash plus contingent payments of up to $20.0 million over two years.

Jackson Hewitt. On January 7, 1998, we completed the acquisition of Jackson Hewitt for approximately $476.3 million in cash. Jackson Hewitt operates the second largest tax preparation service franchise system in the United States. The Jackson Hewitt franchise system specializes in computerized preparation of federal and state individual income tax returns.

Other 1998 Acquisitions and Acquisition-Related Payments. We acquired certain other entities for an aggregate purchase price of approximately $463.9 million in cash during 1998. Additionally, we made a $100.0 million cash payment to the seller of RCI in satisfaction of a contingent purchase liability.

1997 PURCHASE ACQUISITIONS AND INVESTMENTS

Investment in NRT. In 1997, we executed agreements with NRT Incorporated ("NRT"), a corporation created to acquire residential real estate brokerage firms. Under these agreements, we acquired

$182.0 million of NRT preferred stock (and may be required to acquire up to an additional $81.3 million of NRT preferred stock). We received preferred dividend payments of $15.4 million and $5.2 million during the years ended 1998 and 1997, respectively. On February 9, 1999, we executed new agreements with NRT, which among other things, increased the term of each of the three franchise agreements under which NRT operates from 40 years to 50 years.

In connection with the aforementioned agreements, at our election, we will participate in NRT's acquisitions by acquiring up to an aggregate $946.3 million (plus an additional $500.0 million if certain conditions are met) of intangible assets, and in some cases mortgage operations, of real estate brokerage firms acquired by NRT. Through December 31, 1998, we acquired $445.7 million of such mortgage operations and intangible assets, (primarily franchise agreements) associated with real estate brokerage companies acquired by NRT, which brokerage companies will become subject to the NRT 50-year franchise agreements. In February 1999, NRT entered into an agreement with us whereby we made an upfront payment of $30.0 million to NRT for services to be provided by NRT to us related to the identification of potential acquisition candidates, the negotiation of agreements and other services in connection with future brokerage acquisitions by NRT. Such fee is refundable in the event the services are not provided.

Other. We acquired certain entities in 1997 for an aggregate purchase price of $289.5 million, comprised of $267.9 million in cash and $21.6 million in our common stock (0.9 million shares).

1996 PURCHASE ACQUISITIONS AND INVESTMENTS

RCI. In November 1996, we completed the acquisition of all the outstanding capital stock of RCI for $487.1 million comprised of $412.1 million in cash and $75.0 million (approximately 2.4 million shares) in our common stock plus contingent payments of up to $200.0 million over a five year period. (We made a contingent payment of $100.0 million during the first quarter of 1998). RCI is the world's largest provider of timeshare exchange.

Avis. In October 1996, we completed the acquisition of all of the outstanding capital stock of Avis, including payments under certain employee stock plans of Avis and the redemption of a certain series of preferred stock of Avis for $806.5 million. The purchase price was comprised of approximately $367.2 million in cash, $100.9 million in indebtedness and $338.4 million (approximately 11.1 million shares) in our common stock. Subsequently, we made contingent cash payments of $26.0 million in 1996 and $60.8 million in 1997. The contingent payments made in 1997 represented the incremental amount of value attributable to our common stock as of the stock purchase agreement date in excess of the proceeds realized upon subsequent sale of our common stock.

Upon entering into a definitive merger agreement to acquire Avis, we announced our strategy to dilute our interest in the Avis car rental operations while retaining assets associated with the franchise, including trademarks, reservation system assets and franchise agreements with ARAC and other licensees. In September 1997, ARAC (the company which operated the rental car operations of Avis) completed an initial public offering ("IPO") which resulted in a 72.5% dilution of our equity interest in ARAC. Net proceeds from the IPO of $359.3 million were retained by ARAC. In March 1998, we sold one million shares of Avis common stock and recognized a pre-tax gain of approximately $17.7 million. At December 31, 1998, our interest in ARAC was approximately 22.6%. In January 1999, our equity interest was further diluted to 19.4% as a result of our sale of an additional 1.3 million shares of Avis common stock.

Coldwell Banker. In May 1996, we acquired by merger Coldwell Banker, the largest gross revenue producing residential real estate company in North America and a leading provider of corporate relocation services. We paid $640.0 million in cash for all of the outstanding capital stock of Coldwell Banker and repaid $105.0 million of Coldwell Banker indebtedness. The aggregate purchase price for the transaction was financed through the May 1996 sale of an aggregate 46.6 million shares of our common stock generating $1.2 billion of proceeds pursuant to a public offering.

Other. During 1996, we acquired certain other entities for an aggregate purchase price of $281.5 million comprised of $224.0 million in cash, $52.5 million of our common stock (2.5 million shares) and $5.0 million of notes.

FINANCING (EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAM FINANCING)

We believe that we have sufficient liquidity and access to liquidity through various sources, including our ability to access public equity and debt markets and financial institutions. We currently have a $1.25 billion term loan facility in place as well as committed back-up facilities totaling $1.75 billion, of which $1.705 billion is currently undrawn and available. Long-term debt increased $2.1 billion to $3.4 billion at December 31, 1998 when compared to amounts outstanding at December 31, 1997, primarily as a result of borrowings in 1998 to finance acquisitions and the repurchase of our common stock under a share repurchase program. Our long-term debt, including current portion at December 31, 1998 substantially consisted of $2.1 billion of publicly issued fixed rate debt and $1.25 billion of borrowings under a term facility.

TERM LOAN FACILITIES

On May 29, 1998, we entered into a 364 day term loan agreement with a syndicate of financial institutions which provided for borrowings of $3.25 billion (the "Term Loan Facility"). The Term Loan Facility, as amended, incurred interest based on the London Interbank Offered Rate ("LIBOR") plus a margin of approximately 87.5 basis points. At December 31, 1998, borrowings under the Term Loan Facility of $1.25 billion were classified as long-term based on our proven intent and ability to refinance such borrowings on a long-term basis.

On February 9, 1999, we replaced the Term Loan Facility with a new two year term loan facility (the "New Facility") which provides for borrowings of $1.25 billion. The New Facility bears interest at LIBOR plus a margin of approximately 100 basis points and is payable in five consecutive quarterly installments beginning on the first anniversary of the closing date. The New Facility contains certain restrictive covenants, which are substantially similar to and consistent with the covenants in effect for our existing revolving credit agreements. We used $1.25 billion of the proceeds from the New Facility to refinance the majority of the outstanding borrowings under the Term Loan Facility.

CREDIT FACILITIES

Our primary credit facility, as amended, consists of (i) a $750.0 million, five year revolving credit facility (the "Five Year Revolving Credit Facility") and (ii) a $1.0 billion, 364 day revolving credit facility (the "364 Day Revolving Credit Facility") (collectively the "Revolving Credit Facilities"). The 364 Day Revolving Credit Facility will mature on October 29, 1999 but may be renewed on an annual basis for an additional 364 days upon receiving lender approval. The Five Year Revolving Credit Facility will mature on October 1, 2001. Borrowings under the Revolving Credit Facilities, at our option, bear interest based on competitive bids of lenders participating in the facilities, at prime rates or at LIBOR, plus a margin of approximately 75 basis points. We are required to pay a per annum facility fee of .175% and .15% of the average daily unused commitments under the Five Year Revolving Credit Facility and 364 Day Revolving Credit Facility, respectively. The interest rates and facility fees are subject to change based upon credit ratings on our senior unsecured long-term debt by nationally recognized debt rating agencies. The Revolving Credit Facilities contain certain restrictive covenants including restrictions on indebtedness, mergers, liquidations and sale and leaseback transactions and requires the maintenance of certain financial ratios, including a 3:1 minimum interest coverage ratio and a maximum debt-to-capitalization ratio of 0.5:1. At December 31, 1998, we had no outstanding borrowings under the Revolving Credit Facilities.

7 1/2% AND 7 3/4% SENIOR NOTES

On November 17, 1998, we filed an amended shelf registration statement with the SEC for the aggregate issuance of up to $3.0 billion of debt and equity securities. On November 24, 1998, we priced a total of $1.55 billion of Senior Notes (the "Notes") in a two-part issue. The first issue, $400.0 million principal amount of 7 1/2% Senior Notes due December 1, 2000, was priced to yield 7.545%. The second issue, $1.15 billion principal amount of 7 3/4% Senior Notes due December 1, 2003, was priced to yield 7.792%. Interest on the Notes will be payable on June 1 and December 1 of each year, beginning on June 1, 1999. The

Notes may be redeemed, in whole or in part, at any time, at our option at a redemption price plus accrued interest to the date of redemption. The redemption price is equal to the greater of (i) the face value of the Notes or (ii) the sum of the present values of the remaining scheduled payments discounted at the treasury rate plus a spread as defined in the indenture. The offering was a component of a plan designed to refinance an aggregate of $3.25 billion of borrowings under our former Term Loan Facility, based on provisions contained in the indenture. Net proceeds from the offering were used to repay $1.3 billion of borrowings under the Term Loan Facility and for general corporate purposes, which included the purchase of our common stock.

FELINE PRIDES AND TRUST PREFERRED SECURITIES

On March 2, 1998, Cendant Capital I (the "Trust"), a statutory business Trust formed under the laws of the State of Delaware and our wholly-owned consolidated subsidiary, issued 29.9 million FELINE PRIDES and 2.3 million trust preferred securities and received approximately $1.5 billion in gross proceeds therefrom. The Trust invested the proceeds in our 6.45% Senior Debentures due 2003 (the "Debentures), which represents the sole asset of the Trust. The obligations of the Trust related to the FELINE PRIDES and trust preferred securities are unconditionally guaranteed by us to the extent we makes payments pursuant to the Debentures. The issuance of the FELINE PRIDES and trust preferred securities, resulted in the utilization of approximately $3.0 billion of availability under a $4.0 billion shelf registration statement. Upon issuance, the FELINE PRIDES consisted of 27.6 million Income PRIDES and 2.3 million Growth PRIDES (Income PRIDES and Growth PRIDES hereinafter referred to as "PRIDES"), each with a face amount of $50 per PRIDE. The Income PRIDES consist of trust preferred securities and forward purchase contracts under which the holders are required to purchase our common stock in February 2001. The Growth PRIDES consist of zero coupon U.S. Treasury securities and forward purchase contracts under which the holders are required to purchase our common stock in February 2001. The stand-alone trust preferred securities and the trust preferred securities forming a part of the Income PRIDES, each with a face amount of $50, bear interest, in the form of preferred stock dividends, at the annual rate of 6.45%, payable in cash. Payments under the forward purchase contract forming a part of the Income PRIDES will be made by us in the form of a contract adjustment payment at an annual rate of 1.05%. Payments under the forward purchase contract forming a part of the Growth PRIDES will be made by us in the form of a contract adjustment payment at an annual rate of 1.30%. The forward purchase contracts require the holder to purchase a minimum of 1.0395 shares and a maximum of 1.3514 shares of our common stock per PRIDES security, depending upon the average of the closing price per share of our common stock for a 20 consecutive day period ending in mid-February of 2001. We have the right to defer the contract adjustment payments and the payment of interest on its Debentures to the Trust. Such election will subject us to certain restrictions, including restrictions on making dividend payments on our common stock until all such payments in arrears are settled.

On March 17, 1999, we reached a final agreement to settle a class action lawsuit that was brought on behalf of the holders of PRIDES securities who purchased their securities on or prior to April 15, 1998. We originally announced a preliminary agreement in principle to settle such lawsuit on January 7, 1999. The final agreement maintained the basic structure and accounting treatment as the preliminary agreement. Under the terms of the final agreement, only holders who owned PRIDES at the close of business on April 15, 1998 will be eligible to receive a new additional "Right" for each PRIDES security held. At any time during the life of the Rights (expires February 2001), holders may (i) sell them or (ii) exercise them by delivering to us three Rights together with two PRIDES in exchange for two new PRIDES (the "New PRIDES"). The terms of the New PRIDES will be the same as the original PRIDES except that the conversion rate will be revised so that, at the time the Rights are distributed, each New PRIDES will have a value equal to $17.57 more than each original PRIDES, or, in the aggregate, approximately $351.0 million. The settlement resulted in a net increase to shareholders' equity of $121.8 million. The final agreement also requires us to offer to sell four million additional PRIDES (having identical terms to currently outstanding PRIDES) ("Additional PRIDES") to holders of Rights for cash, at a value which will be based on the valuation model that was utilized to set the conversion rate of the New PRIDES. Based on that valuation model, the currently outstanding PRIDES have a theoretical value of $28.07, based on the closing price of our common stock of $16.6875 per share on

March 17, 1999. The offering of Additional PRIDES will be made only pursuant to a prospectus filed with the SEC. We currently expect to use the proceeds of such an offering to repurchase our common stock and for other general corporate purposes. The arrangement to offer Additional PRIDES is designed to enhance the trading value of the Rights by removing up to six million Rights from circulation via exchanges associated with the offering and to enhance the open market liquidity of New PRIDES by creating four million New PRIDES via exchanges associated with the offering. If holders of Rights do not acquire all such PRIDES, they will be offered to the public. Under the settlement agreement, we also agreed to file a shelf registration statement for an additional 15 million PRIDES, which could be issued by us at any time for cash. However, during the last 30 days prior to the expiration of the Rights in February 2001, we will be required to make these additional PRIDES available to holders of Rights at a price in cash equal to 105% of the theoretical value of the Additional PRIDES as of a specified date. The PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights. Based on a market price of $16.6875 per share of our common stock on March 17, 1999, the effect of the issuance of the New PRIDES will be to distribute approximately 19 million more shares of our common stock when the mandatory purchase of our common stock associated with the PRIDES occurs in February 2001. This represents approximately 2% more shares of our common stock than are currently outstanding.

The Rights will be distributed following final court approval of the settlement and after the effectiveness of the registration statement filed with the SEC covering the New PRIDES. It is presently expected that if the court approves the settlement and such conditions are fulfilled, the Rights will be distributed in August or September 1999. This summary of the settlement does not constitute an offer to sell any securities, which will only be made by means of a prospectus after a registration statement is filed with the SEC. There can be no assurance that the court will approve the agreement or that the conditions contained in the agreement will be fulfilled.

DEBT RETIREMENTS

On December 15, 1998, we repaid the $150.0 million principal amount of our 5 7/8% Senior Notes outstanding in accordance with the provisions of the indenture agreement.

On May 4, 1998, we redeemed all of our outstanding ($144.5 million principal amount) 4 3/4% Convertible Senior Notes due 2003 at a price of 103.393% of the principal amount, together with interest accrued to the redemption date. Prior to the redemption date, during 1998, $95.5 million of such notes were exchanged for 3.4 million shares of our common stock.

On April 8, 1998, we exercised our option to call our 6 1/2% Convertible Subordinated Notes (the "6 1/2% Notes") for redemption on May 11, 1998, in accordance with the provisions of the indenture relating to the 6 1/2% Notes. Prior to the redemption date, during 1998, all of the outstanding 6 1/2% Notes were converted into 2.1 million shares of our common stock.

FINANCING RELATED TO MANAGEMENT AND MORTGAGE PROGRAMS

Our PHH subsidiary operates our mortgage, fleet and relocation services businesses as a separate public reporting entity and supports purchases of leased vehicles, originated mortgages and advances under relocation contracts primarily by issuing commercial paper and medium term notes and maintaining securitized obligations. Such financing is not classified based on contractual maturities, but rather is included in liabilities under management and mortgage programs rather than long-term debt since such debt corresponds directly with high quality related assets. PHH continues to pursue opportunities to reduce its borrowing requirements by securitizing increasing amounts of its high quality assets. Additionally, we entered into a three year agreement effective May 1998 and expanded in December 1998 under which an unaffiliated Buyer (the "Buyer") committed to purchase, at our option, mortgage loans originated by us on a daily basis, up to the Buyer's asset limit of $2.4 billion. Under the terms of this sale agreement, we retain the servicing rights on the mortgage loans sold to the Buyer and provide the Buyer with options to sell or securitize the mortgage loans into the secondary market. At December 31, 1998, we were servicing approximately $2.0 billion of mortgage loans owned by the Buyer.

PHH debt is issued without recourse to the parent company. PHH subsidiary expects to continue to maximize its access to global capital markets by maintaining the quality of its assets under management.

This is achieved by establishing credit standards to minimize credit risk and the potential for losses. Depending upon asset growth and financial market conditions, our PHH subsidiary utilizes the United States, European and Canadian commercial paper markets, as well as other cost-effective short-term instruments. In addition, our PHH subsidiary will continue to utilize the public and private debt markets as sources of financing. Augmenting these sources, our PHH subsidiary will continue to manage outstanding debt with the potential sale or transfer of managed assets to third parties while retaining fee-related servicing responsibility. PHH's aggregate borrowings at December 31, 1998 and 1997 were as follows:

(In billions)	1998	1997
Commercial paper	$2.5	$2.6
Medium-term notes	2.3	2.7
Securitized obligations	1.9	--
Other	0.2	0.3
	$ 6.9	$ 5.6

PHH filed a shelf registration statement with the SEC, effective March 2, 1998, for the aggregate issuance of up to $3.0 billion of medium-term note debt securities. These securities may be offered from time to time, together or separately, based on terms to be determined at the time of sale. The proceeds will be used to finance assets PHH manages for its clients and for general corporate purposes. As of December 31, 1998, PHH had approximately $1.6 billion of medium-term notes outstanding under this shelf registration statement.

SECURITIZED OBLIGATIONS

Our PHH subsidiary maintains four separate financing facilities, the outstanding borrowings of which are securitized by corresponding assets under management and mortgage programs. The collective weighted average interest rate on such facilities was 5.8% at December 31, 1998. Such securitized obligations are described below.

Mortgage Facility. In December 1998, our PHH subsidiary entered into a 364 day financing agreement to sell mortgage loans under an agreement to repurchase (the "Agreement") such mortgages. The Agreement is collateralized by the underlying mortgage loans held in safekeeping by the custodian to the Agreement. The total commitment under this Agreement is $500.0 million. Mortgage loans financed under this Agreement at December 31, 1998 totaled $378.0 million.

Relocation Facilities. Our PHH subsidiary entered into a 364 day asset securitization agreement effective December 1998 under which an unaffiliated buyer has committed to purchase an interest in the rights to payment related to certain relocation receivables of PHH. The revolving purchase commitment provides for funding up to a limit of $325.0 million. Under the terms of this agreement, our PHH subsidiary retains the servicing rights related to the relocation receivables. At December 31, 1998, our PHH subsidiary was servicing $248.0 million of assets which were funded under this agreement.

Our PHH subsidiary also maintains an asset securitization agreement, with a separate unaffiliated buyer, which has a purchase commitment up to a limit of $350.0 million. The terms of this agreement are similar to the aforementioned facility, with PHH retaining the servicing rights on the right of payment. At December 31, 1998, our PHH subsidiary was servicing $171.0 million of assets eligible for purchase under this agreement.

Fleet Facilities. In December 1998, our PHH subsidiary entered into two secured financing transactions each expiring five years from the effective agreement date through its two wholly-owned subsidiaries, TRAC Funding and TRAC Funding II. Secured leased assets (specified beneficial interests in a trust which owns the leased vehicles and the leases) totaling $600.0 million and $725.3 million, respectively, were contributed to the subsidiaries by PHH. Loans to TRAC Funding and TRAC Funding II, were funded by commercial paper conduits in the amounts of $500.0 million and $604.0 million, respectively, and were secured by the specified beneficial interests. Monthly loan repayments conform to the amortization of the leased vehicles with the repayment of the outstanding loan balance required at time of disposition of the vehicles. Interest on the loans is based upon the conduit commercial paper issuance cost and committed bank lines priced on a LIBOR basis. Repayments of loans are limited to the cash flows generated from the leases represented by the specified beneficial interests.

OTHER

To provide additional financial flexibility, PHH's current policy is to ensure that minimum committed facilities aggregate 100 percent of the average amount of outstanding commercial paper. PHH maintains $2.65 billion of unsecured committed credit facilities, which are backed by domestic and foreign banks. The facilities are comprised of $1.25 billion of syndicated lines of credit maturing in March 2000 and $1.25 billion of syndicated lines of credit maturing in the year 2002. In addition, PHH has a $150.0 million revolving credit facility, which matures in December 1999, and other uncommitted lines of credit with various financial institutions, which were unused at December 31, 1998. Management closely evaluates not only the credit of the banks but also the terms of the various agreements to ensure ongoing availability. The full amount of PHH's committed facilities at December 31, 1998 was undrawn and available. Our management believes that our current policy provides adequate protection should volatility in the financial markets limit PHH's access to commercial paper or medium-term notes funding. PHH continuously seeks additional sources of liquidity to accommodate PHH asset growth and to provide further protection from volatility in the financial markets.

In the event that the public debt market is unable to meet PHH's funding needs, we believe that PHH has appropriate alternative sources to provide adequate liquidity, including current and potential future securitized obligations and its $2.65 billion of revolving credit facilities.

PHH minimizes its exposure to interest rate and liquidity risk by effectively matching floating and fixed interest rate and maturity characteristics of funding to related assets, varying short and long-term domestic and international funding sources, and securing available credit under committed banking facilities.

On July 10, 1998, PHH entered into a Supplemental Indenture No. 1 (the "Supplemental Indenture") with The First National Bank of Chicago, as trustee, under the Senior Indenture dated as of June 5, 1997, which formalizes PHH's policy of limiting the payment of dividends and the outstanding principal balance of loans to us to 40% of consolidated net income (as defined in the Supplemental Indenture) for each fiscal year. The Supplemental Indenture prohibits PHH from paying dividends or making loans to us if upon giving effect to such dividends and/or loan, PHH's debt to equity ratio exceeds 8 to 1, at the time of the dividend or loan, as the case may be.

LITIGATION

On April 15, 1998, we publicly announced that we discovered accounting irregularities in the former business units of CUC. Such discovery prompted investigations into such matters by us and the Audit Committee of our Board of Directors. As a result of the findings from the investigations, we restated our previously reported financial results for 1997, 1996 and 1995. Since such announcement, more than 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and three individual lawsuits have been filed in various courts against us and other defendants. With the exception of an action pending in the Delaware Chancery Court and an action filed in the Superior Court of New Jersey that has been dismissed, these actions were all filed in or transferred to the United States District Court for the District of New Jersey, where they are pending before Judge William H. Walls and Magistrate Judge Joel A. Pisano. The Court has ordered consolidation of many of the actions.

The SEC and the United States Attorney for the District of New Jersey are conducting investigations relating to the matters referenced above. The SEC advised us that its inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. While we made all adjustments considered necessary as a result of the findings from the Investigations in restating our financial statements, we can provide no assurances that additional adjustments will not be necessary as a result of these government investigations.

On October 14, 1998, an action claiming to be a class action was filed against us and four of our former officers and directors. The complaint claims that we made false and misleading public announcements and filings with the SEC in connection with our proposed acquisition of American Bankers allegedly in violation of Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and that the plaintiff and the alleged class members purchased American Bankers' securities in reliance on these public announcements and filings at inflated prices.

As previously disclosed, we reached an agreement with plaintiffs' counsel representing the class of holders of our PRIDES securities who purchased their securities on or prior to April 15, 1998 to settle their class action lawsuit against us through the issuance of a new "Right" for each PRIDES security held. See "Liquidity and Capital Resources -- FELINE PRIDES and Trust Preferred Securities" for a more detailed description of the settlement.

Other than the PRIDES class action litigation, we do not believe that it is feasible to predict or determine the final outcome of these proceedings or investigations or to estimate the amounts or potential range of loss with respect to these proceedings or investigations. The possible outcomes or resolutions of the proceedings could include a judgment against us or settlements and could require substantial payments by us. In addition, the timing of the final resolution of the proceedings or investigations is uncertain. We believe that material adverse outcomes with respect to such proceedings or investigations could have a material impact on our financial condition, results of operations and cash flows.

CREDIT RATINGS

In October 1998, Duff & Phelps Credit Rating Co. ("DCR"), Standard & Poor's Corporation ("S&P"), and Moody's Investors Service Inc. ("Moody's") reduced our long-term debt credit rating to A- from A, BBB from A, and Baa1 from A3, respectively. In October 1998, Moody's and S&P reduced PHH's long-term and short-term debt ratings to A3/P2 and A-/A2 from A2/P1 and A+/A1, respectively. PHH's long-term and short-term credit ratings remain A+/F1 and A+/D1 with Fitch IBCA and DCR, respectively. While the recent downgrading caused us to incur an increase in cost of funds, we believe our sources of liquidity continue to be adequate. (A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time.)

REPRICING OF STOCK OPTIONS

On September 23, 1998, the Compensation Committee of our Board of Directors approved a program to effectively reprice certain Company stock options granted to our middle management during December 1997 and the first quarter of 1998. Such options were effectively repriced on October 14, 1998 at $9.8125 per share (the "New Price"), which was the fair market value (as defined in the option plans) on the date of such repricing. On September 23, 1998, the Compensation Committee also modified the terms of certain options held by certain of our executive officers and senior managers subject to certain conditions including revocation of a portion of existing options. Additionally, a management equity ownership program was adopted that requires these executive officers and senior managers to acquire our common stock at various levels commensurate with their respective compensation levels. The option modifications were accomplished by canceling existing options and issuing a lesser amount of new options at the New Price and, with respect to certain options of executive officers and senior managers, at prices above the New Price.

SHARE REPURCHASE PROGRAM

We have completed the repurchase of our common stock pursuant to a $1.0 billion repurchase program, authorized by our Board of Directors in October 1998. During the first quarter of 1999, our Board of Directors authorized an additional $400.0 million to be repurchased under such program. We continue to execute this program through open-market purchases or privately negotiated transactions, subject to bank credit facility covenants and certain rating agency constraints. As of March 11, 1999, we had repurchased a total of $1.3 billion of our common stock, reducing our outstanding shares by 64.2 million shares. As of December 31, 1998, we had repurchased a total of 13.4 million shares costing $257.7 million.

CASH FLOWS (1998 VS. 1997)

We generated $808.0 million of cash flows from operations in 1998 representing a $405.0 million decrease from 1997. The decrease in cash flows from operations was primarily due to a $391.7 million net increase in mortgage loans held for sale due to increased mortgage loan origination volume.

We used $4.4 billion of cash flows for investing activities in 1998, principally consisting of a $1.5 billion net investment in assets under management and mortgage programs and $2.9 billion of acquisitions and acquisition related payments, which included the acquisitions of NPC and Jackson Hewitt. In 1997, we used $2.3 billion for investing activities including a $1.5 billion net investment in assets under management and mortgage programs and $568.2 million of acquisitions and acquisition related payments. In 1998, cash flows from financing activities of approximately $4.7 billion included $1.55 billion of proceeds from public offerings of senior debt, $3.25 billion of term loan borrowings and $1.4 billion of proceeds from the issuance of FELINE PRIDES and Trust Preferred Securities. Gross cash flows from financing activities were partially offset by $2.0 billion of term loan repayments, $257.7 million of our common stock purchases, and principal repayments of $150.0 million and $144.5 million pertaining to the outstanding 5 7/8% Senior Notes and the 4 3/4% Notes, respectively. Additionally, in 1998 management and mortgage program financing consisted of $1.1 billion of net borrowings which funded our investments in assets under management and mortgage programs. In 1997, cash flows from financing activities of $900.1 million primarily consisted of net borrowings totaling $435.9 million including net proceeds of $543.2 million from the issuance of the 3% Convertible Subordinated Notes in February 1997 and $509.9 million of net borrowings which funded purchases of assets under management and mortgage programs.

CAPITAL EXPENDITURES

In 1998, $355.2 million was invested in property and equipment to support operational growth and enhance marketing opportunities. In addition, technological improvements were made to improve operating efficiencies. Capital spending in 1998 included the development of integrated business systems within the Relocation segment as well as investments in systems and office expansion to support growth in the Mortgage segment. We expect to reduce our level of capital spending by approximately 25% in 1999.

YEAR 2000 COMPLIANCE

The following disclosure also constitutes a Year 2000 readiness disclosure statement pursuant to the Year 2000 Readiness and Disclosure Act.

The Year 2000 presents the risk that information systems will be unable to recognize and process date-sensitive information properly from and after January 1, 2000. To minimize or eliminate the effect of the Year 2000 risk on our business systems and applications, we are continually identifying, evaluating, implementing and testing changes to our computer systems, applications and software necessary to achieve Year 2000 compliance. We implemented a Year 2000 initiative in March 1996 that has now been adopted by all of our business units. As part of such initiative, we have selected a team of managers to identify, evaluate and implement a plan to bring all of our critical business systems and applications into Year 2000 compliance prior to December 31, 1999. The Year 2000 initiative consists of four phases: (i) identification of all critical business systems subject to Year 2000 risk (the "Identification Phase"); (ii) assessment of such business systems and applications to determine the method of correcting any Year 2000 problems (the "Assessment Phase"); (iii) implementing the corrective measures (the "Implementation Phase"); and (iv) testing and maintaining system compliance (the "Testing Phase"). We have substantially completed the Identification and Assessment Phases and have identified and assessed five areas of risk: (i) internally developed business applications; (ii) third party vendor software, such as business applications, operating systems and special function software; (iii) computer hardware components; (iv) electronic data transfer systems between us and our customers; and (v) embedded systems, such as phone switches, check writers and alarm systems. Although no assurances can be made, we believe that we have identified substantially all of our systems, applications and related software that are subject to Year 2000 compliance risk and have either implemented or initiated the implementation of a plan to correct such systems that are not Year 2000 compliant. In addition, as part of our assessment process we are developing contingency plans as necessary. Substantially all of our mission critical systems have been remediated during 1998. However, we cannot directly control the timing of certain vendor products and in certain situations, exceptions have been authorized. We are closely monitoring those situations and intend to complete testing efforts and any contingency implementation efforts prior to December 31, 1999. Although we have begun the Testing Phase, we do not anticipate completion of the Testing Phase until sometime prior to December 1999.

We rely on third party service providers for services such as telecommunications, internet service, utilities, components for our embedded and other systems and other key services. Interruption of those services due to Year 2000 issues could have a material adverse impact on our operations. We have initiated an evaluation of the status of such third party service providers' efforts to determine alternative and contingency requirements. While approaches to reducing risks of interruption of business operations vary by business unit, options include identification of alternative service providers available to provide such services if a service provider fails to become Year 2000 compliant within an acceptable timeframe prior to December 31, 1999.

The total cost of our Year 2000 compliance plan is anticipated to be $55.0 million. Approximately $30.0 million of these costs had been incurred through December 31, 1998, and we expect to incur the balance of such costs to complete the compliance plan. We have been expensing and capitalizing the costs to complete the compliance plan in accordance with appropriate accounting policies. Variations from anticipated expenditures and the effect on our future results of operations are not anticipated to be material in any given year. However, if Year 2000 modifications and conversions are not made including modifications by our third party service providers, or are not completed in time, the Year 2000 problem could have a material impact on our operations, cash flows and financial condition. At this time we believe the most likely "worst case" scenario involves potential disruptions in our operations as a result of the failure of services provided by third parties.

The estimates and conclusions herein are forward-looking statements and are based on our best estimates of future events. Risks of completing the plan include the availability of resources, the ability to discover and correct the potential Year 2000 sensitive problems which could have a serious impact on certain operations and the ability of our service providers to bring their systems into Year 2000 compliance.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". We will adopt SFAS No. 133 effective January 1, 2000. SFAS No. 133 requires us to record all derivatives in the consolidated balance sheet as either assets or liabilities measured at fair value. If the derivative does not qualify as a hedging instrument, the change in the derivative fair values will be immediately recognized as gain or loss in earnings. If the derivative does qualify as a hedging instrument, the gain or loss on the change in the derivative fair values will either be recognized (i) in earnings as offsets to the changes in the fair value of the related item being hedged or (ii) be deferred and recorded as a component of other comprehensive income and reclassified to earnings in the same period during which the hedged transactions occur. We have not yet determined what impact the adoption of SFAS No. 133 will have on our financial statements.

In October 1998, the FASB issued SFAS No. 134 "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise", effective for the first fiscal quarter after December 15, 1998. We will adopt SFAS No. 134 effective January 1, 1999. SFAS No. 134 requires that after the securitization of mortgage loans, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other interests based on its ability and intent to sell or hold those investments. On the date SFAS No. 134 is initially applied, we will reclassify mortgage-backed securities and other interests retained after the securitization of mortgage loans from the trading to the available for sale category. Subsequent accounting that results from implementing SFAS No. 134 shall be accounted for in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities".

FORWARD LOOKING STATEMENTS

We make statements about our future results in this Annual Report that may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on our current expectations and the current economic environment. We caution you that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Our actual results could differ materially from those expressed our implied in the forward-looking statements. Important assumptions and other important factors that could cause our actual results to differ materially from those in the forward-looking statements, include, but are not limited to:

- the resolution or outcome of the pending litigation and government investigations relating to the previously announced accounting irregularities;

- uncertainty as to our future profitability and our ability to integrate and operate successfully acquired businesses and the risks associated with such businesses, including the merger that created Cendant and the National Parking Corporation acquisition;

- our ability to successfully divest non-core assets and implement our new internet strategy;

- our ability to develop and implement operational and financial systems to manage rapidly growing operations;

- competition in our existing and potential future lines of business;

- our ability to obtain financing on acceptable terms to finance our growth strategy and for us to operate within the limitations imposed by financing arrangements; and

- our ability and our vendors; franchisees' and customers' ability to complete the necessary actions to achieve a Year 2000 conversion for computer systems and applications.

We derived the forward-looking statements in this Annual Report from the foregoing factors and from other factors and assumptions, and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. We assume no obligation to publicly correct or update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements or if we later become aware that they are not likely to be achieved.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In recurring operations, we must deal with effects of changes in interest rates and currency exchange rates. The following discussion presents an overview of how such changes are managed and a view of their potential effects.

We use various financial instruments, particularly interest rate and currency swaps and currency forwards, to manage our respective interest rate and currency risks. We are exclusively an end user of these instruments, which are commonly referred to as derivatives. We do not engage in trading, market-making or other speculative activities in the derivatives markets. Established practices require that derivative financial instruments relate to specific asset, liability or equity transactions or to currency exposures. More detailed information about these financial instruments, as well as the strategies and policies for their use, is provided in Notes 15 and 16 to the financial statements.

The SEC requires that registrants include information about potential effects of changes in interest rates and currency exchange in their financial statements. Although the rules offer alternatives for presenting this information, none of the alternatives is without limitations. The following discussion is based on so-called "shock tests," which model effects of interest rate and currency shifts on the reporting company. Shock tests, while probably the most meaningful analysis permitted, are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by their inability to include the extraordinarily complex market reactions that normally would arise from the market shifts modeled. While the following results of shock tests for interest rate and currencies may have some limited use as benchmarks, they should not be viewed as forecasts.

- One means of assessing exposure to interest rate changes is a duration-based analysis that measures the potential loss in net earnings resulting from a hypothetical 10% change (decrease) in interest rates across all maturities (sometimes referred to as a "parallel shift in the yield curve"). Under this model, it is estimated that, all else constant, such a decrease would not adversely impact our 1999 net earnings based on year-end 1998 positions.

- One means of assessing exposure to changes in currency exchange rates is to model effects on future earnings using a sensitivity analysis. Year-end 1998 consolidated currency exposures, including financial instruments designated and effective as hedges, were analyzed to identify our assets and liabilities denominated in other than their relevant functional currency. Net unhedged exposures in each currency were then remeasured assuming a 10% change (decrease) in currency exchange rates compared with the U.S. dollar. Under this model, it is estimated that, all else constant, such a decrease would not adversely impact our 1999 net earnings based on year-end 1998 positions.

The categories of primary market risk exposure to us are: (i) long-term U.S. interest rates due to mortgage loan origination commitments and an investment in mortgage loans held for resale; (ii) short-term interest rates as they impact vehicle and relocation receivables; and (iii) LIBOR and commercial paper interest rates due to their impact on variable rate borrowings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Financial Statements and Financial Statement Schedule Index commencing on page F-1 hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required herein has been previously reported on our Form 10-K/A for the year ended December 31, 1997.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Company's Proxy Statement under the sections titled "Proposal 1: Election of Directors" and "Executive Officers" is incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Company's Proxy Statement under the section titled "Executive Compensation and Other Information" is incorporated herein by reference in response to this item, except that the information contained in the Proxy Statement under the sub-headings "Pre-Merger Compensation Committee Report on Executive Compensation" and "Performance Graph" is not incorporated herein by reference and is not to be deemed "filed" as part of this filing.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Company's Proxy Statement under the section titled "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference in response to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the Company's Proxy Statement under the section titled "Certain Relationships and Related Transactions" is incorporated herein by reference in response to this item.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

ITEM 14(A)(1) FINANCIAL STATEMENTS

See Financial Statements and Financial Statements Index commencing on page F-1 hereof.

ITEM 14(A)(3) EXHIBITS

See Exhibit Index commencing on page E-1 hereof.

ITEM 14(B) REPORTS ON FORM 8K

On October 5, 1998, we filed a current report on Form 8-K to report under Item 5 the termination of our agreement to purchase Providian Auto and Home Insurance Company.

On October 14, 1998, we filed a current report on Form 8-K to report under Item 5 its intention to file financial statements of NPC.

On October 14, 1998, we filed a current report on Form 8-K to report under Item 5 the termination of its agreement to purchase American Bankers Insurance Group, Inc. and its intention to repurchase up to $1 billion of common stock.

On October 21, 1998, we filed a current report on Form 8-K to report under Item 5 the filing of financial schedules summarizing restated revenue and EDITDA by business segment for all four quarters of 1997 and the first and second quarters of 1998.

On November 4, 1998, we filed a current report on Form 8-K to report the unaudited pro forma financial statements of the Company giving effect to the acquisition of NPC for the year ended December 31, 1997 and for the six months ended June 30, 1998. We also filed the consolidated financial statements of NPC for the 52-week period ended March 27, 1998.

On November 6, 1998, we filed a current report on Form 8-K to report its third quarter results for the quarter ending September 30, 1998. The Company also reported the execution of certain amendments to its credit facilities.

On November 16, 1998, we filed a current report on Form 8-K to file the unaudited pro forma financial statements of the Company giving effect to the acquisition of NPC for the year ended December 31, 1997 and the nine months ended September 30, 1998.

On November 24, 1998, we filed a current report on Form 8-K announcing the execution of a definitive agreement to sell the Company's consumer software division for $800 million in cash plus potential future cash payments of up to approximately $200 million.

On December 4, 1998, we filed a current report on Form 8-K to file certain required opinions and consents in connection with the sale of the Company's 7 1/2% Notes due 2000 and its 7 3/4% Notes due 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /S/ James E. Buckman
James E. Buckman
Vice Chairman and General Counsel
Date: March 29, 1999

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE		
/s/ Henry R. Silverman (Henry R. Silverman)	Chairman of the Board, President, Chief Executive Officer and Director	March 29, 1999
/s/ James E. Buckman (James E. Buckman)	Vice Chairman, General Counsel and Director	March 29, 1999
/s/ Stephen P. Homes (Stephen P. Holmes)	Vice Chairman and Director	March 29, 1999
/s/ Robert D. Kunisch (Robert D. Kunisch)	Vice Chairman and Director	March 29, 1999
/s/ Michael P. Monaco (Michael P. Monaco)	Vice Chairman and Director	March 29, 1999
/s/ David M. Johnson (David M. Johnson)	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 29, 1999
/s/ Tobia Ippolito	Senior Vice President and Corporate Controller (Principal Accounting Officer)	March 29, 1999
(John D. Snodgrass)	Director	March 29, 1999
/s/ Leonard S. Coleman (Leonard S. Coleman)	Director	March 29, 1999
(Martin L. Edelman)	Director	March 29, 1999

SIGNATURE	TITLE	DATE
/s/ Carole G. Hankin Dr. Carole G. Hankin)	Director	March 29, 1999
/s/ Brian Mulroney (The Rt. Hon. Brian Mulroney, P.C., LL.D)	Director	March 29, 1999
/s/ Robert W. Pittman (Robert W. Pittman)	Director	March 29, 1999
/s/ E. John Rosenwald, Jr. (E. John Rosenwald, Jr.)	Director	March 29, 1999
/s/ (Robert P. Rittereiser (Robert P. Rittereiser)	Director	March 29, 1999
/s/ Leonard Schutzman (Leonard Schutzman)	Director	March 29, 1999
/s/ Robert F. Smith (Robert F. Smith)	Director	March 29, 1999
/s/ Craig R. Stapleton (Craig R. Stapleton)	Director	March 29, 1999
/s/ Robert E. Nederlander (Robert E. Nederlander)	Director	March 29, 1999

EXHIBITS:

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated March 23, 1998 among the Company, Season Acquisition Corp. and American Bankers Insurance Group, Inc. (incorporated by reference to Exhibit C2 to the Schedule 14D-1 (Amendment 31), dated March 23, 1998, filed by the Company and Season Acquisition Corp.)*
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 4.1 to the Company's PostEffective Amendment No. 2 on Form S-8 to the Registration Statement on Form S-4, No. 333-34517, dated December 17, 1997)*
3.2	Amended and Restated ByLaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 4, 1998)*
4.1	Form of Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement, No. 33-44453, on Form S-4 dated December 19, 1991)*
4.2	Indenture dated as of February 11, 1997, between CUC International Inc. and Marine Midland Bank, as trustee (filed as Exhibit 4(a) to the Company's Report on Form 8-K filed February 13, 1997)*
4.3	Indenture between HFS Incorporated and Continental Bank, National Association, as trustee (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-71736), Exhibit No. 4.1)*
4.4	Indenture dated as of February 28, 1996 between HFS Incorporated and First Trust of Illinois, National Association, as trustee (Incorporated by reference to HFS Incorporated's Current Report on Form 8-K dated March 8, 1996, Exhibit 4.01)*
4.5	Supplemental Indenture No. 1 dated as of February 28, 1996 between HFS Incorporated and First Trust of Illinois, National Association, as trustee (Incorporated by reference to HFS Incorporated's Current Report on Form 8-K dated March 8, 1996, Exhibit 4.02)*
4.6	Indenture, dated as of February 24, 1998, between the Company and The Bank of Novia Scotia Trust Company of New York, as Trustee (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated March 6, 1998)*
4.7	First Supplemental Indenture dated February 24, 1998, between the Company and The Bank of Novia Scotia Trust Company of New York, as Trustee (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K, dated March 6, 1998)*
4.8	Amended and Restated Declaration of Trust of Cendant Capital I. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 6, 1998)*
4.9	Preferred Securities Guarantee Agreement dated March 2, 1998, between by Cendant Corporation and Wilmington Trust Company. (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 6, 1998)*
4.10	Purchase Contract Agreement (including as Exhibit A the form of the Income PRIDES and as Exhibit B the form of the Growth PRIDES), dated March 2, 1998, between Cendant Corporation and The First National Bank of Chicago (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated March 6, 1998)*
10.1-10.38	Material Contracts, Management Contracts, Compensatory Plans and Arrangements

EXHIBIT NO.	DESCRIPTION
10.1 (a)	Agreement with Henry R. Silverman, dated June 30, 1996 and as amended through December 17, 1997 (filed as Exhibit 10.6 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.1 (b)	Amendment to Agreement with Henry R. Silverman, dated December 31, 1998.
10.2 (a)	Agreement with Stephen P. Holmes, dated September 12, 1997 (filed as Exhibit 10.7 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.2 (b)	Amendment to Agreement with Stephen P. Holmes, dated January 11, 1999.
10.3 (a)	Agreement with Michael P. Monaco, dated September 12, 1997 (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.3 (b)	Amendment to Agreement with Michael Monaco, dated December 23, 1998.
10.4 (a)	Agreement with James E. Buckman, dated September 12, 1997 (filed as Exhibit 10.9 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.4 (b)	Amendment to Agreement with James E. Buckman, dated January 11, 1999.
10.5	1987 Stock Option Plan, as amended (filed as Exhibit 10.16 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.6	1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.17 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.7	1992 Directors Stock Option Plan, as amended (filed as Exhibit 10.18 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.8	1994 Directors Stock Option Plan, as amended (filed as Exhibit 10.19 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.9	1997 Stock Option Plan (filed as Exhibit 10.23 to the Company's Form 10-Q for the period ended April 30, 1997)*
10.10	1997 Stock Incentive Plan (filed as Appendix E to the Joint Proxy Statement/ Prospectus included as part of the Company's Registration Statement, No. 333-34517, on Form S-4 dated August 28, 1997)*
10.11	HFS Incorporated's Amended and Restated 1993 Stock Option Plan (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-8 (Registration No. 33-83956), Exhibit 4.1)*
10.12(a)	First Amendment to the Amended and Restated 1993 Stock Option Plan dated May 5, 1995. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-8 (Registration No. 33-094756), Exhibit 4.1)*
10.12(b)	Second Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996. (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(b))*
10.12(c)	Third Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996. (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(c))*
10.12(d)	Fourth Amendment to the Amended and Restated 1993 Stock Option Plan dated May 20, 1996. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-8 (Registration No. 333-06733), Exhibit 4.5)*

EXHIBIT NO.	DESCRIPTION
10.12(e)	Fifth Amendment to the Amended and Restated 1993 Stock Option Plan dated July 24, 1996 (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(e))*
10.12(f)	Sixth Amendment to the Amended and Restated 1993 Stock Option Plan dated September 24, 1996 (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(e))*
10.12(g)	Seventh Amendment to the Amended and Restated 1993 Stock Option Plan dated as of April 30, 1997 (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, Exhibit 10.17(g))*
10.12(h)	Eighth Amendment to the Amended and Restated 1993 Stock Option Plan dated as of May 27, 1997 (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Exhibit 10.17(h))*
10.13	HFS Incorporated's 1992 Incentive Stock Option Plan and Form of Stock Option Agreement. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.6)*
10.14	Cendant Corporation 1992 Employee Stock Plan (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-8 dated January 29, 1998 (Registration No. 333-45183))*
10.15	Cendant Corporation Deferred Compensation Plan
10.16	Agreement and Plan of Merger, by and among HFS Incorporated, HJ Acquisition Corp. and Jackson Hewitt, Inc., dated as of November 19, 1997. (Incorporated by reference to Exhibit 10.1 to HFS Incorporated's Current Report on Form 8-K dated August 14, 1997, File No. 111402)*
10.17	Form of Underwriting Agreement for Debt Securities (Incorporated by reference to Exhibit 1.1 to the Company's Registration Statement on Form S-3, Registration No. 333-45227)*
10.18	Underwriting Agreement dated February 24, 1998 among the Company, Cendant Capital I, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Chase Securities Inc. (Incorporated by reference to the Company's Form 8-K dated March 6, 1998, Exhibit 1.1)*
10.19	Registration Rights Agreement dated as of February 11, 1997, between CUC International Inc. and Goldman, Sachs & Co. (for itself and on behalf of the other purchasers party thereto)(filed as Exhibit 4(b) to the Company's Report on Form 8-K filed February 13, 1997)*
10.20	Agreement and Plan of Merger between CUC International Inc. and HFS Incorporated, dated as of May 27, 1997 (filed as Exhibit 2.1 to the Company's Report on Form 8-K filed on May 29, 1997)*
10.21(a)	$750,000,000 Five Year Revolving Credit and Competitive Advance Facility Agreement, dated as of October 2, 1996, among the Company, the several banks and other financial institutions from time to time parties thereto and The Chase Manhattan Bank, as Administrative Agent and CAF Agent (Incorporated by reference to Exhibit (b)(1) to the Schedule 14-D1 filed by the Company on January 27, 1998, File No. 531838)*

EXHIBIT NO.	DESCRIPTION
10.21(b)	Amendment, dated as of October 30, 1998, to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of October 2, 1998, by and among the Company, the general institutions, parties thereto and The Chase Manhattan Bank, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated February 10, 1999)*
10.22(a)	$1,250,000 364-Day Revolving Credit and Competitive Advance Facility Agreement, dated October 2, 1996, as amended and restated through October 30, 1998, among the Company, the several banks and other financial institutions from time to time parties thereto, and The Chase Manhattan Bank, as Administrative Agent and as Lead Manager (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated November 5, 1998)*.
10.22(b)	Amendment, dated as of February 4, 1999, to the Five-Year Competitive Advance and Revolving Credit Agreement and the 364-Day Competitive Advance and Revolving Credit Agreement among the Company, the lenders therein and The Chase Manhattan Bank, as Administrative Agent (incorporated by reference to Exhibit 99.2 to the Company's Form 8-K dated February 16, 1999)*.
10.23	Distribution Agreement, dated March 5, 1998, among the Company, Bear, Stearns & Co., Inc., Chase Securities Inc., Lehman Brothers and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to the Company's Current Report on Form 8-K, dated March 10, 1998)*
10.24(a)	364-Day Credit Agreement Among PHH Corporation, PHH Vehicle Management Services, Inc., the Lenders, the Chase Manhattan Bank, as Administrative Agent and the Chase Manhattan Bank of Canada, as Canadian Agent, Dated March 5, 1999.
10.24(b)	Five-year Credit Agreement ("PHH Five-year Credit Agreement") among PHH Corporation, the Lenders, and Chase Manhattan Bank, as Administrative Agent, dated March 4, 1997 (Incorporated by reference from Exhibit 10.2 to Registration Statement 333-27715)*
10.24(c)	Second Amendment to PHH Credit Agreements (Incorporated by reference to PHH Incorporated's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, Exhibit 10.1)*
10.24(d)	Third Amendment to PHH Credit Agreements (Incorporated by reference to PHH Incorporated's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, Exhibit 10.1)*
10.24(e)	Fourth Amendment, dated as of November 2, 1998, to PHH Five-Year Credit Agreement.
10.25	Indenture between the Company and Bank of New York, Trustee, dated as of May 1, 1992 (Incorporated by reference from Exhibit 4(a)(iii) to Registration Statement 33-48125)*
10.26	Indenture between the Company and First National Bank of Chicago, Trustee, dated as of March 1, 1993 (Incorporated by reference from Exhibit 4(a)(i) to Registration Statement 33-59376)*
10.27	Indenture between the Company and First National Bank of Chicago, Trustee, dated as of June 5, 1997 (Incorporated by reference from Exhibit 4(a) to Registration Statement 333-27715)*

EXHIBIT NO.	DESCRIPTION
10.28	Indenture between the Company and Bank of New York, Trustee dated as of June 5, 1997 (Incorporated by reference from Exhibit 4(a)(11) to Registration Statement 333-27715)*
10.29	Distribution Agreement between the Company and CS First Boston Corporation; Goldman, Sachs & Co.; Merrill Lynch & Co.; Merrill Lynch, Pierce, Fenner & Smith, Incorporated; and J.P. Morgan Securities, Inc. dated November 9, 1995 (Incorporated by reference from Exhibit 1 to Registration Statement 33-63627)*
10.30	Distribution Agreement between the Company and Credit Suisse; First Boston Corporation; Goldman Sachs & Co. and Merrill Lynch & Co., dated June 5, 1997 filed as Exhibit 1 to Registration Statement 333-27715*
10.31	Distribution Agreement, dated March 2, 1998, among PHH Corporation, Credit Suisse First Boston Corporation, Goldman Sachs & Co., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith, Incorporated and J.P. Morgan Securities, Inc., filed as Exhibit 1 to Form 8-K dated March 3, 1998, File No. 107797*
10.32	Registration Rights Agreement, dated as of November 12, 1996, by and between HFS Incorporated and Ms. Christel DeHaan (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-3 (Registration No. 333-17371), Exhibit 2.2)*
10.33	License Agreement dated as of September 18, 1989 amended and restated as of July 15, 1991 between Franchise System Holdings, Inc. and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.2)*
10.34	Restructuring Agreement dated as of July 15, 1991 by and among New World Development Co., Ltd., Ramada International Hotels & Resorts, Inc. Ramada Inc., Franchise System Holdings, Inc., HFS Incorporated and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.3)*
10.35	License Agreement dated as of November 1, 1991 between Franchise Systems Holdings, Inc. and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.4)*
10.36	Amendment to License Agreement, Restructuring Agreement and Certain Other Restructuring Documents dated as of November 1, 1991 by and among New World Development Co., Ltd., Ramada International Hotels & Resorts, Inc., Ramada Inc., Franchise System Holdings, Inc., HFS Incorporated and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.5)*
10.37	Master License Agreement dated July 30, 1997, among HFS Car Rental, Inc., Avis Rent A Car System, Inc. and Wizard Co. (incorporated by reference to HFS Incorporated Form 10-Q for the quarter ended June 30, 1997, Exhibit 10.1)*

EXHIBIT NO.	DESCRIPTION
10.38	Term Loan Agreement, dated as of February 9, 1999, among Cendant Corporation, as Borrower, the Lenders referred therein, Bank of America NT & SA, as Syndication Agent, Barclays Bank PLC, The Bank of Nova Scotia, Credit Lyonnais New York Branch, as CoDocumentation Agents, First Union National Bank, and The Industrial Bank of Japan, Limited, New York Branch, as Managing Agents, Credit Suisse First Boston, The Sumitomo Bank, Limited, New York Branch, Banque Paribas, as CoAgents and The Chase Manhattan Bank, as Administrative Agent (incorporated by reference to Cendant Corporation's Form 8-K dated February 16, 1999 (File No. 110308))*.
12	Statement Re: Computation of Consolidated Ratio to Earnings to Combined Fixed Charges and Preferred Stock Dividends
16.1	Letter re: change in certifying accountant (Incorporated by reference to the Company's Form 8-K dated January 27, 1998)*
16.2	Letter re: change in certifying accountant of a significant subsidiary (Incorporated by reference to the Company's Form 8-K dated May 18, 1998)*
21	Subsidiaries of Registrant
23.1	Consent of Deloitte & Touche LLP related to the financial statements of Cendant Corporation
23.2	Consent of KPMG LLP relating to the financial statements of PHH Corporation
27	Financial data schedule

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* Incorporated by reference

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Cendant Corporation

We have audited the consolidated balance sheets of Cendant Corporation and subsidiaries (the "Company") as of December 31, 1998 and 1997 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the statements of income, shareholders' equity, and cash flows of PHH Corporation (a consolidated subsidiary of Cendant Corporation) for the year ended December 31, 1996 which statements reflect net income of $87.7 million. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for PHH Corporation, is based solely on the report of such other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cendant Corporation and subsidiaries at December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

As discussed in Note 18 to the consolidated financial statements, the Company is involved in certain litigation related to the discovery of accounting irregularities in certain former CUC International Inc. business units. Additionally, as discussed in Note 2, effective January 1, 1997 the Company changed its method of recognizing revenue and membership solicitation costs for its individual membership business.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
March 17, 1999

INDEPENDENT AUDITORS' REPORT

The Board of Directors
PHH Corporation

We have audited the consolidated statement of income, shareholder's equity and cash flows of PHH Corporation and subsidiaries (the "Company") for the year ended December 31, 1996, before the restatement related to the merger of Cendant Corporation's relocation business with the Company and reclassifications to conform to the presentation used by Cendant Corporation, not presented separately herein. 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 audit.

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

In our opinion, the consolidated financial statements (before restatement and reclassifications) referred to above present fairly, in all material respects, the results of operations of PHH Corporation and subsidiaries and their cash flows for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ KPMG LLP
Baltimore, Maryland
April 30, 1997

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
REVENUES			
Membership and service fees, net	$ 5,080.7	$ 4,083.4	$ 3,147.0
Fleet leasing (net of depreciation and interest costs of $1,279.4, $1,205.2 and $1,132.4)	88.7	59.5	56.7
Other	114.4	97.1	34.0
Net revenues	5,283.8	4,240.0	3,237.7
EXPENSES			
Operating	1,869.1	1,322.3	1,183.2
Marketing and reservation	1,158.5	1,031.8	910.8
General and administrative	666.3	636.2	341.0
Depreciation and amortization	322.7	237.7	145.5
Other charges:			
Litigation settlement	351.0	--	--
Termination of proposed acquisitions	433.5	--	--
Executive terminations	52.5	--	--
Investigation-related costs	33.4	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Financing costs	35.1	--	--
Interest, net	113.9	50.6	14.3
Total expenses	4,968.8	3,982.7	2,704.2
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	315.0	257.3	533.5
Provision for income taxes	104.5	191.0	220.2
Minority interest, net of tax	50.6	--	--
INCOME FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	159.9	66.3	313.3
Income (loss) from discontinued operations, net of tax	(25.0)	(26.8)	16.7
Gain on sale of discontinued operations, net of tax	404.7	--	--
INCOME BEFORE EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	539.6	39.5	330.0
Extraordinary gain, net of tax	--	26.4	--
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	539.6	65.9	330.0
Cumulative effect of accounting change, net of tax	--	(283.1)	--
NET INCOME (LOSS)	$ 539.6	$ (217.2)	$ 330.0
INCOME (LOSS) PER SHARE			
BASIC			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.19	$ 0.08	$ 0.41
Income (loss) from discontinued operations	(0.03)	(0.03)	0.03
Gain on sale of discontinued operations	0.48	--	--
Extraordinary gain	--	0.03	--
Cumulative effect of accounting change	--	(0.35)	--
NET INCOME (LOSS)	$ 0.64	$ (0.27)	$ 0.44
DILUTED			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.18	$ 0.08	$ 0.39
Income (loss) from discontinued operations	(0.03)	(0.03)	0.02
Gain on sale of discontinued operations	0.46	--	--
Extraordinary gain	--	0.03	--
Cumulative effect of accounting change	--	(0.35)	--
NET INCOME (LOSS)	$ 0.61	$ (0.27)	$ 0.41

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,008.7	$ 67.0
Receivables (net of allowance for doubtful accounts of $123.3 and $61.5)	1,536.4	1,170.7
Deferred membership commission costs	253.0	169.5
Deferred income taxes	466.6	311.9
Other current assets	908.6	641.2
Net assets of discontinued operations	373.6	273.3
Total current assets	4,546.9	2,633.6
Property and equipment, net	1,432.8	544.7
Franchise agreements, net	1,363.2	1,079.6
Goodwill, net	3,923.1	2,148.2
Other intangibles, net	757.1	624.3
Other assets	681.5	599.3
Total assets exclusive of assets under programs	12,704.6	7,629.7
Assets under management and mortgage programs		
Net investment in leases and leased vehicles	3,801.1	3,659.1
Relocation receivables	659.1	775.3
Mortgage loans held for sale	2,416.0	1,636.3
Mortgage servicing rights	635.7	373.0
	7,511.9	6,443.7
TOTAL ASSETS	$ 20,216.5	$ 14,073.4

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

	DECEMBER 31, 1998	DECEMBER 31, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$ 1,517.5	$ 1,492.4
Deferred income	1,354.2	1,042.0
Total current liabilities	2,871.7	2,534.4
Deferred income	233.9	292.1
Long-term debt	3,362.9	1,246.0
Deferred income taxes	77.2	70.9
Other non-current liabilities	125.3	110.3
Total liabilities exclusive of liabilities under programs	6,671.0	4,253.7
Liabilities under management and mortgage programs		
Debt	6,896.8	5,602.6
Deferred income taxes	341.0	295.7
Mandatorily redeemable preferred securities issued by subsidiary	1,472.1	--
Commitments and contingencies (Note 18)		
Shareholders' equity		
Preferred stock, $.01 par value -- authorized 10 million shares; none issued and outstanding	--	--
Common stock, $.01 par value -- authorized 2 billion shares; issued 860,551,783 and 838,333,800 shares	8.6	8.4
Additional paid-in capital	3,863.4	3,085.0
Retained earnings	1,480.2	940.6
Accumulated other comprehensive loss	(49.4)	(38.2)
Treasury stock, at cost, 27,270,708 and 6,545,362 shares	(467.2)	(74.4)
Total shareholders' equity	4,835.6	3,921.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 20,216.5	$ 14,073.4

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN MILLIONS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
BALANCE, JANUARY 1, 1996	725.2	$ 7.3	$ 1,041.9	$ 905.1	$ (25.1)	$ (31.0)	$ 1,898.2
COMPREHENSIVE INCOME:							
Net income	--	--	--	330.0	--	--	
Currency translation adjustment	--	--	--	--	12.2	--	
Net unrealized gain on marketable securities	--	--	--	--	6.5	--	
TOTAL COMPREHENSIVE INCOME	--	--	--	--	--	--	348.7
Issuance of common stock	63.3	.6	1,627.9	--	--	--	1,628.5
Exercise of stock options by payment of cash and common stock	14.0	.1	74.6	--	--	(25.5)	49.2
Restricted stock issuance	1.4	--	--	--	--	--	--
Amortization of restricted stock	--	--	2.3	--	--	--	2.3
Tax benefit from exercise of stock options	--	--	78.9	--	--	--	78.9
Cash dividends declared and other equity distributions	--	--	--	(41.3)	--	--	(41.3)
Adjustment to reflect change in fiscal years of pooled entities	--	--	(.6)	(7.1)	--	--	(7.7)
Conversion of convertible notes	3.8	.1	18.0	--	--	--	18.1
Purchase of common stock	--	--	--	--	--	(19.2)	(19.2)
BALANCE, DECEMBER 31, 1996	807.7	$ 8.1	$ 2,843.0	$ 1,186.7	$ (6.4)	$ (75.7)	$ 3,955.7

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(IN MILLIONS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
BALANCE, JANUARY 1, 1997	807.7	$ 8.1	$ 2,843.0	$ 1,186.7	$ (6.4)	$ (75.7)	$ 3,955.7
COMPREHENSIVE LOSS:							
Net loss	--	--	--	(217.2)	--	--	
Currency translation adjustment	--	--	--	--	(27.6)	--	
Net unrealized loss on marketable securities	--	--	--	--	(4.2)	--	
TOTAL COMPREHENSIVE LOSS	--	--	--	--	--	--	(249.0)
Issuance of common stock	6.2	--	46.3	--	--	--	46.3
Exercise of stock options by payment of cash and common stock	11.4	.1	132.8	--	--	(17.8)	115.1
Restricted stock issuance	.2	--	--	--	--	--	--
Amortization of restricted stock	--	--	28.5	--	--	--	28.5
Tax benefit from exercise of stock options	--	--	93.5	--	--	--	93.5
Cash dividends declared	--	--	--	(6.6)	--	--	(6.6)
Adjustment to reflect change in fiscal year from Cendant Merger	--	--	--	(22.3)	--	--	(22.3)
Conversion of convertible notes	20.2	.2	150.9	--	--	--	151.1
Purchase of common stock	--	--	--	--	--	(171.3)	(171.3)
Retirement of treasury stock	(7.4)	--	(190.4)	--	--	190.4	--
Other	--	--	(19.6)	--	--	--	(19.6)
BALANCE, DECEMBER 31, 1997	838.3	$ 8.4	$ 3,085.0	$ 940.6	$ (38.2)	$ (74.4)	$ 3,921.4

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(IN MILLIONS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
BALANCE, JANUARY 1, 1998	838.3	$ 8.4	$ 3,085.0	$ 940.6	$ (38.2)	$ (74.4)	$ 3,921.4
COMPREHENSIVE INCOME:							
Net income	--	--	--	539.6	--	--	
Currency translation adjustment	--	--	--	--	(11.2)	--	
TOTAL COMPREHENSIVE INCOME	--	--	--	--	--	--	528.4
Exercise of stock options by payment of cash and common stock	16.4	.1	168.4	--	--	(.2)	168.3
Amortization of restricted stock	--	--	.7	--	--	--	.7
Tax benefit from exercise of stock options	--	--	147.3	--	--	--	147.3
Conversion of convertible notes	5.9	.1	113.7	--	--	--	113.8
Purchase of common stock	--	--	--	--	--	(257.7)	(257.7)
Mandatorily redeemable preferred securities issued by subsidiary	--	--	(65.7)	--	--	--	(65.7)
Common stock received as consideration in sale of discontinued operations	--	--	--	--	--	(134.9)	(134.9)
Rights issuable	--	--	350.0	--	--	--	350.0
Other	--	--	64.0	--	--	--	64.0
BALANCE, DECEMBER 31, 1998	860.6	$ 8.6	$ 3,863.4	$ 1,480.2	$ (49.4)	$ (467.2)	$ 4,835.6

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
OPERATING ACTIVITIES			
Net income (loss)	$ 539.6	$ (217.2)	$ 330.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities from continuing operations:			
(Income) loss from discontinued operations, net of tax	25.0	26.8	(16.7)
Gain on sale of discontinued operations, net of tax	(404.7)	--	--
Non cash charges:			
Litigation settlement	351.0	--	--
Extraordinary gain on sale of subsidiary, net of tax	--	(26.4)	--
Cumulative effect of accounting change, net of tax	--	283.1	--
Asset impairments and termination benefits	62.5	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Payments of merger-related costs and other unusual charge liabilities	(158.2)	(317.7)	(61.3)
Depreciation and amortization	322.7	237.7	145.5
Membership acquisition costs	--	--	(512.1)
Amortization of membership costs	--	--	492.3
Proceeds from sales of trading securities	136.1	--	--
Purchases of trading securities	(181.6)	--	--
Deferred income taxes	(110.8)	(23.8)	68.8
Net change in assets and liabilities from continuing operations:			
Receivables	(126.0)	(95.6)	(122.1)
Deferred membership commission costs	(86.8)	--	--
Income taxes receivable	(97.9)	(84.0)	(18.3)
Accounts payable and other current liabilities	95.9	(87.0)	14.3
Deferred income	82.3	134.0	43.9
Other, net	(54.1)	(54.9)	103.4
NET CASH PROVIDED BY CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	327.8	479.1	577.1
Management and mortgage programs:			
Depreciation and amortization	1,259.9	1,121.9	1,021.8
Origination of mortgage loans	(26,571.6)	(12,216.5)	(8,292.6)
Proceeds on sale and payments from mortgage loans held for sale	25,791.9	11,828.5	8,219.3
	480.2	733.9	948.5
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	808.0	1,213.0	1,525.6
INVESTING ACTIVITIES			
Property and equipment additions	(355.2)	(154.5)	(101.2)
Proceeds from sales of marketable securities	--	506.1	72.4
Purchases of marketable securities	--	(458.1)	(125.6)
Investments	(24.4)	(272.5)	(12.7)
Net assets acquired (net of cash acquired) and acquisition-related payments	(2,852.0)	(568.2)	(1,608.6)
Net proceeds from sale of subsidiary	314.8	224.0	--
Other, net	106.5	(108.7)	(56.2)
NET CASH USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	$(2,810.3)	$ (831.9)	$(1,831.9)

See accompanying notes to consolidated financial statements.

CENDANT CORPORATIONAND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(IN MILLIONS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Management and mortgage programs:			
Investment in leases and leased vehicles	$ (2,446.6)	$ (2,068.8)	$ (1,901.2)
Payments received on investment in leases and leased vehicles	987.0	589.0	595.9
Proceeds from sales and transfers of leases and leased vehicles to third parties	182.7	186.4	162.8
Equity advances on homes under management	(6,484.1)	(6,844.5)	(4,308.0)
Repayment on advances on homes under management	6,624.9	6,862.6	4,348.9
Additions to mortgage servicing rights	(524.4)	(270.4)	(164.4)
Proceeds from sales of mortgage servicing rights	119.0	49.0	7.1
	(1,541.5)	(1,496.7)	(1,258.9)
NET CASH USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS	(4,351.8)	(2,328.6)	(3,090.8)
Financing Activities			
Proceeds from borrowings	4,808.3	66.7	459.1
Principal payments on borrowings	(2,595.9)	(174.0)	(3.5)
Issuance of convertible debt	--	543.2	--
Issuance of common stock	171.0	132.2	1,223.8
Purchases of common stock	(257.7)	(171.3)	(19.2)
Proceeds from mandatorily redeemable preferred securities issued by subsidiary, net	1,446.7	--	--
Other, net	--	(6.6)	(121.3)
NET CASH PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	3,572.4	390.2	1,538.9
Management and mortgage programs:			
Proceeds from debt issuance or borrowings	4,300.0	2,816.3	1,656.0
Principal payments on borrowings	(3,089.7)	(1,692.9)	(1,645.9)
Net change in short-term borrowings	(93.1)	(613.5)	231.8
	1,117.2	509.9	241.9
NET CASH PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	4,689.6	900.1	1,780.8
Effect of changes in exchange rates on cash and cash equivalents	(16.4)	15.4	(46.2)
Cash provided by (used in) discontinued operations	(187.7)	(181.0)	53.6
Net increase (decrease) in cash and cash equivalents	941.7	(381.1)	223.0
Cash and cash equivalents, beginning of period	67.0	448.1	225.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,008.7	$ 67.0	448.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest payments	$ 623.6	$ 374.9	$ 291.7
Income tax payments, net	(23.0)	264.5	89.4

See accompanying notes to consolidated financial statements.

1. BACKGROUND

Cendant Corporation, together with its subsidiaries (the "Company"), is one of the foremost consumer and business services companies in the world. The Company was created through the merger (the "Cendant Merger") of HFS Incorporated ("HFS") and CUC International Inc. ("CUC") in December 1997, which was accounted for as a pooling of interests. Prior to the Cendant Merger, both HFS and CUC had grown significantly through mergers and acquisitions accounted for under both the pooling of interests method (the most significant being the merger of HFS with PHH Corporation ("PHH") in April 1997 (the "PHH Merger")) and purchase method of accounting (See Note 4). The accompanying consolidated financial statements and notes hereto are presented as if all mergers and acquisitions accounted for as poolings of interests have operated as one entity since inception.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION
The accompanying consolidated financial statements include the accounts and transactions of the Company together with its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS
The Company considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

MARKETABLE SECURITIES
The Company determines the appropriate classification of marketable securities at the time of purchase and re-evaluates such determination as of each balance sheet date. Marketable securities classified as available for sale are carried at fair value with unrealized gains and losses included in the determination of comprehensive income and reported as a component of shareholders' equity. Marketable securities classified as trading securities are reported at fair value with unrealized gains and losses recognized in earnings. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. During 1998, unrealized holding gains on trading securities of approximately $16.0 million were included in other revenue in the consolidated statements of operations. Marketable securities consist principally of mutual funds, corporate bonds and other debt securities. The cost of marketable securities sold is determined on the specific identification method.

PROPERTY AND EQUIPMENT
Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is computed by the straight-line method over the estimated useful lives of the related assets or the lease term, if shorter.

FRANCHISE AGREEMENTS
Franchise agreements are recorded at their acquired fair values and are amortized on a straight-line basis over the estimated periods to be benefited, ranging from 12 to 40 years. At December 31, 1998 and 1997, accumulated amortization amounted to $169.1 million and $126.4 million, respectively.

GOODWILL

Goodwill, which represents the excess of cost over fair value of net assets acquired, is amortized on a straight-line basis over the estimated useful lives, substantially ranging from 25 to 40 years. At December 31, 1998 and 1997, accumulated amortization amounted to $248.3 million and $177.2 million, respectively.

ASSET IMPAIRMENTS

The Company periodically evaluates the recoverability of its investments, intangible assets and long-lived assets, comparing the respective carrying values to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. Property and equipment is evaluated separately within each business. The recoverability of goodwill and franchise agreements are evaluated on a separate basis for each acquisition and franchise brand, respectively.

Based on an evaluation of its intangible assets and in connection with the Company's regular forecasting processes, the Company determined that $37.0 million of goodwill associated with a Company subsidiary, National Library of Poetry, was permanently impaired. In addition, the Company had equity investments in interactive businesses, which were generating negative cash flows and were unable to access sufficient liquidity through equity or debt offerings. As a result, the Company wrote off $13.0 million of such investments. The aforementioned impairments impacted the Company's Other services segment and are classified as operating expenses in the consolidated statements of operations.

REVENUE RECOGNITION AND BUSINESS OPERATIONS

Franchising. Franchise revenue principally consists of royalties as well as marketing and reservation fees, which are based on a percentage of franchisee revenue. Royalty, marketing and reservation fees are accrued as the underlying franchisee revenue is earned. Franchise revenue also includes initial franchise fees, which are recognized as revenue when all material services or conditions relating to the sale have been substantially performed which is generally when a franchised unit is opened.

Timeshare. Timeshare revenue principally consists of exchange fees and subscription revenue. Exchange fees are recognized as revenue when the exchange request has been confirmed to the subscriber. Subscription revenue, net of related procurement costs, is deferred upon receipt and recognized as revenue over the subscription period during which delivery of publications and other services are provided to subscribers.

Individual Membership. Membership revenue is generally recognized upon the expiration of the membership period. Memberships are generally cancelable for a full refund of the membership fee during the entire membership period, generally one year.

In August 1998, the Securities and Exchange Commission ("SEC") requested that the Company change its accounting policies with respect to revenue and expense recognition for its membership businesses, effective January 1, 1997. Although the Company believed that its accounting for memberships had been appropriate and consistent with industry practice, the Company complied with the SEC's request and adopted new accounting policies for its membership businesses.

Prior to such adoption, the Company recorded deferred membership income, net of estimated cancellations, at the time members were billed (upon expiration of the free trial period), which was recognized as revenue ratably over the membership term and modified periodically based on actual cancellation experience. In addition, membership acquisition and renewal costs, which related primarily to membership solicitations were capitalized as direct response advertising costs due to the Company's ability to demonstrate that the direct response advertising resulted in future economic benefits. Such costs were amortized on a straight-line basis as revenues were recognized (over the average membership period).

The SEC's conclusion was that when membership fees are fully refundable during the entire membership period, membership revenue should be recognized at the end of the membership period upon the expiration of the refund offer. The SEC further concluded that non-refundable solicitation costs should be expensed as incurred since such costs are not recoverable if membership fees are refunded. The Company agreed to adopt such accounting policies effective January 1, 1997 and accordingly, recorded a non-cash after-tax charge on such date of $283.1 million to account for the cumulative effect of the accounting change.

Insurance/Wholesale. Commissions received from the sale of third party accidental death and dismemberment insurance are recognized over the underlying policy period. The Company also receives a profit commission based on premiums less claims and certain other expenses (including the above commissions). Such profit commissions are accrued based on claims experience to date, including an estimate of claims incurred but not reported.

Relocation. Relocation services provided by the Company include facilitating the purchase and resale of the transferee's residence, providing equity advances on the transferee's residence and home management services. The home is purchased under a contract of sale and the Company obtains a deed to the property; however, it does not generally record the deed or transfer title. Transferring employees are provided equity advances on their home based on an appraised value generally determined by independent appraisers, after deducting any outstanding mortgages. The mortgage is generally retired concurrently with the advance of the equity and the purchase of the home. Based on its client agreements, the Company is given parameters under which it negotiates for the ultimate sale of the home. The gain or loss on resale is generally borne by the client corporation. In certain transactions, the Company will assume the risk of loss on the sale of homes; however, in such transactions, the Company will control all facets of the resale process, thereby, limiting its exposure.

While homes are held for resale, the amount funded for such homes carry an interest charge computed at a floating rate based on various indices. Direct costs of managing the home during the period the home is held for resale, including property taxes and repairs and maintenance, are generally borne by the client corporation. The client corporation normally advances funds to cover a portion of such carrying costs. When the home is sold, a settlement is made with the client corporation netting actual costs with any advanced funding.

Revenues and related costs associated with the purchase and resale of a residence are recognized over the period in which services are provided. Relocation services revenue is recorded net of costs reimbursed by client corporations and interest expenses incurred to fund the purchase of a transferee's residence. Under the terms of contracts with client corporations, the Company is generally protected against losses from changes in real estate market conditions. The Company also offers fee-based programs such as home marketing assistance, household goods moves and destination services. Revenues from these fee-based services are taken into income over the periods in which the services are provided and the related expenses are incurred.

Fleet. The Company primarily leases its vehicles under three standard arrangements: open-end operating leases, closed-end operating leases or open-end finance leases (direct financing leases). See Note 10 -- Net Investment in Leases and Leased Vehicles. Each lease is either classified as an operating lease or direct financing lease, as defined. Lease revenues are recognized based on rentals. Revenues from fleet management services other than leasing are recognized over the period in which services are provided and the related expenses are incurred.

Mortgage. Loan origination fees, commitment fees paid in connection with the sale of loans, and direct loan origination costs associated with loans are deferred until such loans are sold. Mortgage loans are recorded at the lower of cost or market value on an aggregate basis. Sales of mortgage loans are generally recorded on the date a loan is delivered to an investor. Gains or losses on sales of mortgage loans are recognized based upon the difference between the selling price and the carrying value of the related mortgage loans sold. See Note 11 -- Mortgage Loans Held For Sale.

Fees received for servicing loans owned by investors are based on the difference between the weighted average yield received on the mortgages and the amount paid to the investor, or on a stipulated percentage of the outstanding monthly principal balance on such loans. Servicing fees are credited to income when received. Costs associated with loan servicing are charged to expense as incurred.

The Company recognizes as separate assets the rights to service mortgage loans for others by allocating total costs incurred between the loan and the servicing rights retained based on their relative fair values. The carrying value of mortgage servicing rights ("MSRs") is amortized over the estimated life of the related loan portfolio in proportion to projected net servicing revenues. Such amortization is recorded as a reduction of loan servicing fees in the consolidated statements of operations. Projected net servicing income is in turn determined on the basis of the estimated future balance of the underlying mortgage loan portfolio, which declines over time from prepayments and scheduled loan amortization. The Company estimates future prepayment rates based on current interest rate levels, other economic conditions and market forecasts, as well as relevant characteristics of the servicing portfolio, such as loan types, interest rate stratification and recent prepayment experience. MSRs are periodically assessed for impairment, which is recognized in the consolidated statements of operations during the period in which impairment occurs as an adjustment to the corresponding valuation allowance. Gains or losses on the sale of MSRs are recognized when title and all risks and rewards have irrevocably passed to the buyer and there are no significant unresolved contingencies. See Note 12 -- Mortgage Servicing Rights.

Entertainment Publications. Product revenue primarily represents the sale of coupon books, gift wrap and other products to schools, community groups and other organizations. Under the terms of typical sales arrangements, coupon books are given on consignment and, if unsold, may be returned for full credit against the purchase price. Revenue is recognized when the consignee generates a sale to the ultimate consumer. Gift wrap and other product revenue is recognized on the accrual basis. Customized books are sold on a specific order basis. Revenues are recognized on such orders at the time the Company fulfills its obligations under the terms of the customer purchase order.

ADVERTISING EXPENSES
Advertising costs, including direct response advertising (subsequent to January 1, 1997), are generally expensed in the period incurred. Advertising expenses for the years ended December 31, 1998, 1997 and 1996 were $684.7 million, $574.4 million and $503.8 million, respectively.

INCOME TAXES
The provision for income taxes includes deferred income taxes resulting from items reported in different periods for income tax and financial statement purposes. Deferred tax assets and liabilities represent the expected future tax consequences of the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in the period that includes the enactment date. No provision has been made for U.S. income taxes on approximately $312.3 million of cumulative undistributed earnings of foreign subsidiaries at December 31, 1998 since it is the present intention of management to reinvest the undistributed earnings indefinitely in foreign operations. The determination of unrecognized deferred U.S. tax liability for unremitted earnings is not practicable.

TRANSLATION OF FOREIGN CURRENCIES
Assets and liabilities of foreign subsidiaries are translated at the exchange rates in effect as of the balance sheet dates. Equity accounts are translated at historical exchange rates and revenues, expenses and cash flows are translated at the average exchange rates for the periods presented. Translation gains and losses are included as a component of comprehensive income (loss) in the consolidated statements of shareholders' equity.

NEW ACCOUNTING STANDARD
In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". The Company will adopt SFAS No. 133 effective January 1, 2000. SFAS No. 133 requires the Company to record all derivatives in the consolidated balance sheet as either assets or liabilities measured at fair value. If the derivative does not qualify as a hedging instrument, the change in the derivative fair values will be immediately recognized as a gain or loss in earnings. If the derivative does qualify as a hedging instrument, the gain or loss on the change in the derivative fair values will

either be recognized (i) in earnings as offsets to the changes in the fair value of the related item being hedged or (ii) be deferred and recorded as a component of other comprehensive income and reclassified to earnings in the same period during which the hedged transactions occur. The Company has not yet determined what impact the adoption of SFAS No. 133 will have on its financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to conform to the presentation used in 1998.

3. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed based solely on the weighted average number of common shares outstanding during the period. Diluted EPS reflects all potential dilution of common stock, including the assumed exercise of stock options using the treasury method and convertible debt. At December 31, 1998, 38.0 million stock options outstanding with a weighted average exercise price of $29.58 per option were excluded from the computation of diluted EPS because the options' exercise prices were greater than the average market price of the Company's common stock. In addition, at December 31, 1998, the Company's 3% Convertible Subordinated Notes, convertible into 18.0 million shares of Company common stock were antidilutitive and, therefore, excluded from the computation of diluted EPS. Basic and diluted EPS from continuing operations is calculated as follows:

	YEAR ENDED DECEMBER 31,		
(In millions, except per share amounts)	1998	1997	1996
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 159.9	$ 66.3	$ 313.3
Convertible debt interest -- net of tax	--	--	5.8
Income from continuing operations before extraordinary gain and cumulative effect of accounting change, as adjusted	$ 159.9	$ 66.3	$ 319.1
Weighted average shares			
Basic	848.4	811.2	757.4
Potential dilution of common stock:			
Stock options	32.0	40.5	40.1
Convertible debt	--	--	24.1
Diluted	880.4	851.7	821.6
EPS -- continuing operations before extraordinary gain and cumulative effect of accounting change			
Basic	$ .19	$ .08	$ .41
Diluted	$ .18	$ .08	$ .39

4. PURCHASE METHOD BUSINESS COMBINATIONS

The acquisitions discussed below were accounted for using the purchase method of accounting. Accordingly, assets acquired and liabilities assumed were recorded at their estimated fair values. The excess of purchase price over the fair value of the underlying net assets acquired is allocated to goodwill. The operating results of such acquired companies are included in the Company's consolidated statements of operations since the respective dates of acquisition.

The following tables present information about the Company's acquisitions consummated and other acquisition-related payments made during each of the years in the three year period ended December 31, 1998.

(In millions)	1998 NPC	1998 HARPUR	1998 JACKSON HEWITT	1998 OTHER
Cash paid	$ 1,637.7	$ 206.1	$ 476.3	$ 563.9
Fair value of identifiable net assets acquired (1)	590.2	51.3	99.2	218.4
Goodwill	$ 1,047.5	$ 154.8	$ 377.1	$ 345.5
Goodwill benefit period (years)	40	40	40	25 to 40

(In millions)	1997	1996 RCI	1996 AVIS	1996 COLDWELL BANKER	1996 OTHER
Cash paid	$ 267.9	$ 412.1	$ 367.2	$ 745.0	$ 224.0
Common stock issued	21.6	75.0	338.4	--	52.5
Notes issued		--	100.9	--	5.0
Total consideration	289.5	487.1	806.5	745.0	281.5
Fair value of identifiable net assets acquired (1)	116.9	9.4	472.5	393.2	42.8
Goodwill	$ 172.6	$ 477.7	$ 334.0	$ 351.8	$ 238.7
Goodwill benefit period (years)	25 to 40	40	40	40	25 to 40
Number of shares issued as consideration	0.9	2.4	11.1	--	2.5

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(1) Cash acquired in connection with acquisitions during 1998, 1997 and 1996 was $57.6 million, $2.6 million, and $135.0 million, respectively.

1998 ACQUISITIONS

National Parking Corporation. On April 27, 1998, the Company completed the acquisition of National Parking Corporation Limited ("NPC") for $1.6 billion, substantially in cash, which included the repayment of approximately $227.0 million of outstanding NPC debt. NPC was substantially comprised of two operating subsidiaries: National Car Parks and Green Flag. National Car Parks is the largest private (non-municipal) car park operator in the United Kingdom ("UK") and Green Flag operates the third largest roadside assistance group in the UK and offers a wide-range of emergency support and rescue services.

Harpur Group. On January 20, 1998, the Company completed the acquisition of The Harpur Group Ltd. ("Harpur"), a leading fuel card and vehicle management company in the UK, for approximately $206.1 million in cash plus contingent payments of up to $20.0 million over two years.

Jackson Hewitt. On January 7, 1998, the Company completed the acquisition of Jackson Hewitt Inc. ("Jackson Hewitt"), for approximately $476.3 million in cash. Jackson Hewitt operates the second largest tax preparation service franchise system in the United States. The Jackson Hewitt franchise system specializes in computerized preparation of federal and state individual income tax returns.

Other 1998 Acquisitions and Acquisition-Related Payments. The Company acquired certain other entities for an aggregate purchase price of approximately $463.9 million in cash during the year ended December 31, 1998. Additionally, the Company made a $100.0 million cash payment to the seller of Resort Condominiums International, Inc. ("RCI") in satisfaction of a contingent purchase liability, which was accounted for as additional goodwill.

PRO FORMA INFORMATION (UNAUDITED)

The following table reflects the operating results of the Company for the years ended December 31, 1998 and 1997 on a pro forma basis, which gives effect to the acquisition of NPC. The remaining acquisitions completed during 1998 and 1997 are not significant on a pro forma basis and are therefore not included. The pro forma results are not necessarily indicative of the operating results that would have occurred had the NPC acquisition been consummated on January 1, 1997, nor are they intended to be indicative of results that may occur in the future. The underlying pro forma information includes the amortization expense associated with the assets acquired, the Company's financing arrangements, certain purchase accounting adjustments and related income tax effects.

	YEAR ENDED DECEMBER 31,	
(In millions, except per share amounts)	1998	1997
Net revenues	$ 5,485.3	$ 4,837.4
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	157.3	57.7
Net income (loss) (1)	537.0	(225.8)(2)
Per share information:		
Basic		
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.19	$ 0.07
Net income (loss) (1)	$ 0.63	$ (0.28)
Weighted average shares	848.4	811.2
Diluted		
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.18	$ 0.07
Net income (loss) (1)	$ 0.61	$ (0.28)
Weighted average shares	880.4	851.7

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(1) Includes gain on sale of discontinued operations, net of tax, of $404.7 million ($0.46 per diluted share) in 1998 and loss from discontinued operations, net of tax, of $25.0 million ($0.03 per diluted share) and $26.8 million ($0.03 per diluted share), in 1998 and 1997, respectively.

(2) Includes an extraordinary gain, net of tax, of $26.4 million ($0.03 per diluted share) and a cumulative effect charge for a change in accounting, net of tax, of $283.1 million ($0.35 per diluted share).

1996 ACQUISITIONS

Resort Condominiums International, Inc. In November 1996, the Company completed the acquisition of all the outstanding capital stock of RCI for $487.1 million. The purchase agreement provided for contingent payments of up to $200.0 million over a five year period which are based on components which measure RCI's future performance, including EBITDA, net revenues and number of members, as defined.

Avis, Inc. In October 1996, the Company completed the acquisition of all of the outstanding capital stock of Avis, Inc. ("Avis"), including payments under certain employee stock plans of Avis and the redemption of certain series of preferred stock of Avis for an aggregate $806.5 million. Subsequently, the Company made contingent cash payments of $26.0 million in 1996 and $60.8 million in 1997. The contingent payments made in 1997 represented the incremental amount of value attributable to Company common stock as of the stock purchase agreement date in excess of the proceeds realized upon the subsequent sale of such Company common stock. See Note 23 -- Related Party Transactions-Avis-for a discussion of the Company's executed business plan regarding Avis.

Coldwell Banker Corporation. In May 1996, the Company acquired by merger Coldwell Banker Corporation ("Coldwell Banker"), the largest gross revenue producing residential real estate company in North America and a leading provider of corporate relocation services. The Company paid $640.0 million in cash for all of the outstanding capital stock of Coldwell Banker and repaid $105.0 million of Coldwell Banker indebtedness. The aggregate purchase price for the transaction was financed through the May 1996 sale of an aggregate 46.6 million shares of Company common stock pursuant to a public offering.

5. DISCONTINUED OPERATIONS

On August 12, 1998, the Company announced that the Executive Committee of its Board of Directors committed to discontinue the Company's classified advertising and consumer software businesses by disposing of Hebdo Mag International, Inc. ("Hebdo Mag") and Cendant Software Corporation ("CDS"), two wholly owned subsidiaries of the Company. Hebdo Mag is a publisher and distributor of classified advertising information and CDS is a developer, publisher and distributor of educational and entertainment software.

On December 15, 1998, the Company completed the sale of Hebdo Mag to its former 50% owners for $449.7 million. The Company received $314.8 million in cash and 7.1 million shares of Company common stock valued at $134.9 million on the date of sale. The Company recognized a gain on the sale of Hebdo Mag of $206.9 million, including a tax benefit of $52.1 million, which is included in the gain on sale of discontinued operations in the consolidated statements of operations.

On January 12, 1999, the Company completed the sale of CDS for $800.0 million in cash plus potential future contingent cash payments pursuant to the contract. The Company estimates it will realize a gain of approximately $380.0 million based upon the finalization of the closing balance sheet at the sale date. The Company recognized $197.8 million of such gain in 1998 substantially in the form of a tax benefit and corresponding deferred tax asset. The Company recognized this deferred tax asset upon executing the definitive agreement to sell CDS, which was when it became apparent to the Company that the deferred tax asset would be realized. The recognized gain is included in the gain on sale of discontinued operations in the consolidated statements of operations.

Summarized financial data of discontinued operations are as follows:

STATEMENT OF OPERATIONS DATA:

	CONSUMER SOFTWARE		
	YEAR ENDED DECEMBER 31,		
(In millions)	1998	1997	1996
Net revenues	$ 345.8	$ 433.7	$ 384.5
Income (loss) before income taxes	(57.3)	(5.9)	42.0
Provision for (benefit from) income taxes	(22.9)	2.4	27.3
Net income (loss)	$ (34.4)	$ (8.3)	$ 14.7

	CLASSIFIED ADVERTISING		
	YEAR ENDED DECEMBER 31,		
(In millions)	1998	1997	1996
Net revenues	$ 202.4	$ 208.5	$ 126.4
Income (loss) before income taxes and extraordinary loss	16.9	(4.5)	3.7
Provision for (benefit from) income taxes	7.5	(1.2)	1.7
Extraordinary loss from early extinguishment of debt, net of a $4.9 million tax benefit	--	(15.2)	--
Net income (loss)	$ 9.4	$ (18.5)	$ 2.0

The Company allocated $19.9 million and $5.0 million of interest expense to discontinued operations for the years ended December 31, 1998 and 1997, respectively. Such interest expense represents the cost of funds associated with businesses acquired by the discontinued business segments at an interest rate consistent with the Company's consolidated effective borrowing rate.

BALANCE SHEET DATA:

(In millions)	CONSUMER SOFTWARE DECEMBER 31, 1998	CONSUMER SOFTWARE DECEMBER 31, 1997	CLASSIFIED ADVERTISING DECEMBER 31, 1997
Current assets	$ 284.9	$ 209.1	$ 58.6
Goodwill	105.7	42.2	181.5
Other assets	88.2	49.2	33.2
Total liabilities	(105.2)	(127.0)	(173.5)
Net assets of discontinued operations	$ 373.6	$ 173.5	$ 99.8

6. OTHER CHARGES

LITIGATION SETTLEMENT

On March 17, 1999, the Company reached a final agreement to settle the class action lawsuit that was brought on behalf of the holders of Income or Growth FELINE PRIDES ("PRIDES") securities who purchased their securities on or prior to April 15, 1998, the date on which the Company announced the discovery of accounting irregularities in the former business units of CUC (see Note 17 -- Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary). We originally announced a preliminary agreement in principle to settle such lawsuit on January 7, 1999. The final agreement maintained the basic structure and accounting treatment as the preliminary agreement. Under the terms of the agreement only holders who owned PRIDES at the close of business on April 15, 1998 will be eligible to receive a new additional "Right" for each PRIDES security held. Right holders may (i) sell them or (ii) exercise them by delivering to the Company, three Rights together with two PRIDES in exchange for two New PRIDES (the "New PRIDES"), for a period beginning upon distribution of the Rights and concluding upon expiration of the Rights (February 2001).

The terms of the New PRIDES will be the same as the original PRIDES except that the conversion rate will be revised so that, at the time the Rights are distributed, each New PRIDES will have a value equal to $17.57 more than each original PRIDES, or, in the aggregate, approximately $351.0 million. Accordingly, the Company recorded a non-cash charge of $351.0 million in the fourth quarter of 1998 with an increase in additional paid-in capital and accrued liabilities of $350.0 million and $1.0 million, respectively, based on the prospective issuance of the Rights. The agreement also requires the Company to offer to sell four million additional PRIDES (having identical terms to currently outstanding PRIDES) to holders of Rights for cash, at a value which will be based on the valuation model that was utilized to set the conversion rate of the New PRIDES. Based on that valuation model, the currently outstanding PRIDES have a theoretical value of $28.07 based on the closing price of the Company's common stock of $16.6875 on March 17, 1999. The offering of additional PRIDES will be made only pursuant to a prospectus filed with the SEC. The Company currently expect to use the proceeds of such an offering to repurchase our common stock and for other general corporate purposes. The arrangement to offer additional PRIDES is designed to enhance the trading value of the Rights by removing up to six million Rights from circulation via exchanges associated with the offering and to enhance the open market liquidity of New PRIDES by creating four million New PRIDES via exchanges associated with the offering. If holders of Rights do not acquire all such PRIDES, they will be offered to the public. Under the settlement agreement, the Company also agreed to file a shelf registration statement for an additional 15 million PRIDES, which could be issued by the Company at any time for cash. However, during the last 30 days prior to the expiration of the Rights in February 2001, the Company will be required to make these additional PRIDES available to holders of Rights at a price in cash equal to 105% of the theoretical value of the additional PRIDES as of a specified date. The PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights. Based on a market price of $16.6875, the closing price per share of the Company's common stock on March 17, 1999, the effect of the issuance of the New PRIDES will be to distribute approximately 19 million more shares of Company common stock when the mandatory purchase of Company common stock associated with the PRIDES occurs in February 2001. This represents approximately 2% more shares of Company common stock than are currently outstanding. The Rights will be distributed following final court approval of the settlement and after the effectiveness of the registration statement filed with the SEC covering the New PRIDES. It is presently expected that if the court approves the settlement and such conditions are fulfilled, the Rights will be distributed in August or September 1999. This summary of the settlement does not constitute an offer to sell any securities, which will only be made by means of a prospectus after a registration statement is filed with the SEC. There can be no assurance that the court will approve the agreement or that the conditions contained in the agreement will be fulfilled.

TERMINATION OF PROPOSED ACQUISITIONS

On October 13, 1998, the Company and American Bankers Insurance Group, Inc. ("American Bankers") entered into a settlement agreement (the "Settlement Agreement"), pursuant to which the Company and American Bankers terminated a definitive agreement dated March 23, 1998 which provided for the Company's acquisition of American Bankers for $3.1 billion. Accordingly, the Company's pending tender offer for American Bankers shares was also terminated. Pursuant to the Settlement Agreement and in connection with termination of the Company's proposed acquisition of American Bankers, the Company made a $400.0 million cash payment to American Bankers and wrote off $32.3 million of costs, primarily professional fees.

On October 5, 1998, the Company announced the termination of an agreement to acquire, for $219.0 million in cash, Providian Auto and Home Insurance Company ("Providian"). Certain representations and covenants in such agreement had not been fulfilled and the conditions to closing had not been met. The Company did not pursue an extension of the termination date of the agreement because Providian no longer met the Company's acquisition criteria. In connection with the termination of the Company's proposed acquisition of Providian, the Company wrote off $1.2 million of costs.

EXECUTIVE TERMINATIONS

The Company incurred $52.5 million of costs in 1998 related to the termination of certain former executives of the Company, principally Walter A. Forbes, who resigned as Chairman of the Company and as a member of the Board of Directors. The severance agreement reached with Mr. Forbes entitled him to the benefits required by his employment contract relating to a termination of Mr. Forbes' employment with the Company for reasons other than for cause. Aggregate benefits given to Mr. Forbes resulted in a charge of $50.9 million comprised of $38.4 million in cash payments and 1.3 million Company stock options, with a Black-Scholes value of $12.5 million. Such options were immediately vested and expire on July 28, 2008.

INVESTIGATION-RELATED COSTS

The Company incurred $33.4 million of professional fees, public relations costs and other miscellaneous expenses in connection with accounting irregularities and resulting investigations into such matters.

FINANCING COSTS

In connection with the Company's discovery and announcement of accounting irregularities on April 15, 1998 and the corresponding lack of audited financial statements, the Company was temporarily prohibited from accessing public debt markets. As a result, the Company paid $27.9 million in fees associated with waivers and various financing arrangements. Additionally, during 1998, the Company exercised its option to redeem its 4% Convertible Senior Notes (the "4 3/4% Notes") (see Note 13 -- Long-Term Debt -- 4 3/4% Convertible Senior Notes). At such time, the Company anticipated that all holders of the 4 3/4% Notes would elect to convert the 4 3/4% Notes to Company common stock. However, at the time of redemption, holders of the 4 3/4% Notes elected not to convert the 4 3/4% Notes to Company common stock and as a result, the Company redeemed such notes at a premium. Accordingly, the Company recorded a $7.2 million loss on early extinguishment of debt.

1997 MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES (CREDITS)

The Company incurred merger-related costs and other unusual charges ("Unusual Charges") in 1997 related to continuing operations of $704.1 million primarily associated with the Cendant Merger (the "Fourth Quarter 1997 Charge") and the PHH Merger (the "Second Quarter 1997 Charge"). Liabilities associated with Unusual Charges are classified as a component of accounts payable and other current liabilities. The reduction of such liabilities from inception is summarized by category of expenditure and by charge as follows:

(In millions)	NET 1997 UNUSUAL CHARGES	1997 REDUCTIONS	BALANCE AT DECEMBER 31, 1997	1998 ACTIVITY CASH PAYMENTS	NON CASH	ADJUSTMENTS	BALANCE AT DECEMBER 31, 1998
Professional fees	$ 123.3	$ (72.6)	$ 50.7	$ (38.2)	$ --	$ (10.9)	$ 1.6
Personnel related	324.8	(156.3)	168.5	(75.3)	--	(23.0)	70.2
Business terminations	133.9	(130.0)	3.9	(1.2)	6.1	(7.1)	1.7
Facility related and other	156.0	(105.6)	50.4	(15.7)	2.1	(26.7)	10.1
Total Unusual Charges	$ 738.0	$ (464.5)	$ 273.5	$ (130.4)	$ 8.2	$ (67.7)	$ 83.6
Reclassification for discontinued operations	(33.9)	33.9	--	--	--	--	--
Total Unusual Charges related to continuing operations	$ 704.1	$ 430.6	$ 273.5	$ (130.4)	$ 8.2	$ (67.7)	$ 83.6

(In millions)	NET 1997 UNUSUAL CHARGES	1997 REDUCTIONS	BALANCE AT DECEMBER 31, 1997	1998 ACTIVITY CASH PAYMENTS	NON CASH	ADJUSTMENTS	BALANCE AT DECEMBER 31, 1998
Fourth Quarter 1997 Charge	$ 454.9	$ (257.5)	$ 197.4	$ (102.6)	$ 0.5	$ (28.1)	$ 67.2
Second Quarter 1997 Charge	283.1	(207.0)	76.1	(27.8)	7.7	(39.6)	16.4
Total Unusual Charges	$ 738.0	$ (464.5)	$ 273.5	$ (130.4)	$ 8.2	$ (67.7)	$ 83.6
Reclassification for discontinued operations	(33.9)	33.9	--	--	--	--	--
Total Unusual Charges related to continuing operations	$ 704.1	$ (430.6)	$ 273.5	$ (130.4)	$ 8.2	$ (67.7)	$ 83.6

Fourth Quarter 1997 Charge. The Company incurred Unusual Charges in the fourth quarter of 1997 totaling $454.9 million substantially associated with the Cendant Merger and the merger in October 1997 with Hebdo Mag. Reorganization plans were formulated prior to and implemented as a result of the mergers. The Company determined to streamline its corporate organization functions and eliminate several office locations in overlapping markets. Management's plan included the consolidation of European call centers in Cork, Ireland and terminations of franchised hotel properties.

Unusual Charges included $93.0 million of professional fees primarily consisting of investment banking, legal and accounting fees incurred in connection with the mergers. The Company also incurred $170.7 million of personnel-related costs including $73.3 million of retirement and employee benefit plan costs, $23.7 million of restricted stock compensation, $61.4 million of severance resulting from consolidations of European call centers and certain corporate functions and $12.3 million of other personnel-related costs. The Company provided for 474 employees to be terminated, the majority of which have been severed as of December 31, 1998. Unusual Charges included $78.3 million of business termination costs which consisted of a $48.3 million impairment write down of hotel franchise agreement assets associated with a quality upgrade program and $30.0 million of costs incurred to terminate a contract which may have restricted the Company from maximizing opportunities afforded by the Cendant Merger. Facility-related and other unusual charges of $112.9 million included $70.0 million of irrevocable contributions to independent technology trusts for the direct benefit of lodging and real estate franchisees, $16.4 million of building lease termination costs and a $22.0 million reduction in intangible assets associated with the Company's wholesale annuity business for which impairment was determined in 1997. During the year ended December 31, 1998, the Company recorded a net credit of $28.1 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred.

Second Quarter 1997 Charge. The Company incurred $295.4 million of Unusual Charges in the second quarter of 1997 primarily associated with the PHH Merger. During the fourth quarter of 1997, as a result of changes in estimates, the Company adjusted certain merger-related liabilities, which resulted in a $12.3 million credit to Unusual Charges. Reorganization plans were formulated in connection with the PHH Merger and were implemented upon consummation. The PHH Merger afforded the combined company, at such time, an opportunity to rationalize its combined corporate, real estate and travel related businesses, and enabled the corresponding support and service functions to gain organizational efficiencies and maximize profits. Management initiated a plan just prior to the PHH Merger to close hotel reservation call centers, combine travel agency operations and continue the downsizing of fleet operations by reducing headcount and eliminating unprofitable products. In addition, management initiated plans to integrate its relocation, real estate franchise and mortgage origination businesses to capture additional revenue through the referral of one business unit's customers to another. Management also formalized a plan to centralize the management and headquarters functions of the world's largest, second largest and other company-owned corporate relocation business unit subsidiaries. Such initiatives resulted in write-offs of abandoned systems and leasehold assets commencing in the second quarter 1997. The aforementioned reorganization plans provided for 560 job reductions which included the elimination of PHH Corporate functions and facilities in Hunt Valley, Maryland.

Unusual Charges included $154.1 million of personnel-related costs associated with employee reductions necessitated by the planned and announced consolidation of the Company's corporate relocation service businesses worldwide as well as the consolidation of corporate activities. Personnel-related charges also included termination benefits such as severance, medical and other benefits and provided for retirement benefits pursuant to pre-existing contracts resulting from a change in control. Unusual Charges also included professional fees of $30.3 million, primarily comprised of investment banking, accounting and legal fees incurred in connection with the PHH Merger. The Company incurred business termination charges of $55.6 million, which were comprised of $38.8 million of costs to exit certain activities primarily within the Company's fleet management business (including $35.7 million of asset write-offs associated with exiting certain activities), a $7.3 million termination fee associated with a joint venture that competed with the PHH Mortgage Services business (now Cendant Mortgage Corporation) and $9.6 million of costs to terminate a marketing agreement with a third party in order to replace the function with internal resources. Facility-related and other charges totaling $43.1 million included costs associated with contract and lease terminations, asset disposals and other charges incurred in connection with the consolidation and closure of excess office space.

The Company had substantially completed the aforementioned restructuring activities at December 31, 1998. During the year ended December 31, 1998, the Company recorded a net credit of $39.6 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred.

1996 MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES

In connection with and coincident to Company mergers accounted for as poolings of interests during 1996, the Company incurred Unusual Charges of approximately $134.3 million in 1996, of which $109.4 million was related to continuing operations (substantially related to the Company's merger with Ideon Group, Inc. ("Ideon")) and $24.9 million was associated with consumer software businesses that are discontinued. The collective Unusual Charges recorded during 1996 related to Company mergers and the utilization of such liabilities is summarized below:

(In millions)	1996 UNUSUAL CHARGES	1997 REDUCTIONS	BALANCE AT DECEMBER 31, 1997	1998 REDUCTIONS	BALANCE AT DECEMBER 31, 1998
Professional fees	$ 27.5	$ (27.5)	$ --	$ --	$ --
Personnel related	7.5	(7.5)	--	--	--
Facility related	12.4	(10.4)	2.0	(2.0)	--
Litigation related	80.4	(14.4)	66.0	(25.0)	41.0
Other	6.5	(6.2)	.3	(0.3)	--
Total Unusual Charges	134.3	(66.0)	68.3	(27.3)	41.0
Reclassification for discontinued operations	(24.9)	24.9	--	--	--
Total Unusual Charges related to continuing operations	$ 109.4	$ (41.1)	$ 68.3	$ (27.3)	$ 41.0

Costs associated with the discontinued operations were comprised primarily of professional fees incurred in connection with the Company's mergers with consumer software businesses. Costs associated with the Company's merger with Ideon were non-recurring and included transaction and exit costs as well as a provision relating to certain litigation matters giving consideration to the Company's intended approach to these matters. The Company has since settled all outstanding litigation matters. The remaining $41.0 million of litigation-related liabilities at December 31, 1998 consists of the present value of settlement payments to be made in annual installments to the co-founder of SafeCard Services, Inc., which was acquired by Ideon in 1995. 1998 reductions include $27.8 million of cash payments and a $0.5 million charge to Unusual Charges as a result of a change in the original estimate of costs to be incurred.

The 1996 Unusual Charges also provided for costs to be incurred in connection with the Company's consolidation efforts, including severance costs to be accrued resulting from the Ideon merger and costs relating to the expected obligations for certain third-party contracts (existing leases and vendor agreements) to which Ideon is a party and which are neither terminable at will nor automatically terminate upon a change-in-control of Ideon. In addition, the Company incurred certain exit costs in transferring and consolidating Ideon's credit card registration and enhancement services into the Company's credit card registration and enhancement services business. As a result of the Ideon merger, 120 employees were terminated.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

(In millions)	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1998	DECEMBER 31, 1997
Land	--	$ 153.4	$ 8.4
Building and leasehold improvements	5 - 50	751.9	224.4
Furniture, fixtures and equipment	3 - 10	1,018.1	632.1
		1,923.4	864.9
Less accumulated depreciation and amortization		490.6	320.2
		$ 1,432.8	$ 544.7

8. OTHER INTANGIBLES, NET

Other intangibles, net consisted of:

(In millions)	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1998	DECEMBER 31, 1997
Avis trademark	40	$ 402.0	$ 402.0
Other trademarks	40	170.9	72.5
Customer lists	3-10	162.7	116.8
Other	2-16	138.6	123.6
		874.2	714.9
Less accumulated amortization		117.1	90.6
		$ 757.1	$ 624.3

Other intangibles are recorded at their estimated fair values at the dates acquired and are amortized on a straight-line basis over the periods to be benefited.

9. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consisted of:

(In millions)	DECEMBER 31, 1998	DECEMBER 31, 1997
Accounts payable	$ 456.0	$ 479.5
Merger and acquisition obligations	152.7	359.0
Accrued payroll and related	208.0	187.3
Advances from relocation clients	60.3	57.2
Other	640.5	409.4
	$ 1,517.5	$ 1,492.4

10. NET INVESTMENT IN LEASES AND LEASED VEHICLES

Net investment in leases and leased vehicles consisted of:

(In millions)	DECEMBER 31, 1998	DECEMBER 31, 1997
Vehicles under open-end operating leases	$ 2,725.6	$ 2,640.1
Vehicles under closed-end operating leases	822.1	577.2
Direct financing leases	252.4	440.8
Accrued interest on leases	1.0	1.0
	$ 3,801.1	$ 3,659.1

The Company records the cost of leased vehicles as "net investment in leases and leased vehicles." The vehicles are leased primarily to corporate fleet users for initial periods of twelve months or more under either operating or direct financing lease agreements. Vehicles under operating leases are amortized using the straight-line method over the expected lease term. The Company's experience indicates that the full term of the leases may vary considerably due to extensions beyond the minimum lease term. Lessee repayments of investment in leases and leased vehicles were $1.9 billion and $1.6 billion in 1998 and 1997, respectively, and the ratio of such repayments to the average net investment in leases and leased vehicles was 50.7% and 46.8% in 1998 and 1997, respectively.

The Company has two types of operating leases. Under one type, open-end operating leases, resale of the vehicles upon termination of the lease is generally for the account of the lessee except for a minimum residual value which the Company has guaranteed. The Company's experience has been that vehicles under this type of lease agreement have generally been sold for amounts exceeding the residual value guarantees. Maintenance and repairs of vehicles under these agreements are the responsibility of the lessee. The original cost and accumulated depreciation of vehicles under this type of operating lease was $5.3 billion and $2.6 billion, respectively, at December 31, 1998 and $5.0 billion and $2.4 billion, respectively, at December 31, 1997.

Under the second type of operating lease, closed-end operating leases, resale of the vehicles on termination of the lease is for the account of the Company. The lessee generally pays for or provides maintenance, vehicle licenses and servicing. The original cost and accumulated depreciation of vehicles under these agreements were $1.0 billion and $190.5 million, respectively, at December 31, 1998 and $754.4 million and $177.2 million, respectively, at December 31, 1997. The Company, based on historical experience and a current assessment of the used vehicle market, established an allowance in the amount of $14.2 million and $11.7 million for potential losses on residual values on vehicles under these leases at December 31, 1998 and 1997, respectively.

Under the direct financing lease agreements, the minimum lease term is 12 months with a month to month renewal thereafter. In addition, resale of the vehicles upon termination of the lease is for the account for the lessee. Maintenance and repairs of these vehicles are the responsibility of the lessee.

Open-end operating leases and direct financing leases generally have a minimum lease term of 12 months with monthly renewal options thereafter. Closed-end operating leases typically have a longer term, usually 24 months or more, but are cancelable under certain conditions.

Gross leasing revenues, which are included in fleet leasing in the consolidated statements of operations, consist of:

	YEAR ENDED DECEMBER 31,		
(In millions)	1998	1997	1996
Operating leases	$ 1,330.3	$ 1,222.9	$ 1,145.8
Direct financing leases, primarily interest	37.8	41.8	43.3
	$ 1,368.1	$ 1,264.7	$ 1,189.1

In June 1998, the Company entered into an agreement with an independent third party to sell and leaseback vehicles subject to operating leases. The net carrying value of the vehicles sold was $100.6 million. Since the net carrying value of these vehicles was equal to their sales price, there was no gain or loss recognized on the sale. The lease agreement entered into between the Company and the counterparty was for a minimum lease term of 12 months with three one-year renewal options. For the year ended December 31, 1998, the total rental expense incurred by the Company under this lease was $17.7 million.

The Company has transferred existing managed vehicles and related leases to unrelated investors and has retained servicing responsibility. Credit risk for such agreements is retained by the Company to a maximum extent in one of two forms: excess assets transferred, which were $9.4 million and $7.6 million at December 31, 1998 and 1997, respectively; or guarantees to a maximum extent. There were no guarantees to a maximum extent at December 31, 1998 or 1997. All such credit risk has been included in the Company's consideration of related allowances. The outstanding balances under such agreements aggregated $259.1 million and $224.6 million at December 31, 1998 and 1997, respectively.

Other managed vehicles with balances aggregating $221.8 million and $157.9 million at December 31, 1998 and 1997, respectively, are included in special purpose entities which are not owned by the Company. These entities do not require consolidation as they are not controlled by the Company and all risks and rewards rest with the owners. Additionally, managed vehicles totaling approximately $81.9 million and $69.6 million at December 31, 1998 and 1997, respectively, are owned by special purpose entities which are owned by the Company. However, such assets and related liabilities have been netted in the consolidated balance sheet since there is a two-party agreement with determinable accounts, a legal right of offset exists and the Company exercises its right of offset in settlement with client corporations.

11. MORTGAGE LOANS HELD FOR SALE

Mortgage loans held for sale represent mortgage loans originated by the Company and held pending sale to permanent investors. The Company sells loans insured or guaranteed by various government sponsored entities and private insurance agencies. The insurance or guaranty is provided primarily on a non-recourse basis to the Company, except where limited by the Federal Housing Administration and Veterans Administration and their respective loan programs. As of December 31, 1998 and 1997, mortgage loans sold with recourse amounted to approximately $58.3 million and $58.5 million, respectively. The Company believes adequate allowances are maintained to cover any potential losses.

The Company entered into a three year agreement effective May 1998 and expanded in December 1998 under which an unaffiliated Buyer (the "Buyer") committed to purchase, at the Company's option, mortgage loans originated by the Company on a daily basis, up to the Buyer's asset limit of $2.4 billion. Under the terms of this sale agreement, the Company retains the servicing rights on the mortgage loans sold to the Buyer and provides the Buyer with opportunities to sell or securitize the mortgage loans into the secondary market. At December 31, 1998, the Company was servicing approximately $2.0 billion of mortgage loans owned by the Buyer.

12. MORTGAGE SERVICING RIGHTS

Capitalized mortgage servicing rights ("MSRs") activity was as follows:

(In millions)	MSRS	IMPAIRMENT ALLOWANCE	TOTAL
BALANCE, JANUARY 1, 1996	$ 192.8	$ (1.4)	$ 191.4
Less: PHH activity for January 1996 to reflect change in PHH fiscal year	(14.0)	.2	(13.8)
Additions to MSRs	164.4	--	164.4
Amortization	(51.8)	--	(51.8)
Write-down/provision	--	.6	.6
Sales	(1.9)	--	(1.9)
BALANCE, DECEMBER 31, 1996	289.5	(.6)	288.9
Additions to MSRs	251.8	--	251.8
Amortization	(95.6)	--	(95.6)
Write-down/provision	--	(4.1)	(4.1)
Sales	(33.1)	--	(33.1)
Deferred hedge, net	18.6	--	18.6
Reclassification of mortgage-related securities	(53.5)	--	(53.5)
BALANCE, DECEMBER 31, 1997	377.7	(4.7)	373.0
Additions to MSRs	475.2	--	475.2
Additions to hedge	49.2	--	49.2
Amortization	(82.5)	--	(82.5)
Write-down/provision	--	4.7	4.7
Sales	(99.1)	--	(99.1)
Deferred hedge, net	(84.8)	--	(84.8)
BALANCE, DECEMBER 31, 1998	$ 635.7	$ --	$ 635.7

The value of the Company's MSRs is sensitive to changes in interest rates. The Company uses a hedge program to manage the associated financial risks of loan prepayments. Commencing in 1997, the Company used certain derivative financial instruments, primarily interest rate floors, interest rate swaps, principal only swaps, futures and options on futures to administer its hedge program. Premiums paid/received on the acquired derivatives instruments are capitalized and amortized over the life of the contracts. Gains and losses associated with the hedge instruments are deferred and recorded as adjustments to the basis of the MSRs. In the event the performance of the hedge instruments do not meet the requirements of the hedge program, changes in the fair value of the hedge instruments will be reflected in the income statement in the current period. Deferrals under the hedge programs are allocated to each applicable stratum of MSRs based upon its original designation and included in the impairment measurement.

For purposes of performing its impairment evaluation, the Company stratifies its portfolio on the basis of interest rates of the underlying mortgage loans. The Company measures impairment for each stratum by comparing estimated fair value to the recorded book value. The Company records amortization expense in proportion to and over the period of the projected net servicing income. Temporary impairment is recorded through a valuation allowance in the period of occurrence.

13. LONG-TERM DEBT

Long-term debt consisted of:

	DECEMBER 31,	
(In millions)	1998	1997
Term Loan Facility	$ 1,250.0	$ --
Revolving Credit Facilities	--	276.0
7 1/2% Senior Notes	399.7	--
7 3/4% Senior Notes	1,148.0	--
3% Convertible Subordinated Notes	545.4	543.2
5 7/8% Senior Notes	--	149.9
4 3/4% Convertible Senior Notes	--	240.0
Other	24.9	39.2
	3,368.0	1,248.3
Less current portion	5.1	2.3
	$ 3,362.9	$ 1,246.0

TERM LOAN FACILITIES

On May 29, 1998, the Company entered into a 364 day term loan agreement with a syndicate of financial institutions which provided for borrowings of $3.25 billion (the "Term Loan Facility"). The Term Loan Facility, as amended, incurred interest based on the London Interbank Offered Rate ("LIBOR") plus a margin of approximately 87.5 basis points. The weighted average interest rate on the Term Loan Facility was 6.2% at December 31, 1998.

At December 31, 1998, borrowings under the Term Loan Facility of $1.25 billion were classified as long-term based on the Company's intent and ability to refinance such borrowings on a long-term basis. On February 9, 1999, the Company replaced the Term Loan Facility with a new two year term loan facility (the "New Facility") which provides for borrowings of $1.25 billion. The Company used $1.25 billion of the proceeds from the New Facility to refinance the majority of the outstanding borrowings under the Term Loan Facility. The New Facility bears interest at a rate of LIBOR plus a margin of approximately 100 basis points and is payable in five consecutive quarterly installments beginning on the first anniversary of the closing date. The New Facility contains certain restrictive covenants, which are substantially similar to and consistent with the covenants in effect for the Company's existing revolving credit agreements.

CREDIT FACILITIES

The Company's primary credit facility, as amended, consists of (i) a $750.0 million, five year revolving credit facility (the "Five Year Revolving Credit Facility") and (ii) a $1.0 billion, 364 day revolving credit facility (the "364 Day Revolving Credit Facility") (collectively the "Revolving Credit Facilities"). The 364 Day Revolving Credit Facility will mature on October 29, 1999 but may be renewed on an annual basis for an additional 364 days upon receiving lender approval. The Five Year Revolving Credit Facility will mature on October 1, 2001. Borrowings under the Revolving Credit Facilities, at the option of the Company, bear interest based on competitive bids of lenders participating in the facilities, at prime rates or at LIBOR, plus a margin of approximately 75 basis points. The Company is required to pay a per annum facility fee of .175% and .15% of the average daily unused commitments under the Five Year Revolving Credit Facility and 364 Day Revolving Credit Facility, respectively. The interest rates and facility fees are subject to change based upon credit ratings on the Company's senior unsecured long-term debt by nationally recognized debt rating agencies. Letters of credit of $45.0 million were outstanding under the Five Year Revolving Credit Facility at December 31, 1998. The Revolving Credit Facilities contain certain restrictive covenants including restrictions on indebtedness, mergers, liquidations and sale and leaseback transactions and requires the maintenance of certain financial ratios, including a 3:1 minimum interest coverage ratio and a 0.5:1 maximum debt-to-capitalization ratio.

7 1/2% AND 7 3/4% SENIOR NOTES

On November 17, 1998, the Company filed an amended shelf registration statement with the SEC for the aggregate issuance of up to $3.0 billion of debt and equity securities. On November 24, 1998, the Company priced a total of $1.55 billion of Senior Notes (the "Notes") in a two-part issue. The first issue, $400.0 million principal amount of 7 1/2% Senior Notes due December 1, 2000, was priced to yield 7.545%. The second issue, $1.15 billion principal amount of 7 3/4% Senior Notes due December 1, 2003, was priced to yield 7.792%. Interest on the Notes will be payable on June 1 and December 1 each year, beginning on June 1, 1999. The Notes may be redeemed, in whole or in part, at any time at the option of the Company at a redemption price plus accrued interest to the date of redemption. The redemption price is equal to the greater of (i) the face value of the notes or (ii) the sum of the present values of the remaining scheduled payments discounted at the treasury rate plus a spread defined in the indenture. Net proceeds from the offering were used to repay a portion of the Company's Term Loan Facility and for general corporate purposes, which included the repurchase of Company common stock.

3% CONVERTIBLE SUBORDINATED NOTES

In February 1997, the Company completed a public offering of $550.0 million 3% Convertible Subordinated Notes (the "3% Notes") due 2002. Each $1,000 principal amount of 3% Notes is convertible into 32.6531 shares of Company common stock subject to adjustment in certain events. The 3% Notes may be redeemed at the option of the Company at any time on or after February 15, 2000, in whole or in part, at the appropriate redemption prices (as defined in the indenture governing the 3% Notes) plus accrued interest to the redemption date. The 3% Notes will be subordinated in right of payment to all existing and future Senior Debt (as defined in the indenture governing the 3% Notes) of the Company.

5 7/8% SENIOR NOTES

On December 15, 1998, the Company repaid the $150.0 million principal amount of 5 7/8% Senior Notes outstanding in accordance with the provisions of the indenture agreement.

4 3/4% CONVERTIBLE SENIOR NOTES

In February 1996, the Company completed a public offering of $240.0 million unsecured 4 3/4% Convertible Senior Notes due 2003, which were convertible at the option of the holder at any time prior to maturity into 36.030 shares of Company common stock per $1,000 principal amount of the 4 3/4% Notes, representing a conversion price of $27.76 per share. On May 4, 1998, the Company redeemed all of the outstanding ($144.5 million principal amount) 4 3/4% Notes at a price of 103.393% of the principal amount, together with interest accrued to the redemption date (see Note 6 -- Other Charges -- Financing Costs). Prior to the redemption date, during 1998, holders of such notes exchanged $95.5 million of the 4 3/4% Notes for 3.4 million shares of Company common stock.

DEBT MATURITIES

Aggregate maturities of debt for each of the next five years commencing in 1999 are as follows:

(In milloins)

YEAR	AMOUNT
1999	$ 5.1
2000	403.3
2001	1,250.3
2002	545.4
2003	1,148.0
Thereafter	15.9
	$ 3,368.0

14. LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS

Borrowings to fund assets under management and mortgage programs consisted of:

(In millions)	DECEMBER 31, 1998	DECEMBER 31, 1997
Commercial paper	$ 2,484.4	$ 2,577.5
Medium-term notes	2,337.9	2,747.8
Securitized obligations	1,901.5	--
Other	173.0	277.3
	$ 6,896.8	$ 5,602.6

COMMERCIAL PAPER

Commercial paper, which matures within 180 days, is supported by committed revolving credit agreements described below and short-term lines of credit. The weighted average interest rates on the Company's outstanding commercial paper were 6.1% and 5.9% at December 31, 1998 and 1997, respectively.

MEDIUM-TERM NOTES

Medium-term notes of $2.3 billion primarily represent unsecured loans which mature through 2002. The weighted average interest rates on such medium-term notes were 5.6% and 5.9% at December 31, 1998 and 1997, respectively.

SECURITIZED OBLIGATIONS

The Company maintains four separate financing facilities, the outstanding borrowings under which are securitized by corresponding assets under management and mortgage programs. The collective weighted average interest rate on such facilities was 5.8% at December 31, 1998. Such securitized obligations are described below.

Mortgage Facility. In December 1998, the Company entered into a 364 day financing agreement to sell mortgage loans under an agreement to repurchase such mortgages (the "Agreement"). The Agreement is collateralized by the underlying mortgage loans held in safekeeping by the custodian to the Agreement. The total commitment under this Agreement is $500.0 million and is renewable on an annual basis at the discretion of the lender in accordance with the securitization agreement. Mortgage loans financed under this Agreement at December 31, 1998 totaled $378.0 million and are included in mortgage loans held for sale on the consolidated balance sheet.

Relocation Facilities. The Company entered into a 364-day asset securitization agreement effective December 1998 under which an unaffiliated buyer has committed to purchase an interest in the right to payments related to certain Company relocation receivables. The revolving purchase commitment provides for funding up to a limit of $325.0 million and is renewable on an annual basis at the discretion of the lender in accordance with the securitization agreement. Under the terms of this agreement, the Company retains the servicing rights related to the relocation receivables. At December 31, 1998, the Company was servicing $248.0 million of assets, which were funded under this agreement.

The Company also maintains an asset securitization agreement with a separate unaffiliated buyer, which has a purchase commitment up to a limit of $350.0 million. The terms of this agreement are similar to the aforementioned facility with the Company retaining the servicing rights on the right of payment. At December 31, 1998, the Company was servicing $171.0 million of assets eligible for purchase under this agreement.

Fleet Facilities. In December 1998, the Company entered into two secured financing transactions each expiring five years from the effective agreement date through its two wholly-owned subsidiaries, TRAC Funding and TRAC Funding II. Secured leased assets (specified beneficial interests in a trust which owns the leased vehicles and the leases) totaling $600.0 million and $725.3 million, respectively, were contributed to the subsidiaries by the Company. Loans to TRAC Funding and TRAC Funding II were funded by commercial paper conduits in the amounts of $500.0 million and $604.0 million, respectively, and were secured by the specified beneficial interests. Monthly loan repayments conform to the amortization of the leased vehicles with the repayment of the outstanding loan balance required at time of disposition of the vehicles. Interest on the loans is based upon the conduit commercial paper issuance cost and committed bank lines priced on a LIBOR basis. Repayments of loans are limited to the cash flows generated from the leases represented by the specified beneficial interests.

Other. Other liabilities under management and mortgage programs are principally comprised of unsecured borrowings under uncommitted short-term lines of credit and other bank facilities, all of which matures in 1999. The weighted average interest rate on such debt was 5.5% and 6.7% at December 31, 1998 and 1997, respectively.

Interest expense is incurred on indebtedness, which is used to finance fleet leasing, relocation and mortgage servicing activities. Interest incurred on borrowings used to finance fleet leasing activities was $177.3 million, $177.0 million and $161.8 million for the years ended December 31, 1998, 1997, and 1996, respectively, and is included net within fleet leasing revenues in the consolidated statements of operations. Interest related to equity advances on homes was $26.9 million, $32.0 million and $35.0 million for the years ended December 31, 1998, 1997 and 1996, respectively. Interest related to origination and mortgage servicing activities was $138.9 million, $77.6 million and $63.4 million for the years ended December 31, 1998, 1997 and 1996, respectively. Interest expense incurred on borrowings used to finance both equity advances on homes and mortgage servicing activities are recorded net within membership and service fee revenues in the consolidated statements of operations.

To provide additional financial flexibility, the Company's current policy is to ensure that minimum committed facilities aggregate 100 percent of the average amount of outstanding commercial paper. As of December 31, 1998, the Company maintained $2.75 billion in committed and unsecured credit facilities, which were backed by a consortium of domestic and foreign banks. The facilities were comprised of $1.25 billion in 364 day credit lines maturing in March 1999, a $250.0 million (changed to $150.0 million in March 1999) revolving credit facility maturing December 1999 and a five year $1.25 billion credit line maturing in the year 2002. Under such credit facilities, the Company paid annual commitment fees of $1.9 million, $1.7 million and $2.4 million for the years ended December 31, 1998, 1997 and 1996, respectively. In March 1999, the Company extended the $1.25 billion in 364 day credit lines to March 2000. In addition, the Company has other uncommitted lines of credit with various banks of which $5.1 million was unused at December 31, 1998. The full amount of the Company's committed facility was undrawn and available at December 31, 1998 and 1997.

Although the period of service for a vehicle is at the lessee's option, and the period a home is held for resale varies, management estimates, by using historical information, the rate at which vehicles will be disposed and the rate at which homes will be resold. Projections of estimated liquidations of assets under management and mortgage programs and the related estimated repayments of liabilities under management and mortgage programs as of December 31, 1998, are set forth as follows:

(In millions)

YEARS	ASSETS UNDER MANAGEMENT AND MORTGAGE PROGRAMS	LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS (1)
1999	$ 4,882.0	$ 4,451.7
2000	1,355.9	1,342.2
2001	668.6	659.0
2002	289.0	263.1
2003	168.3	142.0
2004-2008	148.1	38.8
	$ 7,511.9	$ 6,896.8

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(1) The projected repayments of liabilities under management and mortgage programs are different than required by contractual maturities.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments as part of its overall strategy to manage its exposure to market risks associated with fluctuations in interest rates, foreign currency exchange rates, prices of mortgage loans held for sale and anticipated mortgage loan closings arising from commitments issued. The Company performs analyses on an ongoing basis to determine that a high correlation exists between the characteristics of derivative instruments and the assets or transactions being hedged. As a matter of policy, the Company does not engage in derivative activities for trading or speculative purposes. The Company is exposed to credit-related losses in the event of non-performance by counterparties to certain derivative financial instruments. The Company manages such risk by periodically evaluating the financial position of counterparties and spreading its positions among multiple counterparties. The Company presently does not expect non-performance by any of the counterparties.

INTEREST RATE SWAPS

The Company enters into interest rate swap agreements to match the interest characteristics of the assets being funded and to modify the contractual costs of debt financing. The swap agreements correlate the terms of the assets to the maturity and rollover of the debt by effectively matching a fixed or floating interest rate with the stipulated revenue stream generated from the portfolio of assets being funded. Amounts to be paid or received under interest rate swap agreements are accrued as interest rates change and are recognized over the life of the swap agreements as an adjustment to interest expense. For the years ended December 31, 1998, 1997 and 1996, the Company's hedging activities increased interest expense $2.1 million, $4.0 million and $4.1 million, respectively, and had no effect on its weighted average borrowing rate. The fair value of the swap agreements is not recognized in the consolidated financial statements since they are accounted for as matched swaps.

The following table summarizes the maturity and weighted average rates of the Company's interest rate swaps at December 31, 1998 and 1997.

1998

(Dollars in millions)	NOTIONAL AMOUNT	WEIGHTED AVERAGE RECEIVE RATE	WEIGHTED AVERAGE PAY RATE	SWAP MATURITIES
Commercial paper	$ 355.2	4.92%	5.84%	1999-2006
Medium-term notes	931.0	5.27%	5.04%	1999-2000
Canada Commercial Paper	89.8	5.52%	5.27%	1999-2002
Sterling liabilities	662.3	6.26%	6.62%	1999-2002
Deutsche mark liabilities	31.9	3.24%	4.28%	1999-2001
	$ 2,070.2			

1997

(Dollars in millions)	NOTIONAL AMOUNT	WEIGHTED AVERAGE RECEIVE RATE	WEIGHTED AVERAGE PAY RATE	SWAP MATURITIES
Commercial paper	$ 355.7	5.68%	6.26%	1999-2004
Medium-term notes	1,551.0	5.93%	5.73%	1999-2000
Canada Commercial Paper	142.8	4.93%	4.95%	1999-2002
Sterling liabilities	491.5	7.21%	7.69%	1999-2002
Deutsche mark liabilities	9.1	3.76%	5.34%	1999-2001
	$ 2,550.1			

FOREIGN EXCHANGE CONTRACTS

In order to manage its exposure to fluctuations in foreign currency exchange rates, on a selective basis, the Company enters into foreign exchange contracts. Such contracts are primarily utilized to hedge intercompany loans to foreign subsidiaries and certain monetary assets and liabilities denominated in currencies other than the U.S. dollar. The Company may also hedge currency exposures that are directly related to anticipated, but not yet committed transactions expected to be denominated in foreign currencies. The principal currencies hedged are the British pound and the German mark. Market value gains and losses on foreign currency hedges related to intercompany loans are deferred and recognized upon maturity of the underlying loan. Market value gains and losses on foreign currency hedges of anticipated transactions are recognized in the statement of operations as exchange rates change. However, fluctuations in exchange rates are generally offset by the anticipated exposures being hedged. Historically, foreign exchange contracts have been short-term in nature.

OTHER FINANCIAL INSTRUMENTS

With respect to both mortgage loans held for sale and anticipated mortgage loan closings arising from commitments issued, the Company is exposed to the risk of adverse price fluctuations primarily due to changes in interest rates. The Company uses forward delivery contracts, financial futures and option contracts to reduce such risk. Market value gains and losses on such positions used as hedges are deferred and considered in the valuation of cost or market value of mortgage loans held for sale.

With respect to the mortgage servicing portfolio, the Company acquired certain derivative financial instruments, primarily interest rate floors, interest rate swaps, principal only swaps, futures and options on futures to manage the associated financial impact of interest rate movements.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND SERVICING RIGHTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for material financial instruments. The fair values of the financial instruments presented may not be indicative of their future values.

MARKETABLE SECURITIES

Fair value is based upon quoted market prices or investment advisor estimates.

MORTGAGE LOANS HELD FOR SALE

Fair value is estimated using the quoted market prices for securities backed by similar types of loans and current dealer commitments to purchase loans net of mortgage-related positions. The value of embedded MSRs has been considered in determining fair value.

MORTGAGE SERVICING RIGHTS

Fair value is estimated by discounting future net servicing cash flows associated with the underlying securities using discount rates that approximate current market rates and externally published prepayment rates, adjusted, if appropriate, for individual portfolio characteristics.

DEBT

The fair values of the Company's Senior Notes, Convertible Notes and Medium-term Notes are estimated based on quoted market prices or market comparables.

MANDATORILY REDEEMABLE PREFERRED SECURITIES ISSUED BY SUBSIDIARY
Fair value is estimated based on quoted market prices and incorporates the settlement of litigation and the resulting modification of terms (see Note 6 -- Other Charges -- Litigation Settlement).

INTEREST RATE SWAPS, FOREIGN EXCHANGE CONTRACTS, OTHER MORTGAGE-RELATED POSITIONS
The fair values of these instruments are estimated, using dealer quotes, as the amount that the Company would receive or pay to execute a new agreement with terms identical to those remaining on the current agreement, considering interest rates at the reporting date.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1998 and 1997 are as follows:

	1998			1997		
(In millions)	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS						
Marketable securities	$ --	$ 220.8	$ 220.8	$ --	$ 65.2	$ 65.2
Investment in mortgage securities	--	46.2	46.2	--	48.0	48.0
ASSETS UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Relocation receivables	--	659.1	659.1	--	775.3	775.3
Mortgage loans held for sale	--	2,416.0	2,462.7	--	1,636.3	1,668.1
Mortgage servicing rights	--	635.7	787.7	--	373.0	394.6
LONG-TERM DEBT	--	3,362.9	3,351.1	--	1,246.0	1,468.3
OFF BALANCE SHEET DERIVATIVES RELATING TO LONG-TERM DEBT						
Foreign exchange forwards	1.1	--	--	5.5	--	--
OTHER OFF BALANCE SHEET DERIVATIVES						
Foreign exchange forwards	47.6	--	--	102.7	--	--
LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Debt	--	6,896.8	6,895.0	--	5,602.6	5,604.2
MANDATORILY REDEEMABLE PREFERRED SECURITIES ISSUED BY SUBSIDIARY	--	1,472.1	1,333.2	--	--	--
OFF BALANCE SHEET DERIVATIVES RELATING TO LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Interest rate swaps	2,070.2	--	--	2,550.1	--	--
in a gain position	--	--	7.8	--	--	5.6
in a loss position	--	--	(11.5)	--	--	(3.9)
Foreign exchange forwards	349.3	--	0.1	409.8	--	2.5
MORTGAGE-RELATED POSITIONS						
Forward delivery commitments (a)	5,057.0	2.9	(3.5)	2,582.5	19.4	(16.2)
Option contracts to sell (a)	700.8	8.5	3.7	290.0	.5	--
Option contracts to buy (a)	948.0	5.0	1.0	705.0	1.1	4.4
Commitments to fund mortgages	3,154.6	--	35.0	1,861.7	--	19.7
Constant maturity treasury floors (b)	3,670.0	43.8	84.0	825.0	12.5	17.1
Interest rate swaps (b)	775.0			175.0		
in a gain position	--	--	34.6	--	--	1.3
in a loss position	--	--	(1.2)	--	--	--
Treasury futures (b)	151.0	--	(0.7)	331.5	--	4.8
Principal only swaps (b)	66.3	--	3.1	--	--	--

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(a) Carrying amounts and gains (losses) on these mortgage-related positions are already included in the determination of respective carrying amounts and fair values of mortgage loans held for sale. Forward delivery commitments are used to manage price risk on sale of all mortgage loans to end investors including loans held by an unaffiliated buyer as described in Note 11.

(b) Carrying amounts on these mortgage-related positions are capitalized and recorded as a component of MSRs. Gains (losses) on such positions are included in the determination of the respective carrying amounts and fair value of MSRs.

17. MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES ISSUED BY SUBSIDIARY

On March 2, 1998, Cendant Capital I (the "Trust"), a statutory business Trust formed under the laws of the State of Delaware and a wholly-owned consolidated subsidiary of the Company, issued 29.9 million FELINE PRIDES and 2.3 million trust preferred securities and received approximately $1.5 billion in gross proceeds therefrom. The Trust invested the proceeds in 6.45% Senior Debentures due 2003 (the "Debentures") issued by the Company, which represents the sole asset of the Trust. The obligations of the Trust related to the FELINE PRIDES and trust preferred securities are unconditionally guaranteed by the Company to the extent the Company makes payments pursuant to the Debentures. Upon the issuance of the FELINE PRIDES and trust preferred securities, the Company recorded a liability of $43.3 million with a corresponding reduction to shareholders' equity equal to the present value of the total future contract adjustment payments to be made under the FELINE PRIDES. The FELINE PRIDES, upon issuance, consisted of 27.6 million Income PRIDES and 2.3 million Growth PRIDES (Income PRIDES and Growth PRIDES hereinafter referred to as "PRIDES"), each with a face amount of $50 per PRIDE. The Income PRIDES consist of trust preferred securities and forward purchase contracts under which the holders are required to purchase common stock from the Company in February 2001. The Growth PRIDES consist of zero coupon U.S. Treasury securities and forward purchase contracts under which the holders are required to purchase common stock from the Company in February 2001. The stand alone trust preferred securities and the trust preferred securities forming a part of the Income PRIDES, each with a face amount of $50, bear interest, in the form of preferred stock dividends, at the annual rate of 6.45% payable in cash. Such preferred stock dividends are presented as minority interest, net of tax in the consolidated statements of operations. Payments under the forward purchase contract forming a part of the Income PRIDES will be made by the Company in the form of a contract adjustment payment at an annual rate of 1.05%. Payments under the forward purchase contract forming a part of the Growth PRIDES will be made by the Company in the form of a contract adjustment payment at an annual rate of 1.30%. The forward purchase contracts require the holder to purchase a minimum of 1.0395 shares and a maximum of 1.3514 shares of Company common stock per PRIDES security depending upon the average of the closing price per share of the Company's common stock for a 20 consecutive day period ending in mid-February of 2001. The Company has the right to defer the contract adjustment payments and the payment of interest on the Debentures to the Trust. Such election will subject the Company to certain restrictions, including restrictions on making dividend payments on its common stock until all such payments in arrears are settled.

The Company has reached an agreement to settle a class action lawsuit that was brought on behalf of holders of PRIDES securities who purchased their securities on or prior to April 15, 1998 (see Note 6 -- Other Charges -- Litigation Settlement).

18. COMMITMENTS AND CONTINGENCIES

LEASES

The Company has noncancelable operating leases covering various facilities and equipment, which primarily expire through the year 2004. Rental expense for the years ended December 31, 1998, 1997 and 1996 was $177.9 million, $91.3 million and $75.3 million, respectively. The Company incurred contingent rental expenses in 1998 of $44.1 million, which is included in total rental expense, principally based on rental volume or profitability at certain NPC parking facilities. The Company has been granted rent abatements for varying periods on certain of its facilities. Deferred rent relating to those abatements is being amortized on a straight-line basis over the applicable lease terms. Commitments under capital leases are not significant.

Future minimum lease payments required under noncancelable operating leases as of December 31, 1998 are as follows:

(In millions)

Year	Amount
1999	$ 122.9
2000	109.3
2001	93.6
2002	69.5
2003	55.5
Thereafter	139.4
	$ 590.2

LITIGATION

Accounting Irregularities. On April 15, 1998, the Company publicly announced that it discovered accounting irregularities in the former business units of CUC. Such discovery prompted investigations into such matters by the Company and the Audit Committee of the Company's Board of Directors. As a result of the findings from the investigations, the Company restated its previously reported financial results for 1997, 1996 and 1995. Since the April 15, 1998 announcement more than 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on the Company's behalf and three individual lawsuits have been filed in various courts against the Company and other defendants. With the exception of an action pending in the Delaware Chancery Court and an action filed in the Superior Court of New Jersey that has been dismissed, these actions were all filed in or transferred to the United States District Court for the District of New Jersey, where they are pending before Judge William H. Walls and Magistrate Judge Joel A. Pisano. The Court has ordered consolidation of many of the actions.

The SEC and the United States Attorney for the District of New Jersey are conducting investigations relating to the matters referenced above. The SEC advised the Company that its inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. While the Company made all adjustments considered necessary as a result of the findings from the Investigations, in restating its financial statements, the Company can provide no assurances that additional adjustments will not be necessary as a result of these government investigations.

On October 14, 1998, an action claiming to be a class action was filed against the Company and four of the Company's former officers and directors. The complaint claims that the Company made false and misleading public announcements and filings with the SEC in connection with the Company's proposed acquisition of American Bankers allegedly in violation of Sections 10(b) and 20(a) on the Securities Exchange Act of 1934, as amended and that the plaintiff and the alleged class members purchased American Bankers' securities in reliance on these public announcements and filings at inflated prices.

As previously disclosed, the Company reached a final agreement with plaintiff's counsel representing the class of holders of its PRIDES securities who purchased their securities on or prior to April 15, 1998 to settle their class action lawsuit against the Company through the issuance of a new "Right" for each PRIDES security held. (see Note 6 -- Other Charges for a more detailed description of the settlement).

Other than with respect to the PRIDES class action litigation, the Company does not believe it is feasible to predict or determine the final outcome or resolution of these proceedings or to estimate the amounts or potential range of loss with respect to these proceedings and investigations. In addition, the timing of the final resolution of these proceedings and investigations is uncertain. The possible outcomes or resolutions of these proceedings and investigations could include judgements against the Company or settlements and could require substantial payments by the Company. Management believes that material adverse outcomes with respect to such proceedings and investigations could have a material adverse impact on the Company's financial condition, results of operations and cash flows.

Other pending litigation. The Company and its subsidiaries are involved in pending litigation in the usual course of business. In the opinion of management, such other litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

19. INCOME TAXES

The income tax provision consists of:

(In millions)	FOR THE YEAR ENDED DECEMBER 31, 1998	1997	1996
Current			
Federal	$ (159.4)	$ 155.1	$ 101.1
State	0.7	24.4	13.3
Foreign	56.5	28.5	18.1
	(102.2)	208.0	132.5
Deferred			
Federal	176.1	(16.8)	70.4
State	29.5	(3.4)	16.5
Foreign	1.1	3.2	.8
	206.7	(17.0)	87.7
Provision for income taxes	$ 104.5	$ 191.0	$ 220.2

Net deferred income tax assets and liabilities are comprised of the following:

(In millions)	DECEMBER 31, 1998	1997
CURRENT NET DEFERRED INCOME TAXES		
Merger and acquisition-related liabilities	$ 52.8	$ 102.9
Accrued liabilities and deferred income	323.1	225.8
Excess tax basis on assets held for sale	190.0	--
Insurance retention refund	(21.2)	(19.3)
Provision for doubtful accounts	13.8	4.0
Franchise acquisition costs	(6.9)	(2.6)
Deferred membership acquisition costs	2.6	8.6
Other	(87.6)	(7.5)
Current net deferred tax asset	$ 466.6	$ 311.9

(In millions)	DECEMBER 31, 1998	1997
NON-CURRENT NET DEFERRED INCOME TAXES		
Depreciation and amortization	$ (296.7)	$ (277.1)
Deductible goodwill -- taxable poolings	49.3	44.2
Merger and acquisition-related liabilities	25.8	35.0
Accrued liabilities and deferred income	63.9	66.9
Acquired net operating loss carryforward	83.5	59.9
Other	(3.0)	0.2
Non-current net deferred tax liability	$ (77.2)	$ (70.9)

(In millions)	DECEMBER 31, 1998	1997
MANAGEMENT AND MORTGAGE PROGRAM DEFERRED INCOME TAXES		
Depreciation	$ (121.3)	$ (233.1)
Unamortized mortgage servicing rights	(248.0)	(74.6)
Accrued liabilities	25.8	9.5
Alternative minimum tax carryforwards	2.5	2.5
Net deferred tax liabilities under management and mortgage programs	$ (341.0)	$ (295.7)

Net operating loss carryforwards at December 31, 1998 acquired in connection with the acquisition of Avis expire as follows: 2001, $8.2 million; 2002, $89.6 million; 2005, $7.2 million; 2009, $17.7 million; and 2010, $116.0 million. Certain state net operating loss carryforwards of $43.9 million are not expected to be realized; therefore, a valuation allowance of $43.9 million was established in 1998.

The Company's effective income tax rate for continuing operations differs from the federal statutory rate as follows:

	YEAR ENDING DECEMBER 31, 1998	1997	1996
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes net of federal benefit	6.2%	5.3%	3.6%
Non-deductible merger-related costs	--	29.1%	--
Amortization of non-deductible goodwill	5.9%	4.3%	1.5%
Foreign taxes differential	(8.0%)	.3%	.5%
Recognition of excess tax basis on assets held for sale	(2.7%)	--	--
Other	(3.2%)	.3%	.6%
	33.2%	74.3%	41.2%

20. STOCK OPTION PLANS

On December 12, 1998, the Company adopted the 1999 Broad-Based Employee Stock Option Plan (the "Broad-Based Plan"). The Broad-Based Plan authorizes the granting of up to 16 million shares of Company common stock through awards of nonqualified stock options (stock options which do not qualify as incentive stock options as defined under the Internal Revenue Service Code). Certain officers and all employees and independent contractors of the Company are eligible to receive awards under the Broad-Based Plan. Options granted under the plan generally have a ten year term and are exercisable at 20% per year commencing one year from the date of grant.

In connection with the Cendant Merger, the Company adopted the 1997 Stock Incentive Plan (the "Incentive Plan"). The Incentive Plan authorizes the granting of up to 25 million shares of Company common stock through awards of stock options (which may include incentive stock options and/or nonqualified stock options), stock appreciation rights and shares of restricted Company common stock. All directors, officers and employees of the Company and its affiliates are eligible to receive awards under the Incentive Plan. Options granted under the Incentive Plan generally have a ten year term and are exercisable at 20% per year commencing one year from the date of grant. During 1997, the Company also adopted two other stock plans: the 1997 Employee Stock Plan (the "1997 Employee Plan") and the 1997 Stock Option Plan (the "1997 SOP"). The 1997 Employee Plan authorizes the granting of up to 25 million shares of Company common stock through awards of nonqualified stock options, stock appreciation rights and shares of restricted Company common stock to employees of the Company and its affiliates. The 1997 SOP provides for the granting of up to 10 million shares of Company common stock to key employees (including employees who are directors and officers) of the Company and its subsidiaries through awards of incentive and/or nonqualified stock options. Options granted under the 1997 Employee Plan and the 1997 SOP generally have ten year terms and are exercisable at 20% per year commencing one year from the date of grant.

The Company also grants options to employees pursuant to three additional stock option plans under which the Company may grant options to purchase in the aggregate up to 70.8 million shares of Company common stock. Annual vesting periods under these plans range from 20% to 33%, all commencing one year from the respective grant dates. At December 31, 1998 and 1997, there were 38.6 million and 49.3 million shares available for grant under the Company's stock option plans.

On September 23, 1998, the Compensation Committee of the Board of Directors approved a program to effectively reprice certain Company stock options granted to middle management employees during December 1997 and the first quarter of 1998. Such options were effectively repriced on October 14, 1998 at $9.8125 per share (the "New Price"), which was the fair market value (as defined in the option plans) on the date of such repricing. On September 23, 1998, the Compensation Committee also modified the terms of certain options held by certain executive officers and senior managers of the Company subject to certain conditions including revocation of a portion of existing options. Additionally, a management equity ownership program was adopted that requires these executive officers and senior managers to acquire Company common stock at various levels commensurate with their respective compensation levels. The option modifications were accomplished by canceling existing options and issuing a lesser amount of new options at the New Price and, with respect to certain options of executive officers and senior managers, at prices above the New Price.

The table below summarizes the annual activity of the Company's stock option plans:

(Shares in millions)	OPTIONS OUTSTANDING	WEIGHTED AVG. EXERCISE PRICE
BALANCE AT DECEMBER 31, 1995	98.7	$ 7.21
Granted	36.1	22.14
Canceled	(2.8)	18.48
Exercised	(14.0)	5.77
BALANCE AT DECEMBER 31, 1996	118.0	11.68
Granted	78.8	27.94
Canceled	(6.4)	27.29
Exercised	(14.0)	7.20
PHH conversion (1)	(4.4)	--
BALANCE AT DECEMBER 31, 1997	172.0	18.66
Granted		
Equal to fair market value	83.8	19.16
Greater than fair market value	20.8	17.13
Canceled	(81.8)	29.36
Exercised	(17.0)	10.01
BALANCE AT DECEMBER 31, 1998	177.8	14.64

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(1) In connection with the PHH Merger, all unexercised PHH stock options were canceled and converted into 1.8 million shares of Company common stock.

The Company utilizes the disclosure-only provisions of SFAS No. 123 "Accounting for Stock-Based Compensation" and applies Accounting Principles Board ("APB") Opinion No. 25 and related interpretations in accounting for its stock option plans. Under APB No. 25, because the exercise prices of the Company's employee stock options are equal to or greater than the market prices of the underlying Company stock on the date of grant, no compensation expense is recognized.

Had the Company elected to recognize compensation cost for its stock option plans based on the calculated fair value at the grant dates for awards under such plans, consistent with the method prescribed by SFAS No. 123, net income (loss) per share would have reflected the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,		
(In millions, except per share data)	1998	1997	1996
Net income (loss)			
as reported	$ 539.6	$ (217.2)	$ 330.0
pro forma	392.9	(663.9) (2)	245.1
Net income (loss) per share:			
Basic			
as reported	$ .64	$ (.27)	$ .44
pro forma (1)	.46	(.82) (2)	.32
Diluted			
as reported	.61	(.27)	.41
pro forma (1)	.46	(.82) (2)	.31

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(1) The effect of applying SFAS No. 123 on the pro forma net income per share disclosures is not indicative of future amounts because it does not take into consideration option grants made prior to 1995 or in future years.

(2) Includes incremental compensation expense of $335.4 million ($204.9 million, after tax) or $.25 per basic and diluted share as a result of the immediate vesting of HFS options upon consummation of the Cendant Merger.

The fair values of the stock options are estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for options granted in 1998, 1997 and 1996:

	YEAR ENDED DECEMBER 31,				
			CUC PLANS	HFS PLANS	PHH PLANS
	1998	1997	1996		
Dividend yield	--	--	--	--	2.8%
Expected volatility	55.0%	32.5%	28.0%	37.5%	21.5%
Risk-free interest rate	4.9%	5.6%	6.3%	6.4%	6.5%
Expected holding period	6.3 years	7.8 years	5.0 years	9.1 years	7.5 years

The weighted average fair values of Company stock options granted during the year ended December 31, 1998, which were repriced with exercise prices equal to and greater than the underlying stock price at the date of grant, were 19.69 and 18.10, respectively. The weighted average fair value of the stock options granted during the year ended December 31, 1998, which were not repriced was $10.16. The weighted average fair value of stock options granted during the year ended December 31, 1997 was $13.71. The weighted average fair value of stock options granted under the former CUC plans (inclusive of plans acquired) during the year ended December 31, 1996 was $7.51. The weighted average fair value of stock options granted under the former HFS plans (inclusive of the PHH plans) during the year ended December 31, 1996 was $10.96.

The table below summarizes information regarding Company stock options outstanding and exercisable as of December 31, 1998:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING SHARES	OPTIONS OUTSTANDING WEIGHTED AVG. REMAINING CONTRACTUAL LIFE	OPTIONS OUTSTANDING WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE SHARES	OPTIONS EXERCISABLE WEIGHTED AVERAGE EXERCISE PRICE
$.01 to $10.00	89.6	6.8	$ 7.40	50.5	$ 5.56
$10.01 to $20.00	38.6	7.5	15.44	17.3	14.52
$20.01 to $30.00	27.3	7.9	23.02	20.8	23.09
$30.01 to $40.00	22.3	8.8	32.03	14.8	31.83
	177.8	7.4	14.64	103.4	14.34

21. SHAREHOLDERS' EQUITY

On December 1, 1998, the Company's Board of Directors amended and restated the 1998 Employee Stock Purchase Plan (the "Plan"). The Company reserved 2.5 million shares of Company common stock in connection with the Plan, which enables eligible employees to purchase shares of common stock from the Company at 85% of the fair market value on the first business day of each calendar quarter (the "Offering Date"). Eligible employees may authorize the Company to withhold up to 10% of their compensation from each paycheck during any calendar quarter, in an amount not to exceed a total of $25,000 of Company common stock (at fair market value as of the Offering Date) during any calendar year.

In November 1998, the Board of Directors authorized a $1.0 billion common share repurchase program. As of December 31, 1998, the Company had repurchased 13.4 million shares costing $257.7 million. During the first quarter of 1999, the Company's Board of Directors authorized an additional $400.0 million to be repurchased under such program pursuant to which the Company continues to execute this program through open market purchases or privately negotiated transactions, subject to bank credit facility covenants and certain rating agency constraints. As of March 11, 1999, the Company repurchased $1.3 billion of its common stock, reducing its outstanding shares by 64.2 million shares under this share repurchase program.

22. EMPLOYEE BENEFIT PLANS

The Company sponsors several defined contribution plans that provide certain eligible employees of the Company an opportunity to accumulate funds for their retirement. The Company matches the contributions of participating employees on the basis of the percentages specified in the plans. The Company's cost for contributions to these plans was $23.6 million, $15.9 million and $10.3 million for the years ended December 31, 1998, 1997 and 1996, respectively.

The Company's PHH subsidiary has a domestic non-contributory defined benefit pension plan covering substantially all domestic employees of PHH and its subsidiaries employed prior to July 1, 1997. Additionally, the Company has contributory defined benefit pension plans in certain United Kingdom subsidiaries with participation in the plans at the employees' option. Under both the domestic and foreign plans, benefits are based on an employee's years of credited service and a percentage of final average compensation.

The Company's policy for all plans is to contribute amounts sufficient to meet the minimum requirements plus other amounts as deemed appropriate. The projected benefit obligations of the funded plans were $196.3 million and $108.1 million and funded assets, at fair value, were $162.2 million and $102.7 million at December 31, 1998 and 1997, respectively. The net pension cost and the recorded liability were not material to the accompanying consolidated financial statements.

23. RELATED PARTY TRANSACTIONS

NRT

During 1997, the Company executed agreements with NRT Incorporated ("NRT"), a corporation created to acquire residential real estate brokerage firms. In 1997, NRT acquired the real estate brokerage business and operations of National Realty Trust ("the Trust"). The Trust was an independent trust to which the Company contributed the brokerage offices, which were owned by Coldwell Banker at the time of the Company's acquisition of Coldwell Banker in 1996. Since inception, NRT acquired other local and regional real estate brokerage businesses. NRT is the largest residential brokerage firm in the United States. Certain officers of the Company serve on the Board of Directors of NRT. NRT is party to various agreements and arrangements with the Company and its subsidiaries. Under these agreements, the Company acquired $182.0 million of NRT preferred stock (and may be required to acquire up to an additional $81.3 million of NRT preferred stock). The Company received preferred dividend payments of $15.4 million and $5.2 million during the years ended 1998 and 1997, respectively which are included in other revenue in the consolidated statements of operations. NRT is the largest franchisee, based on gross commission income, of the Company's three real estate franchise systems. During 1998, 1997 and 1996, NRT and its predecessors paid an aggregate $121.5 million, $60.5 million and $24.0 million, respectively, in franchise royalties to the Company. On February 9, 1999, the Company executed new agreements with NRT, which among other things, increased the term of each of the three franchise agreements under which NRT operates from 40 years to 50 years.

In connection with the aforementioned agreements, the Company at its election, will participate in NRT's acquisitions by acquiring up to an aggregate $946.3 million (plus an additional $500.0 million if certain conditions are met) of intangible assets, and in some cases mortgage operations, of real estate brokerage firms acquired by NRT. Through December 31, 1998, the Company acquired $445.7 million of such mortgage operations and intangible assets, primarily franchise agreements associated with real estate brokerage companies acquired by NRT, which brokerage companies will become subject to the NRT 50-year franchise agreements. In February 1999, NRT and the Company entered into an agreement whereby the Company made an upfront payment of $30.0 million to NRT for services to be provided by NRT to the Company related to the identification of potential acquisition candidates, the negotiation of agreements and other services in connection with future brokerage acquisitions by NRT. Such fee is refundable in the event the services are not provided.

AVIS, INC.

Upon entering into the definitive merger agreement to acquire Avis, the Company announced its strategy to dilute its interest in the subsidiary of Avis which controlled the car rental operations of Avis ("ARAC") while retaining assets associated with the franchise business, including trademarks, reservation system assets and franchise agreements with ARAC and other licensees. Since the Company's control was planned to be temporary, the Company accounted for its 100% investment in ARAC under the equity method. The Company's equity interest was diluted to 27.5% pursuant to an Initial Public Offering ("IPO") by ARAC in September 1997. Net proceeds from the IPO of $359.3 million were retained by ARAC. In March 1998, the Company sold one million shares of Avis common stock and recognized a pre-tax gain of approximately $17.7 million, which is included in other revenue in the consolidated statements of operations. At December 31, 1998, the Company's interest in ARAC was approximately 22.6%. The Company recorded its equity in the earnings of ARAC, which amounted to $13.5 million, $51.3 million and $1.2 million for the years ended December 31, 1998, 1997 and 1996, respectively, as a component of other revenue in the consolidated statements of operations. In January 1999, the Company's equity interest was further diluted to 19.4% as a result of the Company's sale of 1.3 million shares of Avis common stock.

The Company licenses the Avis trademark to ARAC pursuant to a 50-year master license agreement and receives royalty fees based upon 4% of ARAC revenue, escalating to 4.5% of ARAC revenue over a 5-year period. During 1998 and 1997, total franchise royalties paid to the Company from ARAC were $91.9 million and $81.7 million, respectively. In addition, the Company operates the telecommunications and computer processing system, which services ARAC for reservations, rental agreement processing, accounting and fleet control for which the Company charges ARAC at cost. Certain officers of the Company serve on the Board of Directors of ARAC.

24. DIVESTITURE

On December 17, 1997, as directed by the Federal Trade Commission in connection with the Cendant Merger, CUC sold immediately preceding the Cendant Merger all of the outstanding shares of its timeshare exchange businesses, Interval International Inc. ("Interval"), for net proceeds of $240.0 million less transaction related costs amortized as services are provided. The Company recognized a gain on the sale of Interval of $76.6 million ($26.4 million, after tax), which has been reflected as an extraordinary gain in the consolidated statements of operations.

25. FRANCHISING AND MARKETING/RESERVATION ACTIVITIES

Revenue from franchising activities includes initial franchise fees charged to lodging properties, car rental locations, tax preparation offices and real estate brokerage offices upon execution of a franchise contract. Initial franchise fees amounted to $44.7 million, $26.0 million and $24.2 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Franchising information at December 31 is as follows:

	1998 (1)	1997	1996
Franchised Units in Operation	22,471	18,876	18,535
Backlog (Franchised units sold but not yet opened)	2,063	1,547	1,061

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(1) 1,998 franchised units were acquired in connection with the acquisition of Jackson Hewitt.

The Company receives marketing and reservation fees from several of its lodging and real estate franchisees. Marketing and reservation fees related to the Company's lodging brands' franchisees are calculated based on a specified percentage of gross room revenues. Marketing fees received from the Company's real estate brands' franchisees are based on a specified percentage of gross closed commissions earned on the sale of real estate. As provided in the franchise agreements, at the Company's discretion, all of these fees are to be expended for marketing purposes and the operation of a centralized brand-specific reservation system for the respective franchisees and are controlled by the Company until disbursement. Membership and service fee revenues included marketing and reservation fees of $222.4 million, $215.4 million and $157.6 million for the years ended December 31, 1998, 1997 and 1996, respectively.

26. SEGMENT INFORMATION

Effective December 31, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The provisions of SFAS No. 131 established revised standards for public companies relating to reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports. It also established standards for related disclosures about products and services, and geographic areas. The adoption of SFAS No. 131 did not affect the Company's primary financial statements, but did affect the disclosure of segment information. The segment information for 1997 and 1996 has been restated from the prior years' presentation in order to conform to the requirements of SFAS No. 131.

Management evaluates each segment's performance on a stand-alone basis based on a modification of earnings before interest, income taxes, depreciation and amortization. For this purpose, Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, adjusted for other charges which are of a non-recurring or unusual nature, which are not measured in assessing segment performance or are not segment specific. The Company determined that it has nine reportable operating segments based primarily on the types of services it provides, the consumer base to which marketing efforts are directed and the methods used to sell services. Inter-segment net revenues were not significant to the net revenues of any one segment or the consolidated net revenues of the Company. A description of the services provided within each of the Company's reportable operating segments is as follows:

TRAVEL

Travel services include the franchising of lodging properties and car rental locations, as well as vacation/timeshare exchange services. As a franchiser of guest lodging facilities and car rental agency locations, the Company licenses the independent owners and operators of hotels and car rental agencies to use its brand names. Operation and administrative services are provided to franchisees, which include access to a national reservation system, national advertising and promotional campaigns, co-marketing programs and volume purchasing discounts. As a provider of vacation and timeshare exchange services, the Company enters into affiliation agreements with resort property owners/developers (the developers) to allow owners of weekly timeshare intervals (the subscribers) to trade their owned weeks with other subscribers. In addition, the Company provides publications and other travel-related services to both developers and subscribers.

INDIVIDUAL MEMBERSHIP

Individual membership provides customers with access to a variety of services and discounted products in such areas as retail shopping, travel, auto, dining, home improvement, credit information and special interest outdoor and gaming clubs. The Company affiliates with business partners such as leading financial institutions and retailers to offer membership as an enhancement to their credit card customers. Individual memberships are marketed primarily using direct marketing techniques. Through the Company's membership based online consumer sites, similar products and services are offered over the internet.

INSURANCE/WHOLESALE

Insurance/Wholesale membership markets and administers competitively priced insurance products, primarily accidental death and dismemberment insurance and term life insurance. The Company also provides services such as checking account enhancement packages, various financial products and discount programs to financial institutions, which in turn provide these services to their customers. The Company affiliates with financial institutions, including credit unions and banks, to offer their respective customer bases such products and services.

RELOCATION

Relocation services are provided to client corporations for the transfer of their employees. Such services include appraisal, inspection and selling of transferees' homes, providing equity advances to transferees (generally guaranteed by the corporate customer), purchase of a transferee's home which is sold within a specified time period for a price which is at least equivalent to the appraised value, certain home management services, assistance in locating a new home at the transferee's destination, consulting services and other related services.

REAL ESTATE FRANCHISE

The Company licenses the owners and operators of independent real estate brokerage businesses to use its brand names. Operational and administrative services are provided to franchisees, which are designed to increase franchisee revenue and profitability. Such services include advertising and promotions, referrals, training and volume purchasing discounts.

FLEET

Fleet services primarily consist of the management, purchasing, leasing, and resale of vehicles for corporate clients and government agencies. These services also include fuel, maintenance, safety and accident management programs and other fee-based services for clients' vehicle fleets. The Company leases vehicles primarily to corporate fleet users under operating and direct financing lease arrangements.

MORTGAGE

Mortgage services primarily include the origination, sale and servicing of residential mortgage loans. Revenues are earned from the sale of mortgage loans to investors as well as from fees earned on the servicing of loans for investors. The Company markets a variety of mortgage products to consumers through relationships with corporations, affinity groups, financial institutions, real estate brokerage firms and other mortgage banks.

The Company customarily sells all mortgages it originates to investors (which include a variety of institutional investors) either as individual loans, as mortgage-backed securities or as participation certificates issued or guaranteed by Fannie Mae, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association while generally retaining mortgage servicing rights. Mortgage servicing consists of collecting loan payments, remitting principal and interest payments to investors, holding escrow funds for payment of mortgage-related expenses such as taxes and insurance, and otherwise administering the Company's mortgage loan servicing portfolio.

ENTERTAINMENT PUBLICATIONS
Entertainment Publications ("EPub") offers discount programs in specific markets throughout North America and certain international markets and enhances other products of the Company's Individual and Insurance/Wholesale membership segment products. The Company solicits restaurants, hotels, theaters, sporting events, retailers and other businesses which agree to offer books and/or merchandise at discount prices. The Company sells to schools, community groups and other organizations discount programs, which typically provide discount offers to individuals in the form of local discount coupon books, gift wrap and other seasonal products.

OTHER SERVICES
In addition to the previously described business segments, the Company also derives revenues from providing a variety of other consumer and business products and services which include the Company's tax preparation services franchise, information technology services, car park facility services, vehicle emergency support and rescue services, credit information services, financial products, published products, welcoming packages to new homeowners, value added-tax refund services to travelers and other consumer-related services.

SEGMENT INFORMATION (1)
(In millions)

YEAR ENDED DECEMBER 31, 1998

	TOTAL	TRAVEL (2)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	RELOCATION
Net revenues	$ 5,283.8	$ 1,063.3	$ 929.1	$ 544.0	$ 444.0
Adjusted EBITDA	1,589.9	542.5	(57.8)	137.8	124.5
Depreciation and amortization	322.7	88.3	23.7	14.0	16.7
Segment assets	19,842.9	2,761.6	839.0	371.5	1,130.3
Capital expenditures	355.2	79.0	28.4	16.6	69.6

	REAL ESTATE FRANCHISE	FLEET	MORTGAGE	EPUB	OTHER
Net revenues	$ 455.8	$ 387.4	$ 353.4	$ 197.2	$ 909.6
Adjusted EBITDA	348.6	173.8	187.6	32.1	100.8
Depreciation and amortization	53.2	22.2	8.8	8.7	87.1
Segment assets	2,014.3	4,697.2	3,504.0	97.3	4,427.7
Capital expenditures	5.8	57.7	36.4	3.9	57.8

YEAR ENDED DECEMBER 31, 1997

	TOTAL	TRAVEL (2)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	RELOCATION
Net revenues	$ 4,240.0	$ 971.6	$ 778.7	$ 482.7	$ 401.6
Adjusted EBITDA	1,249.7	467.3	5.3	111.0	92.6
Depreciation and amortization	237.7	81.9	17.8	11.0	8.1
Segment assets	13,800.1	2,601.5	840.6	357.0	1,008.7
Capital expenditures	154.5	36.5	12.1	5.6	23.0

	REAL ESTATE FRANCHISE	FLEET	MORTGAGE	EPUB	OTHER
Net revenues	$ 334.6	$ 324.1	$ 179.2	$ 188.1	$ 579.4
Adjusted EBITDA	226.9	120.5	74.8	36.8	114.5
Depreciation and amortization	43.6	16.3	5.1	8.7	45.2
Segment assets	1,827.1	4,125.8	2,233.3	114.4	691.7
Capital expenditures	12.6	24.3	16.2	2.8	21.4

YEAR ENDED DECEMBER 31, 1996

	TOTAL	TRAVEL (2)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	RELOCATION
Net revenues	$ 3,237.7	$ 429.2	$ 745.9	$ 448.0	$ 344.9
Adjusted EBITDA	802.7	189.5	43.2	99.0	65.5
Depreciation and amortization	145.5	36.9	12.8	12.8	11.2
Segment assets	12,642.4	2,686.2	882.7	297.1	1,086.4
Capital expenditures	101.2	20.8	8.9	5.2	9.1

	REAL ESTATE FRANCHISE	FLEET	MORTGAGE	EPUB	OTHER
Net revenues	$ 236.3	$ 293.5	$ 127.7	$ 174.6	$ 437.6
Adjusted EBITDA	137.8	99.0	45.7	22.0	101.0
Depreciation and amortization	27.3	17.6	4.4	7.0	15.5
Segment assets	1,295.5	3,991.1	1,742.4	80.9	580.1
Capital expenditures	9.9	15.3	9.9	3.6	18.5

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(1) Segment data includes the financial results associated with acquisitions accounted for under the purchase method of accounting since the respective dates of acquisition as follows:

SEGMENT	ACQUISITION	ACQUISITION DATE
Travel	Avis	October 1996
	RCI	November 1996
Real Estate franchise	Coldwell Banker	May 1996
Other	NPC	April 1998
	Jackson Hewitt	January 1998

(2) Net revenues and Adjusted EBITDA include the equity in earnings from the Company's investment in ARAC of $13.5 million, $51.3 million and $1.2 million in 1998, 1997 and 1996, respectively. 1998 net revenues and Adjusted EBITDA include a pre-tax gain of $17.7 million as a result of a

1998 sale of a portion of the Company's equity interest. Total assets include such equity method investment in the amount of $139.1 million, $123.8 million and $76.5 million at December 31, 1998, 1997 and 1996, respectively.

Provided below is a reconciliation of total Adjusted EBITDA and total assets for reportable segments to the consolidated amounts.

ADJUSTED EBITDA
(In millions)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Adjusted EBITDA for reportable segments	$ 1,589.9	$ 1,249.7	$ 802.7
Other charges			
Litigation settlement	351.0	--	--
Termination of proposed acquisitions	433.5	--	--
Executive terminations	52.5	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Investigation-related costs	33.4	--	--
Financing costs	35.1	--	--
Depreciation and amortization	322.7	237.7	145.5
Interest, net	113.9	50.6	14.3
Consolidated income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change	$ 315.0	$ 257.3	$ 533.5

TOTAL ASSETS
(in millions)

	DECEMBER 31,		
	1998	1997	1996
Total assets for reportable segments	$ 19,842.9	$ 13,800.1	$ 12,642.4
Net assets of discontinued operations	373.6	273.3	120.1
Consolidated total assets	$ 20,216.5	$ 14,073.4	$ 12,762.5

GEOGRAPHIC INFORMATION

(In millions)	TOTAL	UNITED STATES	UNITED KINGDOM	ALL OTHER COUNTRIES
1998				
Net revenues	$ 5,283.8	$ 4,277.5	$ 695.5	$ 310.8
Assets	20,216.5	16,251.0	3,706.5	259.0
Long-lived assets	1,432.8	645.9	767.8 (1)	19.1
1997				
Net revenues	$ 4,240.0	$ 3,669.1	$ 231.8	$ 339.1
Assets	14,073.4	12,749.2	1,014.7	309.5
Long-lived assets	544.7	477.6	49.1	18.0
1996				
Net revenues	$ 3,237.7	$ 2,947.3	$ 133.7	$ 156.7
Assets	12,762.5	11,566.6	830.7	365.2
Long-lived assets	523.9	444.4	65.9	13.6

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(1) Includes $691.0 million of property and equipment acquired in connection with the NPC acquisition.

Geographic segment information is classified based on the geographic location of the subsidiary. Long-lived assets are comprised of property and equipment.

27. SUBSEQUENT EVENT

On February 4, 1999, the Company announced its intention to not proceed with the acquisition of RAC Motoring Services ("RACMS") due to certain conditions imposed by the UK Secretary of State of Trade and Industry that the Company determined to be not commercially feasible and therefore unacceptable. The Company originally announced on May 21, 1998 its definitive agreement with the Board of Directors of Royal Automobile Club Limited to acquire RACMS for approximately

$735.0 million in cash. The Company wrote-off $7.0 million of deferred acquisition costs in the first quarter of 1999 in connection with the termination of the proposed acquisition of RACMS.

28. SELECTED QUARTERLY FINANCIAL DATA -- (UNAUDITED)

Provided below is the selected unaudited quarterly financial data for 1998 and 1997. The underlying per share information is calculated from the weighted average shares outstanding during each quarter, which may fluctuate based on quarterly income levels. Therefore, the sum of the quarters may not equal the total year amounts.

	1998				
(In millions, except per share data)	FIRST	SECOND (1)	THIRD (2)	FOURTH(3)	TOTAL YEAR
Net revenues	$ 1,129.4	$ 1,277.9	$ 1,457.8	$ 1,418.7	$ 5,283.8
Income (loss) from continuing operations	183.9	154.9	123.1	(302.0)	159.9
Loss from discontinued operations, net of tax	(11.0)	(1.9)	(12.1)	--	(25.0)
Gain on sale of discontinued operations, net of tax	--	--	--	404.7 (4)	404.7
Net income	$ 172.9	$ 153.0	$ 111.0	$ 102.7	$ 539.6
Per share information:					
Basic					
Income (loss) from continuing operations	$ 0.22	$ 0.18	$ 0.14	$ (0.36)	$ 0.19
Net income	$ 0.21	$ 0.18	$ 0.13	$ 0.12	$ 0.64
Weighted average shares	838.7	850.8	850.8	850.0	848.4
Diluted					
Income (loss) from continuing operations	$ 0.21	$ 0.18	$ 0.14	$ (0.36)	$ 0.18
Net income	$ 0.20	$ 0.18	$ 0.13	$ 0.12	$ 0.61
Weighted average shares	908.5	900.9	877.4	850.0	880.4
Common Stock Market Prices:					
High	41	41 3/8	22 7/16	20 5/8	
Low	32 7/16	18 9/16	10 7/16	7 1/2	

	1997				
	FIRST	SECOND (5)	THIRD (6)	FOURTH	TOTAL YEAR
Net revenues	$ 953.7	$ 999.6	$ 1,186.5	$ 1,100.2	$ 4,240.0
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change	113.8	(69.4)	203.0	(181.1)	66.3
Income (loss) from discontinued operations, net of tax	2.8	(14.6)	(0.4)	(14.6)	(26.8)
Extraordinary gain, net of tax	--	--	--	26.4 (8)	26.4
Cumulative effect of accounting change, net of tax	(283.1)(7)	--	--	--	(283.1)
Net income (loss)	$ (166.5)	$ (84.0)	$ 202.6	$ (169.3)	$ (217.2)
Per share information:					
Basic					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.14	$ (0.09)	$ 0.25	$ (0.22)	$ 0.08
Net income (loss)	$ (0.21)	$ (0.11)	$ 0.25	$ (0.20)	$ (0.27)
Weighted average shares	799.4	804.2	805.9	828.4	811.2
Diluted					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.13	$ (0.09)	$ 0.23	$ (0.22)	$ 0.08
Net income (loss)	$ (0.19)	$ (0.11)	$ 0.23	$ (0.20)	$ (0.27)
Weighted average shares	877.1	804.2	889.0	828.4	851.7
Common Stock Market Prices:					
High	26 7/8	26 3/4	31 3/4	31 3/8	
Low	22 1/2	20	23 11/16	26 15/16	

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(1) Includes charges of $32.2 million ($20.4 million, after tax or $0.02 per diluted share) comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs. Such charges were partially offset by a credit of $27.5 million ($18.6 million, after tax of $0.02 per diluted share) associated with changes to the original estimate of costs to be incurred in connection with the 1997 Unusual Charges.

(2) Includes charges of: (i) $76.4 million ($49.2 million, after tax or $0.06 per share) comprised of costs associated with the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation payments, principally to the Company's former chairman; and (ii) a $50.0 million ($32.2 million, after-tax or $0.04 per diluted share) non-cash write off of certain equity investments in interactive membership businesses and impaired goodwill associated with the National Library of Poetry, a Company subsidiary.

(3) Includes charges of: (i) $433.5 million ($281.7 million, after tax or $0.33 per diluted share) for the costs of terminating the proposed acquisitions of American Bankers and Providian; (ii) $351.0 million ($228.2 million, after tax or $0.27 per diluted share) associated with an agreement to settle the PRIDES securities class action suit, and (iii) $12.4 million (9.9 million, after tax or $0.01 per diluted share) comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation payments. Such charges were partially offset by a credit of $42.8 million ($27.5 million, after tax or $0.03 per diluted share) associated with changes to the original estimate of costs to be incurred in connection with the 1997 Unusual Charges.

(4) Represents gains associated with the sales of Hebdo Mag and CDS (see Note 5 -- Discontinued Operations).

(5) Includes Unusual Charges of $295.4 million primarily associated with the PHH Merger. Unusual Charges of $278.9 million ($208.4 million, after-tax or $.24 per diluted share) pertained to continuing operations and $16.5 million were associated with discontinued operations.

(6) Includes Unusual Charges in the net amount of $442.6 million substantially associated with the Cendant Merger and Hebdo Mag merger. Net Unusual Charges of $425.2 million ($296.3 million, after-tax or $.34 per diluted share) pertained to continuing operations and $17.4 million were associated with discontinued operations.

(7) Represents a non-cash after-tax charge of $0.35 per diluted share to

account for the cumulative effect of a change in accounting, effective
January 1, 1997, related to revenue and expense recognition for
memberships.

(8) Represents the gain on the sale of Interval, which was sold coincident to the Cendant Merger in consideration of Federal Trade Commission anti-trust concerns within the timeshare industry.

December 31, 1998

Mr. Henry R. Silverman
Cendant Corporation
712 Fifth Avenue, 41st Floor
New York, New York 10019

Dear Henry:

Reference is hereby made to the agreement by and between Cendant Corporation (the "Company") (as successor by merger to HFS Incorporated) and you, as amended and restated as of June 30, 1996 and as further amended as of January 27, 1997 and December 17, 1997 (the "Agreement"). Capitalized terms used in this letter shall have the meanings assigned to them in the Agreement unless otherwise defined herein. In order to reflect the change in your duties as a result of your assumption of the position of Chairman of the Board in addition to President and Chief Executive Officer, and to accommodate certain other changes to the terms of the Agreement, pursuant to and in accordance with the amendment provisions set forth in Section 10 of the Agreement, the Company and you hereby agree that the Agreement shall be amended by entering into this Third Amendment to Employment Agreement (the "Third Amendment"), effective January 1, 1999 (the "Third Amendment Effective Date"), as follows:

1. Section 1 of the Agreement is hereby amended in its entirety to read as follows:

> "The employment of the Executive by the Company pursuant to this Agreement will commence on the Closing Date (as defined in that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of May 27, 1997, by and between HFS Incorporated and CUC International Inc. ("CUC") and end on December 31, 2005, unless extended or sooner terminated as hereinafter provided."

2. The first sentence of Section 2 of the Agreement is hereby amended in its entirety to read as follows:

> "For the period commencing on the Closing Date through and including July 27, 1998, the Executive shall serve as President and Chief Executive Officer of the Company. For the period commencing on July 28, 1998, the Executive

shall, in addition to his other offices, serve as Chairman of the Board and Chairman of the Executive Committee of the Board of the Company."

3. The first sentence of Section 4(a) of the Agreement is hereby amended in its entirety to read as follows:

"Salary. During the period of the Executive's employment, the Company shall pay the Executive an annual base salary at a rate of $1,500,000 per year for the period commencing on the Closing Date and ending on December 31, 1998 and $2,900,000 per year thereafter, such salary to be paid in substantially equal semi-monthly or bi-weekly installments."

4. The first sentence of Section 7(b) of the Agreement is hereby amended in its entirety to read as follows:

"The Executive acknowledges that, through his status as Chairman of the Board, President and Chief Executive Officer of the Company, he has and will have possession of important, confidential information and knowledge as to the Company's business, including but not limited to knowledge of marketing and operating strategies, franchise agreements, financial results and projections, future plans, the provisions of important contracts entered into by the Company and possible acquisitions and divestitures."

This letter is intended to constitute an amendment to the Agreement, and, as amended hereby, the Agreement shall remain in full force and effect. In order to evidence your agreement with the provisions of this letter, please sign the enclosed copy of this letter and return it to the undersigned whereupon it will be the binding agreement between the Company and you.

Very truly yours,

CENDANT CORPORATION

By: /s/ James E. Buckman

Title: Vice Chairman

AGREED TO:

Henry R. Silverman

/s/ Henry R. Silverman
- ------------------------

AGREEMENT

AGREEMENT (this "Agreement") dated as of January 11, 1999, by and between Cendant Corporation (the "Company") and Stephen P. Holmes (the "Executive").

WHEREAS, the Company (formerly known as CUC International, Inc. and the successor in interest to HFS Incorporated) and the Executive are parties to that certain agreement, dated as of September 12, 1997, governing the terms of the Executive's employment with the Company (the "Employment Agreement"); and

WHEREAS, the Company and the Executive desire that the Executive perform a substantial portion of his duties in the Company's business office located in Manhattan, New York City.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. The last clause of the first sentence of Section VIII.E.ii of the Employment Agreement, which clause currently reads, in its entirety, as "or any relocation of the Executive's employment to a location more than 15 miles from the city limits of Parsippany, New Jersey," is hereby amended and restated to read, in its entirety as follows:

   > "or any relocation of the Executive's employment to a location which is each of (i) more than 15 miles from the city limits of Parsippany, New Jersey and (ii) outside of the borough of Manhattan, New York City."

2. Except as otherwise provided in this Agreement, the Employment Agreement shall remain in full force and effect.

3. This Agreement has been executed and delivered in the State of New Jersey and its validity, interpretation, performance and enforcement shall be governed by the laws of such state.

4. This Agreement may be executed in counterparts, of each which will be deemed an original, but both of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CENDANT CORPORATION

By: /s/ Thomas D. Christopoul

Thomas D. Christopoul
Executive Vice President
Human Resources

/s/ Stephen P. Holmes
- ------------------------
Stephen P. Holmes

AGREEMENT

AGREEMENT (this "Agreement") dated as of December 23, 1998, by and between Cendant Corporation (the "Company") and Michael P. Monaco (the "Executive").

WHEREAS, the Company (formerly known as CUC International, Inc. and the successor in interest to HFS Incorporated) and the Executive are parties to that certain agreement, dated as of September 12, 1997, governing the terms of the Executive's employment with the Company (the "Employment Agreement");

WHEREAS, the Company has promoted the Executive to Chairman and Chief Executive Officer of the Company's Alliance Marketing Division and the Executive has accepted such promotion (the "New Position"); and

WHEREAS, the Executive acknowledges that the New Position involves material changes to his duties and responsibilities, including without limitation a change to his primary business office to Stamford, Connecticut.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Any and all changes in the Executive's duties, responsibilities and obligations in connection with his promotion to the New Position shall not constitute a Constructive Discharge within the meaning of the Employment Agreement, and the Executive hereby waives any right to claim Constructive Discharge under the Agreement in connection with such changes.

2. The last clause of the first sentence of Section VIII.E.ii of the Employment Agreement, which clause currently reads, in its entirety, as "or any relocation of the Executive's employment to a location more than 15 miles from the city limits of Parsippany, New Jersey," is hereby amended and restated to read, in its entirety as follows:

   > "or any relocation of the Executive's employment to a location which is each of (i) more than 15 miles from the city limits of Parsippany, New Jersey, (ii) more than 15 miles from the city limits of Stamford, Connecticut and (iii) outside of the borough of Manhattan, New York City."

3. Except as otherwise provided in this Agreement, the Employment Agreement shall remain in full force and effect.

4. This Agreement has been executed and delivered in the State of New Jersey and its validity, interpretation, performance and enforcement shall be governed by the laws of such state.

5. This Agreement may be executed in counterparts, of each which will be deemed an original, but both of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CENDANT CORPORATION

By: /s/ Thomas D. Christopoul

Thomas D. Christopoul
Executive Vice President
Human Resources

/s/ Michael P. Monaco
- ------------------------
Michael P. Monaco

AGREEMENT

AGREEMENT (this "Agreement") dated as of January 11, 1999, by and between Cendant Corporation (the "Company") and James E. Buckman (the "Executive").

WHEREAS, the Company (formerly known as CUC International, Inc. and the successor in interest to HFS Incorporated) and the Executive are parties to that certain agreement, dated as of September 12, 1997, governing the terms of the Executive's employment with the Company (the "Employment Agreement");

WHEREAS, the Company has promoted the Executive to the position of Vice Chairman of Cendant Corporation and the Executive has accepted such promotion (the "New Position"); and

WHEREAS, the Executive acknowledges that the New Position will require the Executive to perform a substantial portion of his duties at the Company's business office located in Manhattan, New York City.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Any and all changes in the Executive's duties, responsibilities and obligations in connection with his promotion to the New Position shall not constitute a Constructive Discharge within the meaning of the Employment Agreement, and the Executive hereby waives any right to claim Constructive Discharge under the Employment Agreement in connection with such changes.

2. The last clause of the first sentence of Section VIII.E.ii of the Employment Agreement, which clause currently reads, in its entirety, as "or any relocation of the Executive's employment to a location more than 15 miles from the city limits of Parsippany, New Jersey," is hereby amended and restated to read, in its entirety as follows:

   > "or any relocation of the Executive's employment to a location which is each of (i) more than 15 miles from the city limits of Parsippany, New Jersey and (ii) outside of the borough of Manhattan, New York City."

3. Except as otherwise provided in this Agreement, the Employment Agreement shall remain in full force and effect.

4. This Agreement has been executed and delivered in the State of New Jersey and its validity, interpretation, performance and enforcement shall be governed by the laws of such state.

5. This Agreement may be executed in counterparts, of each which will be deemed an original, but both of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CENDANT CORPORATION

By: /s/ Thomas D. Christopoul

Thomas D. Christopoul
Executive Vice President
Human Resources

/s/ James E. Buckman
- ------------------------
James E. Buckman

CENDANT CORPORATION
DEFERRED COMPENSATION PLAN

ARTICLE 1-INTRODUCTION

1.1 PURPOSE OF PLAN

The Employer has adopted the Plan set forth herein to provide a means by which certain employees may elect to defer receipt of designated percentages or amounts of their Compensation and to provide a means for certain other deferrals of Compensation.

1.2 STATUS OF PLAN

The Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2) and 301(a)(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), and shall be interpreted and administered to the extent possible in a manner consistent with that intent.

ARTICLE 2-DEFINITIONS

Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

2.1 ACCOUNT means, for each Participant, the account established for his or her benefit under Section 5.1.

2.2 ADOPTION AGREEMENT means the Merrill Lynch Special Non-Qualified Deferred Compensation Plan for Select Employees Adoption Agreement signed by the Employer to establish the Plan and containing all the options selected by the Employer, as the same may be amended from time to time.

2.3 CHANGE OF CONTROL means (a) the purchase or other acquisition in one or more transactions other than from the Employer, by an individual, entity or group of persons, within the meaning of section 13(d)(3) of 14 (d) of the Securities Exchange Act of 1934 or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 of Securities Exchange Act of 1934) of 30 percent or more of either the outstanding shares of common stock or the combined voting power of the Employer's then outstanding voting securities entitled to vote generally, or (b) the approval by the stockholders of the Employer of a reorganization, merger, or consolidation, in each case, with respect to which persons who were stockholders of the Employer immediately prior to such reorganization, merger or consolidation do not immediately thereafter own more than 50 percent of the combined voting power of the reorganized, merged or consolidated Employer's then outstanding securities that are entitled to vote generally in the election of directors or (c) the sale of substantially all of the Employer's assets.

2.4 CODE means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

2.5 COMPENSATION has the meaning elected by the Employer in the Adoption Agreement.

2.6 EFFECTIVE DATE means the date chosen in the Adoption Agreement as of which the Plan first becomes effective.

2.7 ELECTION FORM means the participation election form as approved and prescribed by the Plan Administrator.

2.8 ELECTIVE DEFERRAL means the portion of Compensation which is deferred by a Participant under Section 4.1.

2.9 ELIGIBLE EMPLOYEE means, on the Effective Date or on any Entry Date thereafter, each employee of the Employer who satisfies the criteria established in the Adoption Agreement.

2.10 EMPLOYER means the corporation referred to in the Adoption Agreement, any successor to all or a major portion of the Employer's assets or business which assumes the obligations of the Employer, and each other entity that is affiliated with the Employer which adopts the Plan with the consent of the Employer, provided that the Employer that signs the Adoption Agreement shall have the sole power to amend this Plan and shall be the Plan Administrator if no other person or entity is so serving at any time.

2.11 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to any section or subsection of ERISA includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

2.12 INCENTIVE CONTRIBUTION means a discretionary additional contribution made by the Employer as described in Section 4.3.

2.13 INSOLVENT means either (i) the Employer is unable to pay its debts as they become due, or (ii) the Employer is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

2.14 MATCHING DEFERRAL means a deferral for the benefit of a Participant as described in Section 4.2.

2.15 PARTICIPANT means any individual who participates in the Plan in accordance with Article 3.

2.16 PLAN means the Employer's plan in the form of the Merrill Lynch Special Non-Qualified Deferred Compensation Plan for Select Employees and the Adoption Agreement and all amendments thereto.

2.17 PLAN ADMINISTRATOR means the person, persons or entity designated by the Employer in the Adoption Agreement to administer the Plan and to serve as the agent for "Company" with respect to the Trust as contemplated by the agreement establishing the Trust. If no such person or entity is so serving at any time, the Employer shall be the Plan Administrator.

2.18 PLAN YEAR means the 12-month period chosen in the Adoption Agreement.

2.19 TOTAL AND PERMANENT DISABILITY means the inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and the permanence and degree of which shall be supported by medical evidence satisfactory to the Plan Administrator.

2.20 TRUST means the trust established by the Employer that identifies the Plan as a plan with respect to which assets are to be held by the Trustee.

2.21 TRUSTEE means the trustee or trustees under the Trust.

2.22 YEAR OF SERVICE means the computation period and service requirement elected in the Adoption Agreement.

ARTICLE 3-PARTICIPATION

3.1 COMMENCEMENT OF PARTICIPATION

Any individual who elects to defer part of his or her Compensation in accordance with Section 4.1 shall become a Participant in the Plan as of the date such deferrals commence in accordance with Section 4.1. Any individual who is not already a Participant and whose Account is credited with an Incentive Contribution shall become a Participant as of the date such amount is credited.

3.2 CONTINUED PARTICIPATION

A Participant in the Plan shall continue to be a Participant so long as any amount remains credited to his or her Account.

ARTICLE 4-ELECTIVE AND MATCHING DEFERRALS

4.1 ELECTIVE DEFERRALS

An individual who is an Eligible Employee on the Effective Date may, by completing an Elections Form and filing it with the Plan Administrator within 30 days following the Effective Date, elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, which are payable to the Participant after the date on which the individual files the Election Form. Any individual who becomes an Eligible Employee after the Effective Date may, by completing an Election Form and filing it with the Plan Administrator within 30 days following the date on which the Plan Administrator gives such individual written notice that the individual is an Eligible Employee, elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, which are payable to the Participant after the date on which the individual files the Election Form. Any Eligible Employee who has not otherwise initially elected to defer Compensation in accordance with this paragraph 4.1 may elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, commencing with Compensation paid in the next succeeding Plan Year, by completing an Election Form prior to the first day of such succeeding Plan Year. In addition, a Participant may defer all or part of the amount of any elective deferral or matching contribution made on his or her behalf to the Employer's 401(k) plan for the prior Plan Year but treated as an excess deferral, an excess contribution or otherwise limited by the application of the limitations of sections 401(k), 401(m), 415 or 402(q) of the Code, so long as the Participant so indicates on an Election Form. A Participant's Compensation shall be reduced in accordance with the Participant's election hereunder and amounts deferred hereunder shall be paid by the Employer to the Trust as soon as administratively feasible and credited to the Participant's Account as of the date the amounts are received by the Trustee.

An election to defer a percentage or dollar amount of Compensation for any Plan Year shall apply for subsequent Plan Years unless changed or revoked. A Participant may change or revoke his or her deferral election as of the first day of any Plan Year by giving written notice to the Plan Administrator before such first day (or any such earlier date as the Plan Administrator may prescribe).

4.2 MATCHING DEFERRALS

After each payroll period, monthly, quarterly, or annually, at the Employer's discretion, the Employer shall contribute to the Trust Matching Deferrals equal to the rate of Matching Contribution selected by the Employer and multiplied by the amount of the Elective Deferrals credited to the Participants' Accounts for such period under Section 4.1. Each Matching Deferral will be credited, as of the later of the date it is received by the Trustee or the date the Trustee receives from the Plan Administrator such instructions as the Trustee may reasonably require to allocate the amount received among the asset accounts maintained by the Trustee, to the Participants' Accounts pro rata in accordance with the amount of Elective Deferrals of each Participant which are taken into account in calculating the Matching Deferral.

4.3 INCENTIVE CONTRIBUTIONS

In addition to other contributions provided for under the Plan, the Employer may, in its sole discretion, select one or more Eligible Employees to receive an Incentive Contribution to his or her Account on such terms as the Employer shall specify at the time it makes the contribution. For example, the Employer may contribute an amount to a Participant's Account and condition the payment of that amount and accrued earnings thereon upon the Participant remaining employed by the Employer for an additional specified period of time. The terms specified by the Employer shall supersede any other provision of this Plan as regards Incentive Contributions and earnings with respect thereto, provided that if the Employer does not specify a method of distribution, the Incentive Contribution shall be distributed in a manner consistent with the election last made by the particular Participant prior to the year in which the Incentive Contribution is made. The Employer, in its discretion, may permit the Participant to designate a distribution schedule for a particular Incentive Contribution provided that such designation is made prior to the time that the Employer finally determines that the Participant will receive the Incentive Contribution.

ARTICLE 5-ACCOUNTS

5.1 ACCOUNTS

The Plan Administrator shall establish an Account for each Participant reflecting Elective Deferrals, Matching Deferrals and Incentive Contributions made for the Participant's benefit together with any adjustments for income, gain or loss and any payments from the Account. The Plan Administrator may cause the Trustee to maintain and invest separate asset accounts corresponding to each Participant's Account. The Plan Administrator shall establish sub-accounts for each Participant that has more than one election in effect under Section 7.1 and such other sub-accounts as are necessary for the proper administration of the Plan. As of the last business day of each calendar quarter, the Plan Administrator shall provide the Participant with a statement of his or her Account reflecting the income, gains and losses (realized and unrealized), amounts of deferrals, and distributions of such Account since the prior statement.

5.2 INVESTMENTS

The assets of the Trust shall be invested in such investments as the Trustee shall determine. The Trustee may (but is not required to) consider the Employer's or a Participant's investment preferences when investing the assets attributable to a Participant's Account.

ARTICLE 6-VESTING

6.1 GENERAL

A Participant shall be immediately vested in, i.e., shall have a nonforfeitable right to, all Elective Deferrals, and all income and gain attributable thereto, credited to his or her Account. A Participant shall become vested in the portion of his or her Account attributable to Matching Deferrals and income and gain attributable thereto in accordance with the schedule selected by the Employer in the Adoption Agreement, subject to earlier vesting in accordance with Sections 6.3, 6.4, and 6.5.

6.2 VESTING SERVICE

For purposes of applying the vesting schedule in the Adoption Agreement, a Participant shall be considered to have completed a Year of Service for each complete year of full-time service with the Employer or an Affiliate, measured from the Participant's first date of such employment, unless the Employer also maintains a 401(k) plan that is qualified under section 401(a) of the Internal Revenue Code in which the Participant participates, in which case the rules governing vesting service under that plan shall also be controlling under this Plan.

6.3 CHANGE OF CONTROL

A Participant shall become fully vested in his or her Account immediately prior to a Change of Control of the Employer.

6.4 DEATH OR DISABILITY

A Participant shall become fully vested in his or her Account immediately prior to termination of the Participant's employment by reason of the Participant's death or Total and Permanent Disability. Whether a Participant's termination of employment is by reason of the Participant's Total and Permanent Disability shall be determined by the Plan Administrator in its sole discretion.

6.5 INSOLVENCY

A Participant shall become fully vested in his or her Account immediately prior to the Employer becoming Insolvent, in which case the Participant will have the same rights as a general creditor of the Employer with respect to his or her Account Balance.

ARTICLE 7 - PAYMENTS

7.1 ELECTION AS TO TIME AND FORM OF PAYMENT

A Participant shall elect (on the Election Form used to elect to defer Compensation under Section 4.1) the date at which the Elective Deferrals and vested Matching Deferrals (including any earnings attributable thereto) will commence to be paid to the Participant.
The Participant shall also elect thereon for payments to be paid in either:

A. a single lump-sum payment; or

B. annual installments over a period elected by the Participant up to 10 years, the amount of each installment to equal the balance of his or her Account immediately prior to the installment divided by the number of installments remaining to be paid.

Each such election will be effective for the Plan Year for which it is made and succeeding Plan Years, unless changed by the Participant. Any change will be effective only for Elective Deferrals and Matching Deferrals made for the first Plan Year beginning after the date on which the Election Form containing the change is filed with the Plan Administrator. Except as provided in Sections 7.2, 7.3, 7.4, or 7.5, payment of a Participant's Account shall be made in accordance with the Participant's elections under this Section 7.1.

7.2 CHANGE OF CONTROL

As soon as possible following a Change of Control of the Employer, each Participant shall be paid his or her entire Account balance (including any amount vested pursuant to Section 6.3) in a single lump sum.

7.3 TERMINATION OF EMPLOYMENT

Upon termination of a Participant's employment for any reason other than death and prior to the attainment of the Retirement Age specified in the Adoption Agreement, the vested portion of the Participant's Account (including any portion vested pursuant to Section 6.4 as a consequence of the Participant's Total and Permanent Disability) shall be paid to the Participant in a single lump sum as soon as practicable following the date of such termination; provided, however, that the Plan Administrator, in its sole discretion, may pay out a Participant's Account balance in annual installments if the Participant's employment terminates by reason of the Participant's Total and Permanent Disability.

7.4 DEATH

If a Participant dies prior to the complete distribution of his or her Account, the balance of the Account shall be paid as soon as practicable to the Participant's designated beneficiary or beneficiaries, in the form elected by the Participant under either of the following options:

A. a single lump-sum payment; or

B. annual installments over a period elected by the Participant up to 10 years, the amount of each installment to equal the balance of the Account immediately prior to the installment divided by the number of installments remaining to be paid.

Any designation of beneficiary and form of payment to such beneficiary shall be made by the Participant on an Election Form filed with the Plan Administrator and may be changed by the Participant at any time by filing another Election Form containing the revised instructions. If no beneficiary is designated or no designated beneficiary survives the Participant, payment shall be made to the Participant's surviving spouse, or, if none, to his or her issue per stirpes, in a single payment. If no spouse or issue survives the Participant, payment shall be made in a single lump sum to the Participant's estate.

7.5 UNFORESEEN EMERGENCY

If a Participant suffers an unforeseen emergency, as defined herein, the Plan Administrator, in its sole discretion, may pay to the Participant only that portion, if any, of the vested portion of his or her Account which the Plan Administrator determines is necessary to satisfy the emergency need, including any amount necessary to pay any federal, state or local income taxes reasonably anticipated to result from the distribution. A Participant requesting an emergency payment shall apply for the payment in writing in a form approved by the Plan Administrator and shall provide such additional information as the Plan Administrator may require. For purposes of this paragraph, "unforeseen emergency" means an immediate and heavy financial need resulting from any of the following:

A. expenses which are not covered by insurance and which the Participant or his or her spouse or dependent has incurred as a result of, or is required to incur in order to receive, medical care;

B. the need to prevent eviction of a Participant from his or her principal residence or foreclosure on the mortgage of the Participant's principal residence; or

C. any other circumstance that is determined by the Plan Administrator in its sole discretion to constitute an unforeseen emergency which is not covered by insurance and which cannot reasonable be relieved by the liquidation of the Participant's assets.

7.6 FORFEITURE OF NON-VESTED AMOUNTS

To the extent that any amounts credited to a Participant's Account are not vested at the time such amounts are otherwise payable under Sections 7.1 or 7.3, such amounts shall be forfeited and shall be used to satisfy the Employer's obligation to make contributions to the Trust under the Plan.

7.7 TAXES

All federal, state or local taxes that the Plan Administrator determines are required to be withheld from any payments made pursuant to this Article 7 shall be withheld.

ARTICLE 8 - PLAN ADMINISTRATOR

8.1 PLAN ADMINISTRATION AND INTERPRETATION

The Plan Administrator shall oversee the administration of the Plan. The Plan Administrator shall have complete control and authority to determine the rights and benefits and all claims, demands and actions arising out of the provisions of the Plan of any Participant, beneficiary, deceased Participant, or other person having or claiming to have any interest under the Plan. The Plan Administrator shall have complete discretion to interpret the Plan and to decide all matters under the Plan. Such interpretation and decision shall be final, conclusive and binding on all Participants and any person claiming under or through any Participant, in the absence of clear and convincing evidence that the Plan Administrator acted arbitrarily and capriciously. Any individual(s) serving as Plan Administrator who is a Participant will not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Plan Administrator shall be entitled to rely on information furnished by a Participant, a beneficiary, the Employer or the Trustee. The Plan Administrator shall have the responsibility for complying with any reporting and disclosure requirements or ERISA.

8.2 POWERS, DUTIES, PROCEDURES, ETC.

The Plan Administrator shall have such powers and duties, may adopt such rules and tables, may act in accordance with such procedures, may appoint such officers or agents, may delegate such powers and duties, may receive such reimbursements and compensation, and shall follow such claims and appeal procedures with respect to the Plan as it may establish.

8.3 INFORMATION

To enable the Plan Administrator to perform its functions, the Employer shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of Participants, their employment, retirement, death, termination of employment, and such other pertinent facts as the Plan Administrator may require.

8.4 INDEMNIFICATION OF PLAN ADMINISTRATOR

The Employer agrees to indemnify and to defend to the fullest extent permitted by law any officer(s) or employee(s) who serve as Plan Administrator (including any such individual who formerly served as Plan Administrator) against all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Employer) occasioned by any act or omission to act in connection with the Plan, if such act or omission is in good faith.

ARTICLE 9 - AMENDMENT AND TERMINATION

9.1 AMENDMENTS

The employer shall have the right to amend the Plan from time to time, subject to Section 9.3, by an instrument in writing which has been executed on the Employer's behalf by its duly authorized officer.

9.2 TERMINATION OF PLAN

This Plan is strictly a voluntary undertaking on the part of the Employer and shall not be deemed to constitute a contract between the Employer and any Eligible Employee (or any other employee) or a consideration for, or an inducement or condition of employment for, the performance of the services by any Eligible Employee (or other employee). The Employer reserves the right to terminate the Plan at any time, subject to Section 9.3, by an instrument in writing which has been executed on the Employer's behalf by its duly authorized officer. Upon termination, the Employer may (a) elect to continue to maintain the Trust to pay benefits hereunder as they become due as if the Plan had not terminated or (b) direct the Trustee to pay promptly to Participants (or their beneficiaries) the vested balance of their Accounts. For purposes of the preceding sentence, in the event the Employer chooses to implement clause (b), the Account balances of all Participants who are in the employ of the Employer at the time the Trustee is directed to pay such balances shall become fully vested and nonforfeitable. After Participants and their beneficiaries are paid all Plan benefits to which they are entitled, all remaining assets of the Trust attributable to Participants who terminated employment with the Employer prior to termination of the Plan and who were not fully vested in their Accounts under Article 6 at that time shall be returned to the Employer.

9.3 EXISTING RIGHTS

No amendment or termination of the Plan shall adversely affect the rights of any Participant with respect to amounts that have been credited to his or her Account prior to the date of such amendment or termination.

ARTICLE 10 - MISCELLANEOUS

10.1 NO FUNDING

The Plan constitutes a mere promise by the Employer to make payments in accordance with the terms of the Plan and Participants and beneficiaries shall have the status of general unsecured creditors of the Employer. Nothing in the Plan will be construed to give any employee or any other person rights to any specific assets of the Employer or of any other person. In all events, it is the intent of the Employer that the Plan be treated as unfunded for tax purposed and for purposes of Title I of ERISA.

10.2 NON-ASSIGNABILITY

None of the benefits, payments, proceeds or claims of any Participant or beneficiary shall be subject to any claim of any creditor of any Participant or beneficiary and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor of such Participant or beneficiary, nor shall any Participant or beneficiary have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

10.3 LIMITATION OF PARTICIPANTS' RIGHTS

Nothing contained in the Plan shall confer upon any person a right to be employed or to continue in the employ of the Employer, or interfere in any way with the right of the Employer to terminate the employment of a Participant in the Plan at any time, with or without cause.

10.4 PARTICIPANTS BOUND

Any action with respect to the Plan taken by the Plan Administrator or the Employer or the Trustee or any action authorized by or taken at the direction of the Plan Administrator, the Employer or the Trustee shall be conclusive upon all Participants and beneficiaries entitled to benefits under the Plan.

10.5 RECEIPT AND RELEASE

Any payment to any Participant or beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Employer, the Plan Administrator and the Trustee under the Plan, and the Plan Administrator may require such Participant or beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant or beneficiary is determined by the Plan Administrator to be incompetent by reason of physical or mental disability (including minority) to give a valid receipt and release, the Plan Administrator may cause the payment or payments becoming due to such person to be made to another person for his or her benefit without responsibility on the part of the Plan Administrator, the Employer or the Trustee to follow the application of such funds.

10.6 GOVERNING LAW

The Plan shall be construed, administered, and governed in all respects under and by the laws of the state in which the Employer maintains its primary place of business. If any provision shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

10.7 HEADINGS AND SUBHEADINGS

Headings and subheadings in this Plan are inserted for convenience only and are not to be considered in the construction of the provisions hereof.

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$1,250,000,000

364-DAY COMPETITIVE ADVANCE AND
REVOLVING CREDIT AGREEMENT

Dated as of March 4, 1997, as amended
and restated through March 5, 1999

among

PHH CORPORATION
and
PHH VEHICLE MANAGEMENT SERVICES INC.

as Borrowers

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

and

THE CHASE MANHATTAN BANK OF CANADA, as Canadian Agent

==

CHASE SECURITIES INC., Arranger

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364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT (the "Agreement"), dated as of March 4, 1997, as amended and restated through March 5, 1999, among PHH CORPORATION, a Maryland corporation (the "Borrower"), PHH VEHICLE MANAGEMENT SERVICES INC., a corporation incorporated under the Canada Business Corporations Act (the "Canadian Borrower"), the Lenders referred to herein, CHASE SECURITIES INC., as arranger (the "Arranger") for the Lenders, THE CHASE MANHATTAN BANK, a New York banking corporation, as agent (the "Administrative Agent") for the US Lenders, and The Chase Manhattan Bank of Canada, a Canadian chartered bank, as administrative agent for the Canadian Lenders (in such capacity, the "Canadian Agent").

INTRODUCTORY STATEMENT

The Borrower, certain of the Lenders, the Administrative Agent and the Canadian Agent are parties to the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended through the Closing Date referred to below (the "Existing Credit Agreement"), pursuant to which the Lenders established a $1,250,000,000 committed revolving credit facility under which Revolving Credit Loans may be made to the Borrowers (as defined below). In addition, pursuant to the Existing Credit Agreement, the Lenders provided to the Borrowers (i) a procedure pursuant to which Lenders may bid on an uncommitted basis on short-term borrowings by the Borrower and (ii) a multi-currency credit facility in an amount equal to $500,000,000, of which up to the equivalent of $200,000,000 will be made available by the Canadian Lenders (as defined below) to the Canadian Borrower as a separate Canadian Dollar tranche guaranteed by the Borrower.

The Borrower has requested that the Maturity Date (as defined below) be extended to March 3, 2000 and has requested certain other amendments to the Existing Credit Agreement.

The Borrower, the Lenders, the Administrative Agent and the Canadian Agent desire to amend and restate the Existing Credit Agreement pursuant to this Agreement and to continue the Borrower's payment and performance obligations under the Existing Credit Agreement, as amended hereby.

Accordingly, the parties hereto hereby agree 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.

"Acceptance Fee" shall mean a fee payable in C$ by the Canadian Borrower to a Canadian Lender with respect to the acceptance of a B/A, calculated on the face amount of the B/A at the rate per annum equal to the B/A Spread on the basis of the number of days in the applicable Contract Period and a year of 365 days.

"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.

"Agents" shall mean, collectively, the Administrative Agent and the Canadian Agent.

"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 greater of (a) the Prime Rate in effect for such day and (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1%. "Prime Rate" shall mean the rate per annum publicly announced by the entity which is 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 next 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. 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 Federal Funds Effective Rate, 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) until the circumstances giving rise to such inability no longer exist. 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 Agent" shall mean, (i) with respect to US Loans or the Borrower, the Administrative Agent, and (ii) with respect to Canadian Loans or the Canadian Borrower, the Canadian Agent.

"Applicable Borrower" shall mean (i) with respect to US Loans, the Borrower, and (ii) with respect to Canadian Loans, the Canadian Borrower.

"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 reasonably estimated by the Administrative Agent for determining the then current annual assessment payable by the entity which is 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 such entity's domestic offices.

"Asset Securitization Subsidiary" shall mean (i) any Subsidiary engaged solely in the business of effecting asset securitization transactions permitted by this Agreement and activities incidental thereto or (ii) any Subsidiary whose primary purpose is to hold title or ownership interests in vehicles, mortgages, relocation assets and related assets under management.

"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.

"Available Foreign Currencies" shall mean the currencies set forth on Schedule 1.1B, and any other available and freely-convertible non-Dollar currency selected by the Borrower and approved (which approval shall not be unreasonably withheld) in writing by the Administrative Agent.

"Bankers' Acceptance" and "B/A" shall mean a bill of exchange denominated in C$, drawn by the Canadian Borrower and accepted by a Canadian Lender or a Participant in accordance with this Agreement.

"B/A Borrowing" shall mean a Borrowing comprised of Bankers' Acceptances.

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

"Basis Point" shall mean 1/100th of 1%.

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

"Borrowers" shall mean, collectively, the Borrower and the Canadian Borrower.

"Borrowing" shall mean a group of Loans of a single Interest Rate Type made by certain 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.

"Borrowing Date" shall mean any Business Day specified in a notice pursuant to Section 2.5(b) as a date on which the Canadian Borrower requests the Canadian Lenders to make Canadian Revolving Credit Loans hereunder.

"Branch of Account" shall mean, for each Canadian Lender, the branch or office of such Canadian Lender at the address set out opposite that Canadian Lender's name or such other branch or office as such Canadian Lender may advise the Canadian Borrower and the Canadian Agent in writing.

"Business Day" shall mean, (i) with respect to any Loan other than a Canadian Loan, any day other than a Saturday, Sunday or other day on which banks in the State of New York are permitted or required by law to close; provided 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 deposits in Dollars or the applicable Available Foreign Currency on the London Interbank Market (or such other interbank eurocurrency market where the foreign currency and exchange operations in respect of Dollars or the applicable Available Foreign Currency, as the case may be, are then being conducted for delivery on the first day of such Interest Period) and (ii) with respect to any Canadian Loan, any day other than a Saturday, Sunday or other day on which banks in Toronto, Ontario or New York City are permitted or required by law to close.

"C$ Prime Rate" shall mean, on any day, the annual rate of interest (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of:

(a) the annual rate of interest determined by The Bank of Nova Scotia as the annual rates of interest announced from time to time by The Bank of Nova Scotia as its prime rate in effect at its principal office in Toronto on such day for determining interest rates on C$ denominated commercial loans in Canada; and

(b) the annual rate of interest equal to the sum of (A) the CDOR Rate in effect on such day and (B) 1%.

"C$ Prime Rate Borrowing" shall mean a Borrowing comprised of C$ Prime Rate Loans.

"C$ Prime Rate Loan" shall mean a Canadian Revolving Credit Loan denominated in C$ which bears interest at a rate based upon the C$ Prime Rate.

"Canadian Agent" shall have the meaning assigned to such term in the preamble hereto.

"Canadian Borrower" shall have the meaning assigned to such term in the preamble hereto.

"Canadian Borrowing" shall mean a Borrowing consisting of simultaneous Canadian Revolving Credit Loans from the Canadian Lenders.

"Canadian Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Canadian Revolving Credit Loans to the Canadian Borrower pursuant to Section 2.1(b), in an aggregate amount not to exceed at any time the amount set forth opposite such Lender's name under the heading "Canadian Commitment" on or in (i) Schedule 1.1A hereto, (ii) any applicable Assignment and Acceptance to which it may be a party, and/or (iii) any agreement delivered pursuant to Section 2.24(d), as the case may be, as such Lender's Canadian Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.12 or 2.24 or Article 7 or changed pursuant to Section 9.3. The Canadian 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.

"Canadian Dollars" and "C$" shall mean the lawful currency of Canada.

"Canadian Lender" shall mean each Lender which has a Canadian Commitment or which has extended a Canadian Loan.

"Canadian Loan" shall mean any loan made by any Canadian Lender pursuant to this Agreement to the Canadian Borrower.

"Canadian Obligations" shall mean the obligation of the Canadian Borrower to make due and punctual payment of principal of, and interest on (including post-petition interest, whether or not allowed), the Canadian Loans and all other monetary obligations of the Canadian Borrower to the Canadian Agent or any Canadian Lender under this Agreement, the Canadian Revolving Credit Notes or with respect to any Interest Rate Protection Agreement entered into between the Canadian Borrower or any of its Subsidiaries and any Canadian Lender.

"Canadian Revolving Credit Loan" shall have the meaning assigned to such term in Section 2.1(b).

"Canadian Revolving Credit Note" shall have the meaning assigned to such term in Section 2.8.

"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 Equivalents" shall mean (i) investments in commercial paper maturing in not more than 270 days from the date of issuance which at the time of acquisition is rated at least A-1 or the equivalent thereof by S&P, or P-1 or the equivalent thereof by Moody's, (ii) investments in direct obligations or obligations which are guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having a maturity of not more than three years from the date of acquisition, (iii) investments in certificates of deposit maturing not more than one year from the date of origin issued by a bank or trust company organized or licensed under the laws of the United States or any state or territory thereof having capital, surplus and undivided profits aggregating at least $500,000,000 and A rated or better by S&P or Moody's, (iv) money market mutual funds having assets in excess of $2,000,000,000, (v) investments in asset-backed or mortgage-backed securities, including investments in collateralized, adjustable rate mortgage securities and those mortgage-backed securities which are rated at least AA by S&P or Aa by Moody's or are of comparable quality at the time of investment, and (vi) banker's acceptances maturing not more than one year from the date of origin issued by a bank or trust company organized or licensed under the laws of the United States or any state or territory thereof and having a capital, surplus and undivided profits aggregating at least $500,000,000, and rated A or better by S&P or Moody's.

"CDOR Rate" shall mean, on any date, the annual rate of interest which is the rate based on an average rate applicable to C$ bankers' acceptances for a term of 30 days (in the case of the definition of "C$ Prime Rate") appearing on the "Reuters Screen CDOR Page" (as defined in the International Swaps and Derivatives Association, Inc. definitions, as modified and amended from time to time) at approximately 10:00 a.m. (Toronto time), on such date, or if such date is not a Business Day, then on the immediately preceding Business Day; provided, that if such rate does not appear on the Reuters Screen CDOR Page as contemplated, then the CDOR Rate on any date shall be calculated as the arithmetic mean of the rates for the term referred to above applicable to C$ bankers' acceptances quoted by The Bank of Nova Scotia as of 10:00 a.m. (Toronto time), on such date, or if such date is not a Business Day, then on the immediately preceding Business Day.

"Change in Control" shall mean, (i) the acquisition by any Person or group (within the meaning of the Securities Exchange Act of 1934, as amended, and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), directly or indirectly, beneficially or of record, of ownership or control of in excess of 50% of the voting common stock of Cendant Corporation on a fully diluted basis at any time or (ii) at any time, individuals who constituted the Board of Directors of Cendant Corporation on the Closing Date (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of Cendant Corporation, 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 date hereof or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Cendant Corporation or (iii) Cendant Corporation shall cease to own, directly or through wholly-owned Subsidiaries, all of the capital stock of the Borrower, free and clear of any direct or indirect Liens.

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

"Chase Canada" shall mean The Chase Manhattan Bank of Canada, a Canadian chartered bank.

"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 March 8, 1999.

"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.

"commencement of the third stage of EMU" shall mean the date of commencement of the third stage of EMU or the date on which circumstances arise which (in the opinion of the Administrative Agent) have substantially the same effect and result in substantially the same consequences as commencement of the third stage of EMU as contemplated by the Treaty on European Union.

"Commitment" shall mean, (i) with respect to each Primary Lender, its Primary Commitment, (ii) with respect to each Pounds Sterling Lender, its Pounds Sterling Commitment and (iii) with respect to each Canadian Lender, its Canadian Commitment.

"Commitment Expiration Date" shall have the meaning assigned to such term in Section 2.24(a).

"Commitment Period" shall mean the period from and including the Closing Date to but not including the Maturity Date or such earlier date on which the Commitments shall have been terminated in accordance with the terms hereof.

"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 Net Income" shall mean, for any period for which such amount is being determined, the net income (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 (or loss) of any Person (other than a Consolidated Subsidiary) in which the Borrower or any of its Consolidated Subsidiaries has an 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 (or loss) of any Person accrued prior to the date it becomes a Consolidated Subsidiary or is merged into or consolidated with the Borrower or any of its Consolidated Subsidiaries or the Person's assets are acquired by the Borrower or any of its Consolidated Subsidiaries, (iii) the income of any Consolidated Subsidiary 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, (iv) any extraordinary after-tax gains and (v) any extraordinary pretax losses but only to the extent attributable to a write-down of financing costs relating to any existing and future indebtedness.

"Consolidated Net Worth" shall mean, at any date of determination, all amounts which would be included on a balance sheet of the Borrower and its Consolidated Subsidiaries under stockholders' equity as of such date in accordance with GAAP.

"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.

"Contract Period" shall mean the term of a B/A selected by the Canadian Borrower in accordance with Section 2.25 commencing on the Borrowing Date, Rollover Date or date of refinancing pursuant to Section 2.6, as applicable, of such B/A and expiring on a Business Day which shall be either 30 days, 60 days, 90 days, 120 days or 180 days thereafter, provided that no Contract Period shall extend beyond the Maturity Date.

"Contractual Obligation" shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Creditor Acknowledgment and Agreement" shall have the meaning specified in Section 9.18.

"Currency" or "Currencies" shall mean the collective reference to Dollars and Available Foreign Currencies.

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

"Discount Proceeds" shall mean, for any B/A, an amount (rounded to the nearest whole cent, and with one-half of one cent being rounded up) calculated on the applicable Borrowing Date or Rollover Date by multiplying:

(i) the face amount of the B/A; by

(ii) the quotient of one divided by the sum of one plus the product of:

1. the Discount Rate (expressed as a decimal) applicable to such B/A, and

2. a fraction, the numerator of which is the Contract Period of the B/A and the denominator of which is 365, being the number of days in the applicable year,

with such quotient being rounded up or down to the fifth decimal place and .000005 being rounded up.

"Discount Rate" shall mean, with respect to any Canadian Lender, as applicable to a B/A being purchased by such Canadian Lender on any day, the average (as determined by the Canadian Agent) of the respective percentage discount rates (expressed to two decimal places and rounded upward, if necessary, to the nearest 0.01%) quoted to The Bank of Nova Scotia as the percentage discount rate at which The Bank of Nova Scotia would, in accordance with its normal practices, at or about 10:00 a.m., Toronto time, on such day, be prepared to purchase Bankers' Acceptances accepted by The Bank of Nova Scotia having a face amount and term comparable to the face amount and term of such B/A.

"Dollar Equivalent Amount" shall mean with respect to (i) any amount of any Available Foreign Currency on any date, the equivalent amount in Dollars of such amount of Available Foreign Currency, as determined by the Administrative Agent using the applicable Exchange Rate and (ii) any amount in Dollars, such amount.

"Dollars" and "$" and "US$" shall mean lawful currency of the United States.

"Domestic Obligations" shall mean the obligation of the Borrower to make due and punctual payment of principal of, and interest on (including post-petition interest, whether or not allowed), the Loans, the Facility Fee, guarantee obligations in respect of the Canadian Obligations and all other monetary obligations of the Borrower to the Administrative Agent 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 or any of its Subsidiaries and any Lender.

"EMU" shall mean economic and monetary union as contemplated in the Treaty on European Union.

"EMU legislation" shall mean legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency (whether known as the euro or otherwise), being in part the implementation of the third stage of EMU.

"Environmental Laws" shall mean any and all federal, provincial, 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 at any time hereafter in effect, including without limitation, the Clean Water Act also known as the Federal Water Pollution Control Act, 33 U.S.C. ss.ss. 1251 et seq., the Clean Air Act, 42 U.S.C. ss.ss. 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. ss.ss. 136 et seq., the Surface Mining Control and Reclamation Act, 30 U.S.C. ss.ss. 1201 et seq., the Comprehensive

Environmental Response, Compensation and Liability Act, 42 U.S.C. ss.ss. 9601 et seq., the Superfund Amendment and Reauthorization Act of 1986, Public Law 99-499, 100 Stat. 1613, the Emergency Planning and Community Right to Know Act, 42 U.S.C. ss.ss. 11001 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. ss.ss. 6901 et seq., the Occupational Safety and Health Act as amended, 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.

"euro" shall mean the single currency of participating member states of the European Union.

"euro unit" shall mean the currency unit of the euro.

"Event of Default" shall have the meaning given such term in Article 7.

"Exchange Rate" shall mean, (i) with respect to any Available Foreign Currency other than Canadian Dollars on any date, the rate at which such Available Foreign Currency may be exchanged into Dollars, as set forth on such date on the relevant Reuters currency page at or about 11:00 A.M. New York City time on such date and (ii) with respect to Canadian Dollars, the spot rate at which Canadian Dollars may be exchanged into U.S. Dollars, as quoted by The Bank of Canada at approximately 12:00 noon, Toronto time, as set forth on the Reuters "BOFC" page. In the event that such rate does not appear on any such Reuters page, the "Exchange Rate" with respect to such Available Foreign Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower or, in the absence of such agreement, such "Exchange Rate" shall instead be the Administrative Agent's spot rate of exchange in the interbank market where its foreign currency exchange operations in respect of such Available Foreign Currency are then being conducted, at or about 10:00 A.M., local time, at such date for the purchase of Dollars with such Available Foreign Currency, for delivery two Business Days later; provided that if at the time of any such determination, no such spot rate can reasonably be quoted, the Administrative Agent may use any reasonable method (including obtaining quotes from three or more market makers for such Available Foreign Currency) as it deems applicable to determine such rate, and such determination shall be conclusive absent manifest error (without prejudice to the determination of the reasonableness of such method).

"Extension Request" means each request by the Borrower made pursuant to Section 2.24 for the Lenders to extend the Maturity Date, which shall contain the information in respect of such extension specified in Exhibit G and shall be delivered to the Administrative Agent in writing.

"Facility Fee" shall have the meaning given such term in Section 2.7.

"Five Year Credit Agreement" shall mean the Five Year Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended or waived from time to time, among the Borrower, the lenders referred to therein, and Chase, as Administrative Agent.

"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.

"Fundamental Documents" shall mean this Agreement, any Revolving Credit Notes, any Competitive Notes, any Canadian Revolving Credit Notes, any Pounds Sterling Notes and any other ancillary documentation which is required to be, or is otherwise, executed by the Borrowers 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 date hereof.

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

"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 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.

"Indebtedness" shall mean (i) all indebtedness, obligations and other liabilities of the Borrower and its Subsidiaries which are, at the date as of which Indebtedness is to be determined, includable as liabilities in a consolidated balance sheet of the Borrower and its Subsidiaries, other than (x) accounts payable and accrued expenses, (y) advances from clients obtained in the ordinary course of the relocation management services business of the Borrower and its Subsidiaries and (z) current and deferred income taxes and other similar liabilities, plus (ii) without duplicating any items included in Indebtedness pursuant to the foregoing clause (i), the maximum aggregate amount of all liabilities of the Borrower or any of its Subsidiaries under any Guaranty, indemnity or similar undertaking given or assumed of, or in respect of, the indebtedness, obligations or other liabilities, assets, revenues, income or dividends of any Person other than the Borrower or one of its Subsidiaries and (iii) all other obligations or liabilities of the Borrower or any of its Subsidiaries in relation to the discharge of the obligations of any Person other than the Borrower or one of it Subsidiaries.

"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, 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, (c) as to any C$ Prime Rate Loan, the period commencing on the date of such Borrowing and ending on the earliest of (i) the last Business Day of the calendar month, (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 (d) 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 seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided that with respect to Loans made by an Objecting Lender, no Interest Period with respect to such Objecting Lender's Loans shall end after such Objecting Lender's Commitment Expiration Date; and provided, further, 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 with respect to any LIBOR Borrowing or Fixed Rate Borrowing may be selected which would result in the aggregate amount of LIBOR Loans and Fixed Rate Loans having Interest Periods ending after any day on which a Commitment reduction is scheduled to occur being in excess of the Total Commitment scheduled to be in effect after such 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 of US Loans, "Rate" shall include LIBOR, the Alternate Base Rate and the Fixed Rate, and for purposes of Canadian Revolving Credit Loans, shall include the C$ Prime Rate and the rate implicit in the Discount Rate.

"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 or C$ Prime Rate Loans or Bankers' Acceptances, 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 or C$ Prime Rate Loans or Bankers' Acceptances are made, as notified to the Administrative Agent and the Canadian Agent from time to time.

"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 deposits in Dollars or the applicable Available Foreign Currency, as the case may be, 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 (or such other interbank eurocurrency market where the foreign currency and exchange operations in respect of Dollars or such applicable Available Foreign Currency, as the case may be, are then being conducted for delivery on the first day of such Interest Period) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period (or, in the case of U.K. Pounds Sterling, on the first day 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 Loan (other than a Competitive 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, or a Canadian Revolving Credit Loan, whether made as a C$ Prime Rate Loan or a B/A, 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.

"Material Subsidiary" shall mean any Subsidiary of the Borrower which together with its Subsidiaries at the time of determination had assets constituting 10% or more of Consolidated Assets, accounts for 10% or more of Consolidated Net Worth, or accounts for 10% or more of the revenues of the Borrower and its Consolidated Subsidiaries for the Rolling Period immediately preceding the date of determination.

"Maturity Date" shall mean March __, 2000 or such later date as shall be determined pursuant to the provisions of Section 2.24 with respect to non-Objecting Lenders.

"Merger" shall mean the merger of HFS Incorporated into CUC International Inc. with CUC International Inc. as the surviving entity and changing its name to Cendant Corporation.

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

"Multiemployer Plan" shall mean a plan described in Section 3(37) of ERISA.

"national currency unit " shall mean the unit of currency (other than a euro unit) of a participating member state.

"non-Objecting Lender" shall mean any Lender that is not an Objecting Lender.

"Notes" shall mean the Competitive Notes and the Revolving Credit Notes and the Canadian Revolving Credit Notes and the Pounds Sterling Notes.

"Notice of Canadian Borrowing" shall have the meaning assigned to such term in Section 2.5(b).

"Notice of Rollover" shall mean a written notice to the Canadian Agent substantially in the form attached hereto as Exhibit J.

"Objecting Lender" shall mean any Lender that does not consent to the extension of the Maturity Date pursuant to Section 2.24.

"Obligations" shall mean the collective reference to the Domestic Obligations and the Canadian Obligations.

"Original Closing Date" shall mean March 4, 1997.

"Participant" shall have the meaning assigned to such term in Section 9.3(g).

"participating member state " shall mean each state so described in any EMU legislation.

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

"Permitted Encumbrances" shall mean Liens permitted under Section 6.5.

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

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

"Pounds Sterling Borrowing" shall mean a Borrowing consisting of simultaneous Pounds Sterling Loans from each of the Pounds Sterling Lenders.

"Pounds Sterling Commitment" shall mean, with respect to each Lender, its commitment to make Pounds Sterling Loans to the Borrower pursuant to Section 2.1(c), in an aggregate Dollar Equivalent Amount not to exceed at any time the amount set forth opposite such Lender's name under the heading "Pounds Sterling Commitment" on or in (i) Schedule 1.1A hereto, (ii) any applicable Assignment and Acceptance to which it may be a party, and/or (iii) any agreement delivered pursuant to Section 2.24(d), as the case may be, as such Lender's Pounds Sterling Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.12 or 2.24 or Article 7 or changed pursuant to Section 9.3. The Pounds Sterling 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.

"Pounds Sterling Lender" shall mean each Lender which has a Pounds Sterling Commitment or which has extended a Pounds Sterling Loan.

"Pounds Sterling Loan" shall have the meaning assigned to such term in Section 2.1(c).

"Pounds Sterling Note" shall have the meaning assigned to such term in Section 2.8.

"Primary Borrowing" shall mean a Borrowing consisting of simultaneous Primary Loans from each of the Primary Lenders.

"Primary Commitment" shall mean, with respect to each Lender, its commitment to make Primary Loans to the Borrower pursuant to Section 2.1(a), in an aggregate amount not to exceed at any time the amount set forth opposite such Lender's name under the heading "Primary Commitment" on or in (i) Schedule 1.1A hereto, (ii) any applicable Assignment and Acceptance to which it may be a party, and/or (iii) any agreement delivered pursuant to Section 2.24(d), as the case may be, as such Lender's Primary Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.12 or 2.24 or Article 7 or changed pursuant to Section 9.3. The Primary 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.

"Primary Lender" shall mean each Lender which has a Primary Commitment or which has extended a Primary Loan.

"Primary Loan" shall mean any Loan made by any Primary Lender pursuant to Section 2.1(a).

"Pro Forma Balance Sheet" shall have the meaning assigned to such term in Section 3.4.

"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.

"Reportable Event" shall mean any reportable event as defined in Section 4043(c) 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 (in Dollar amounts) 51% or more of the Primary 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% or more of the aggregate principal amount of the Loans at the time outstanding.

"Revolving Credit Borrowing" shall mean a Borrowing consisting of simultaneous Revolving Credit Loans from each of the Primary Lenders or Pounds Sterling Lenders, as the case may be.

"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 Primary or Pounds Sterling Lenders to the Borrower pursuant to a notice given by the Borrower under Section 2.5(a). 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.

"Rollover Date" shall mean any Business Day specified in a Notice of Rollover pursuant to Section 2.25 as the date of issue of a B/A in respect of any maturing B/As.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies.

"Special Purpose Vehicle Subsidiary" shall mean PHH Caribbean Leasing, Inc. and any Subsidiary engaged in the fleet-leasing management business which (i) is, at any one time, a party to one or more lease agreements with only one lessee and (ii) finances, at any one time, its investment in lease agreements or vehicles with only one lender, which lender may be the Borrower if and to the extent that such loans and/or advances by the Borrower are not prohibited hereby.

"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 of the Board) (or, at any time when such Lender may be required by the Board or by any other Governmental Authority, whether within the United States or in another relevant jurisdiction, to maintain reserves against any other category of liabilities which includes deposits by reference to which LIBOR is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender which includes any such LIBOR Loans). Such reserve percentages shall include those imposed under Regulation D of the Board. 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 of the Board. 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. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Supermajority Lenders" shall mean Lenders which have Commitments representing at least 75% of the aggregate Dollar amount of the Primary Commitments.

"Target Operating Day" shall mean any day that is not (a) a Saturday or Sunday, (b) Christmas Day or New Year's Day or (c) any other day on which the Trans-European Real-time Gross Settlement Operating System (or any successor settlement system) is not operating (as determined by the Administrative Agent).

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

"Treaty on European Union" shall mean the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed at Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

"United States" shall mean the United States of America.

"US Lenders" shall mean the Lenders other than the Canadian Lenders.

"US Loans" shall mean Loans other than Canadian Loans.

"Working Day" shall mean any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England and in New York, New York.

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 Primary Lender agrees, severally and not jointly, to make Revolving Credit Loans to the Borrower in Dollars, at any time and from time to time on and after the Original Closing Date and until the earlier of the Maturity Date and the termination of the Primary Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Primary Lender's Primary Commitment minus the sum of such Primary Lender's pro rata share of the aggregate principal Dollar Equivalent Amount of the Pounds Sterling Loans and Canadian Loans made by such Lender plus the outstanding Dollar Equivalent 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 condition that at no time shall (i) the sum of (A) the outstanding aggregate principal amount of all Revolving Credit Loans made by all Primary Lenders plus the outstanding aggregate principal Dollar Equivalent Amount of all Competitive Loans, Pounds Sterling Loans and Canadian Revolving Credit Loans made by the Lenders exceed (ii) the Total Commitment. During the Commitment Period, the Borrower may use the Primary Commitments of the Primary Lenders by borrowing, prepaying the Primary Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Canadian Lender agrees, severally and not jointly, to make revolving credit loans (each, a "Canadian Revolving Credit Loan") to the Canadian Borrower in Canadian Dollars, at any time and from time to time on and after the Original Closing Date and until the earliest of (i) the Maturity Date, (ii) such date on which the Borrower shall fail to own, directly or indirectly, beneficially and of record, all of the capital stock of the Canadian Borrower and (iii) the termination of the Canadian Commitment of such Canadian Lender, in an aggregate principal amount at any time outstanding not to exceed such Canadian Lender's Canadian Commitment minus the sum of such Canadian Lender's pro rata share of the outstanding Dollar Equivalent Amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Canadian 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 Dollar Equivalent Amount of all Canadian Revolving Credit Loans made by all Canadian Lenders plus the outstanding aggregate principal Dollar Equivalent Amount of all Primary Loans, Pounds Sterling Loans and Competitive Loans made by the

Lenders exceed (ii) the Total Commitment and (b) at all times the outstanding aggregate principal amount of all Canadian Revolving Credit Loans made by each Canadian Lender shall equal the product of (i) the percentage that its Canadian Commitment represents of the aggregate Canadian Commitment times (ii) the outstanding aggregate principal amount of all Canadian Revolving Credit Loans. During the Commitment Period, the Canadian Borrower may use the Canadian Commitments of the Canadian Lenders by borrowing, prepaying the Canadian Revolving Credit Loans in whole or in part and reborrowing, all in accordance with the terms and conditions hereof.

(c) Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Pounds Sterling Lender agrees, severally and not jointly, to make revolving credit loans (each, a "Pounds Sterling Loan") to the Borrower in U.K. Pounds Sterling, at any time and from time to time on and after the Original Closing Date and until the earlier of the Maturity Date and the termination of the Pounds Sterling Commitment of such Pounds Sterling Lender, in an aggregate principal amount at any time outstanding not to exceed such Pounds Sterling Lender's Pounds Sterling Commitment minus the sum of such Pounds Sterling Lender's pro rata share of the outstanding Dollar Equivalent Amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Pounds Sterling 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 Dollar Equivalent Amount of all Pounds Sterling Loans made by all Pounds Sterling Lenders plus the outstanding aggregate principal Dollar Equivalent Amount of all Primary Loans, Canadian Revolving Credit Loans and Competitive Loans made by the Lenders exceed (ii) the Total Commitment and (b) at all times the outstanding aggregate principal amount of all Pounds Sterling Loans made by each Pounds Sterling Lender shall equal the product of (i) the percentage that its Pounds Sterling Commitment represents of the aggregate Pounds Sterling Commitment times (ii) the outstanding aggregate principal amount of all Pounds Sterling Loans. During the Commitment Period, the Pounds Sterling Borrower may use the Pounds Sterling Commitments of the Pounds Sterling Lenders by borrowing, prepaying the Pounds Sterling Loans in whole or in part and reborrowing, all in accordance with the terms and conditions hereof.

(d) The Commitments of the Lenders may be terminated or reduced from time to time pursuant to Section 2.12 or Article 7.

SECTION 2.2. Loans.

(a) Each Primary Loan, Pounds Sterling Loan or Canadian Revolving Credit Loan, as the case may be, shall be made as part of a Borrowing from the Primary Lenders, Pounds Sterling Lenders or the Canadian Lenders, as the case may be, ratably in accordance with their respective applicable Commitments; provided that the failure of any Primary Lender, Pounds Sterling Lender or Canadian Lender, as the case may be, to make any Primary Loan, Pounds Sterling Loan or Canadian Revolving Credit Loan, as the case may be, shall not in itself relieve any other Primary Lender, Pounds Sterling Loan or Canadian Lender, as the case may be, 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); and provided, further, that (I) each Pounds Sterling Loan made by a Pounds Sterling Lender shall reduce the Primary Commitment and Canadian Commitment of such Lender by the principal amount of such Pounds Sterling Loan and (II) each Canadian Loan shall reduce the Primary Commitment and Pounds Sterling Commitment of such Lender by the principal amount of such Canadian Loan. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.4. The Loans comprising any Borrowing shall be (i) in the case of Competitive Loans and LIBOR Loans, in an aggregate principal Dollar Equivalent 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 $5,000,000 (or if less, an aggregate principal amount equal to the remaining balance of the available Total Commitment). Each Borrowing of Canadian Revolving Credit Loans shall be in an amount equal to (A) in the case of C$ Prime Rate Loans, C$1,000,000 or a whole multiple of C$500,000 in excess thereof (or, if the then available Total Commitments or Canadian Commitments are less than C$500,000, such lesser amount) and (B) in the case of B/As, C$2,500,000 or a whole multiple of C$100,000 in excess thereof.

(b) Each Competitive Borrowing shall be comprised entirely of LIBOR Competitive Loans or Fixed Rate Loans, each Primary 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 Canadian Borrowing shall be comprised entirely of C$ Prime Rate Loans or B/As, as the Canadian Borrower may request pursuant to Section 2.5 and each Pounds Sterling Borrowing shall be comprised entirely of LIBOR Revolving Credit Loans. Each US Lender may at its option make any LIBOR Loan by causing any domestic or foreign branch or Affiliate of such US 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 that the Borrowers shall not be entitled to request any Borrowing that, if made, would result in an aggregate of more than twenty (20) separate Loans (other than Competitive 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 or having been made in different Currencies, 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) (i) Subject to Section 2.6, each US Lender shall make each Loan to be made by it hereunder on the proposed date thereof by making funds available at the office of the Administrative Agent specified in Section 9.1 for credit to PHH Corporation Clearing Account, Account No. 323-5-11260 (Reference: PHH Corporation Credit Agreement dated as of March 4, 1997) or as otherwise directed by the Administrative Agent no later than 1:00 P.M. New York City time in the case of Loans other than ABR Loans, and 4:00 P.M. New York City time in the case of ABR Loans, in each case, in immediately available funds. Upon receipt of the funds to be made available by the US 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 Primary Loans and Pounds Sterling Loans shall be made by all the Primary Lenders or Pounds Sterling Lenders, as the case may be, pro rata in accordance with Section 2.1 and this Section 2.2.

(ii) Subject to Section 2.6, each Canadian Lender shall make each Canadian Loan to be made by it hereunder on the proposed date thereof by making funds available to the Canadian Agent at Royal Bank of Canada Swift Code ROYCCAT2, for credit to PHH Vehicle Management Services Inc. Clearing Account, Account No. 219-247-4 (Reference: PHH Vehicle Management Services Inc. Credit Agreement dated as of March 4, 1997) no later than 4:00 P.M. Toronto time in the case of Canadian Loans (other than C$ Prime Rate Loans) and 1:00 P.M. Toronto time in the case of C$ Prime Rate Loans, in each case, in immediately available funds. Upon receipt of the funds to be made available by the Canadian Lenders to fund any Canadian Borrowing hereunder, the Canadian Agent shall disburse such funds by depositing them into an account of the Canadian Borrower maintained with the Canadian Agent. Canadian Revolving Credit Loans shall be made by all the Canadian Lenders pro rata in accordance with Section 2.1 and this Section 2.2.

(d) Notwithstanding any other provision of this Agreement, the Borrowers 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.

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 2:00 p.m., New York City time, four Working Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 2:00 p.m., New York City time, one Business Day before a proposed Competitive Borrowing. Each Competitive Bid Request shall specify the requested Currency. No ABR Loan, C$ Prime Rate Loan or Bankers' Acceptance 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 in the case of a Fixed Rate Borrowing and a Working Day in the case of a LIBOR Competitive Borrowing) and the aggregate principal Dollar Equivalent Amount thereof, which shall be in a minimum principal Dollar Equivalent

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 such 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 Working 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 Competitive 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 Competitive Bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (i) the principal Dollar Equivalent Amount (which shall be in a minimum principal Dollar Equivalent 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 applicable Lender is willing to make to the Borrower, (ii) the Competitive Bid Rate or Rates at which such Lender is prepared to make such 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 Working 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 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 Competitive 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 Competitive 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 Working 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 that (A) the failure by the Borrower to give such notice shall be deemed to be a rejection of all the Competitive Bids referred to in paragraph (c) above, (B) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a Competitive 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 Competitive Bid or Competitive Bids made at a particular Competitive Bid Rate but the amount of such Competitive Bid or Competitive Bids shall cause the total amount of Competitive 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 Competitive Bid or Competitive 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 Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid at such Competitive Bid Rate), (E) except pursuant to clause (D) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal Dollar Equivalent Amount of $10,000,000 and an integral multiple of $5,000,000 and (F) the Borrower may not accept Competitive Bids for Competitive Loans in any Currency other than the Currency specified in the related Competitive Bid Request; and provided, further, that if a Competitive Loan must be in an amount less than the Dollar Equivalent Amount of $10,000,000 because of the provisions of clause (D) above, such Competitive Loan shall be in a minimum principal Dollar Equivalent Amount of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive 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 Competitive Bid has been accepted in the applicable Currency.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive 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 Competitive Bids to the Administrative Agent pursuant to paragraph (b) above. Canadian Lenders shall not be permitted to extend Competitive Loans.

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

SECTION 2.5. Revolving Credit Borrowing Procedure.

(a) 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 Borrowing of a LIBOR Revolving Credit Loan, not later than 2:00 p.m., New York City time, three Working Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 2:00 p.m., New York City time, on the day of a proposed Borrowing. No Fixed Rate Loan or LIBOR Competitive 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 Borrowing of a LIBOR Revolving Credit Loan or an ABR Borrowing, (b) the date of such Revolving Credit Borrowing (which shall be a Working Day) and the amount thereof, (c) if such Borrowing is to be a Borrowing of LIBOR Revolving Credit Loans, the Interest Period with respect thereto and (d) whether such Borrowing is to be made in Dollars or U.K. Pounds Sterling. 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. Pounds Sterling Loans shall be a Borrowing of LIBOR Revolving Credit Loans. If no Interest Period with respect to any Borrowing of LIBOR Revolving Credit Loans 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 in the case of Primary Loans and a LIBOR Revolving Credit Loan with an Interest Period of one month's duration in the case of a Pounds Sterling Loan. The Administrative Agent shall promptly advise the Primary or Pounds Sterling Lenders, as the case may be, of any notice given pursuant to this Section 2.5 and of each such Lender's portion of the requested Borrowing.

(b) The Canadian Borrower may borrow under the Canadian Commitments of the Canadian Lenders during the Commitment Period on any Business Day, provided that the Canadian Borrower shall give the Canadian Agent (and the Administrative Agent) irrevocable notice (a "Notice of Canadian Borrowing") (which notice must be received by the Canadian Agent prior to (a) 2:00 p.m., Toronto time, three Business Days prior to the requested Borrowing Date, if all or any part of the requested Canadian Revolving Credit Loans are to be initially B/As or (b) 2:00 p.m., Toronto time, on the requested Borrowing Date, otherwise), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of C$ Prime Rate Loans or B/As or a combination thereof and (iv) if the borrowing is to be entirely or partially of B/As, the respective amounts and lengths of the initial Contract Period thereof. Upon receipt of any such notice from the Canadian Borrower, the Canadian Agent shall promptly notify each Canadian Lender thereof.

SECTION 2.6. Refinancings.

Each of the Borrowers may refinance all or any part of any Borrowing made by it with a Borrowing of the same or a different Interest Rate Type made pursuant to Section 2.4 (in the case of the Borrower) or pursuant to a notice under Section 2.5, subject to the conditions and limitations set forth herein and elsewhere in this Agreement, including, in the case of the Borrower, refinancings of Competitive Borrowings with Revolving Credit Borrowings in Dollars and Revolving Credit Borrowings in Dollars with Competitive Borrowings; provided that (i) a Borrowing by way of B/As may be refinanced only on the last day of the relevant Contract Period and (ii) on any partial refinancing from a C$ Prime Rate Loan, or B/A, not less than C$500,000 shall remain as Borrowings by way of C$ Prime Rate Loan or B/A, as applicable and; provided, further, that at any time after the occurrence, and during the continuation, of a Default or an Event of Default, (i) a Revolving Credit Borrowing of Dollars or portion thereof may only be refinanced with an ABR Borrowing and (ii) C$ Revolving Credit Loans may not be refinanced with a B/A. 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 applicable Lenders to the Applicable Agent or by the Applicable Agent to the Applicable Borrower pursuant to Section 2.2(c); provided 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 Applicable Agent for distribution to the Lenders described in clause (b) below, (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 Applicable 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 Applicable 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 2.8 and, to the extent of such failure, the Applicable Borrower shall pay such amount to the Applicable Agent as required by Section 2.10; and (d) to the extent the Applicable Borrower fails to pay to the Applicable Agent any amounts due in accordance with Section 2.8 as a result of the failure of a Lender to pay the Applicable 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 Applicable 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 Primary Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, and on the date on which the Primary 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 amount of the Primary Commitment of such Lender, whether used or unused, during the preceding quarter (or shorter period commencing with the Original Closing Date, or ending with the Maturity Date or any date on which the Primary 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 Primary Lender shall commence to accrue on the Original Closing Date, shall be payable in arrears and shall cease to accrue on the earlier of the Maturity Date and the termination of the Primary Commitment of such Lender as provided herein.

(b) 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 February __, 1999 among the Borrower, Chase and Chase Securities Inc.

(c) 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) (i) 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); provided that the Revolving Credit Loans made by Objecting Lenders shall be repaid as provided in Section 2.24. The Borrower hereby further agrees to pay to the Administrative Agent 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.

(ii) The Canadian Borrower hereby unconditionally promises to pay to the Canadian Agent (with notice to the Administrative Agent) for the account of each Canadian Lender the then unpaid principal amount of each Canadian Revolving Credit Loan of such Canadian Lender on the Maturity Date (or such earlier date on which the Canadian Revolving Credit Loans become due and payable pursuant to Article 7 or such earlier date on which the Borrower shall fail to own, directly or indirectly, beneficially and of record, all of the capital stock of the Canadian Borrower); provided that the Canadian Revolving Credit Loans made by Objecting Lenders shall be repaid as provided in Section 2.25. The Canadian Borrower hereby further agrees to pay to the Canadian Agent (with notice to the Administrative Agent) interest on the unpaid principal amount of the Canadian 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 and the Canadian Borrower to such Lender resulting from each 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 Loan made hereunder, the Interest Rate Type thereof and each Interest Period or Contract Period, if any, applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender or the Canadian Agent hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower or the Canadian Borrower, as the case may be, 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(c) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrowers therein recorded; provided 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 Borrowers to repay (with applicable interest) the Loans made to such 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 Primary Lender, the Borrower will execute and deliver to such Primary Lender a promissory note of the Borrower evidencing the Primary Loans of such Primary 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, principal amount and Currency (a "Competitive Note").

(h) The Canadian Borrower agrees that, upon the request to the Canadian Agent by any Canadian Lender, the Canadian Borrower will execute and deliver to such Canadian Lender a promissory note of the Canadian Borrower evidencing the Canadian Revolving Credit Loans of such Canadian Lender, substantially in the form of Exhibit A-3 with appropriate insertions as to date and principal amount (a "Canadian Revolving Credit Note").

(i) The Borrower agrees that, upon the request of the Administrative Agent by any Pounds Sterling Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing the Pounds Sterling Loans of such Pounds Sterling Lender, substantially in the form of Exhibit A-4 with appropriate insertions as to date and principal amount ("Pounds Sterling Note").

SECTION 2.9. Interest on Loans.

(a) (i) 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 or 365 days in the case of a Pounds Sterling Loan) 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 or minus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.4. Interest on each LIBOR Borrowing shall be payable on each applicable Interest Payment Date.

(ii) Subject to the provisions of Section 2.10, the Loans comprising each B/A Borrowing shall be subject to an Acceptance Fee (computed on the basis of the actual number of days elapsed over a year of 365 days) calculated and payable at a rate per annum equal to the applicable B/A Spread from time to time in effect payable as set forth in Section 2.25(f).

(b) (i) 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 therefor from time to time in effect in accordance with Section 2.22.

(ii) Subject to the provisions of Section 2.10, the Loans comprising each C$ Prime Rate 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) at a rate per annum equal to the C$ Prime Rate plus the applicable margin therefor from time to time in effect in accordance with 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 (other than in the case of a B/A, which shall be payable in accordance with Section 2.25) 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, the C$ Prime Rate for each Interest Period or day within an Interest Period shall be determined by the Canadian Agent, and, in each case, such determination shall be conclusive absent manifest error.

(e) For the purposes of the Interest Act (Canada) and disclosure thereunder, whenever interest to be paid hereunder or in connection herewith is to be calculated on the basis of a year of 360 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by either 360 or such other period of time, as the case may be.

(f) If any provision of any Fundamental Document would oblige the Canadian Borrower to make any payment of interest or other amount payable to any Canadian Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by that Canadian Lender of interest at a criminal rate (as such terms are construed under the Criminal Code (Canada)), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by that Canadian Lender of interest at a criminal rate, such adjustment to be effected, to the extent necessary, as follows:

(i) first, by reducing the amount or rate of interest required to be paid to the affected Canadian Lender under Section 2.9 or 2.10; and

(ii) thereafter, by reducing any fees, commissions, premiums and other amounts required to be paid to the affected Canadian Lender which would constitute interest for purposes of Section 347 of the Criminal Code (Canada).

SECTION 2.10. Interest on Overdue Amounts.

If either Borrower shall default in the payment of the principal of, or interest on, any Loan or any other amount becoming due hereunder, the Applicable 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 days in the case of B/As and 365 or 366 days, as applicable, in the case of amounts bearing interest determined by reference to the Prime Rate or the C$ 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 or Contract Period, as the case may be, for any LIBOR Loan or Fixed Rate Loan or B/A, the rate applicable to such Loan under Section 2.9 plus 2% per annum and (b) in the case of any other amount, the rate that would at the time be applicable to an ABR Loan if such other amount is payable in US$ or to a C$ Prime Rate Loan if such other amount is payable in C$, in each case, under Section 2.9 plus 2% per annum.

SECTION 2.11. Alternate Rate of Interest.

In the event the Administrative Agent shall have determined that deposits in Dollars or the applicable Available Foreign Currency in the amount of the requested principal amount of any LIBOR Loan are not generally available in the London Interbank Market (or such other interbank eurocurrency market where the foreign currency and exchange operations in respect of Dollars or such applicable Available Foreign Currency, as the case may be, are then being conducted for delivery on the first day of such Interest Period), or that the rate at which such 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.

(a) (i) The Commitments of all of the Lenders shall be automatically terminated on the Maturity Date.

(ii) The Canadian Commitments of all of the Canadian Lenders shall be automatically terminated on such date on which the Borrower shall fail to own, directly or indirectly, beneficially and of record, all of the capital stock of the Canadian Borrower.

(b) Subject to Section 2.13(b), upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent (which shall promptly notify each Lender), the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Commitments; provided that (i) each partial reduction shall be in an integral multiple of $1,000,000 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 a type of Commitment to an amount less than the sum of the aggregate outstanding principal Dollar Equivalent Amount of the related Loans.

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

SECTION 2.13. Prepayment of Loans.

(a) (i) 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 (which shall promptly notify each Lender) before 2:00 p.m. New York City time of at least one Business Day in the case of an ABR Loan and of at least three Working Days in the case of a LIBOR Loan; provided that each such partial prepayment shall be in a minimum aggregate principal Dollar Equivalent Amount of $1,000,000 or a whole multiple in excess thereof. The Borrower shall not have the right to prepay any Competitive Borrowing without the consent of the relevant Lender.

(ii) Prior to the Maturity Date, the Canadian Borrower shall have the right at any time to prepay any C$ Prime Rate Loan, in whole or in part, without premium or penalty, upon prior written or telecopy notice to the Canadian Agent before 2:00 p.m. Toronto time of at least three Business Days; provided that each such partial prepayment shall be in a minimum aggregate principal amount of $1,000,000 or a whole multiple in excess thereof. The Borrower shall not have the right to optionally prepay any B/As.

(b) (i) On any date when the sum of the Dollar Equivalent Amount of the aggregate outstanding Loans (after giving effect to any Borrowings effected on such date) exceeds the Total Commitment, the Borrower shall make a mandatory prepayment of the Loans in such amount as may be necessary so that the Dollar Equivalent Amount of the aggregate amount of outstanding Loans 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 and C$ Prime Rate Loans up to the full amount thereof before they are applied to outstanding LIBOR Loans or B/A's.

(ii) If at any date the sum of the Dollar Equivalent Amount of the Canadian Revolving Credit Loans exceeds 105% (or 110% to the extent such Canadian Loans consist of B/As' for which the remaining Contract Period as of such date is less than 60 days), of the Canadian Commitments (including at any time after any reduction of the Canadian Commitments pursuant to Section 2.12), the Canadian Agent may promptly notify the Canadian Borrower, and the next Business Day after such notification, the Canadian Borrower shall make a payment in the amount of such excess. Any such payment shall be applied first, to payment of the C$ Prime Rate Loans and second, to cash collateralize any outstanding B/As on terms satisfactory to the Canadian Agent acting reasonably.

(iii) If at any date the sum of the Dollar Equivalent Amount of the Pounds Sterling Loans exceeds 105% (or 110% to the extent such Pounds Sterling Loans consist of LIBOR Loans for which the remaining Interest Period as of such date is less than 2 calendar months) of the Pounds Sterling Commitments (including at any time after any reduction of the Pounds Sterling Commitments pursuant to Section 2.12), the Administrative Agent may promptly notify the Borrower, and the next Business Day after such notification, the Borrower shall make a payment in the amount of such excess, which payment shall be applied to reduce the outstanding Pounds Sterling Loans.

(c) Each notice of prepayment pursuant to this Section 2.13 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 Applicable 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 and any amounts due pursuant to Section 2.17.

SECTION 2.14. Eurocurrency 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) (or, at any time when such Lender may be required by the Board or by any other Governmental Authority, whether within the United States or in another relevant jurisdiction, to maintain reserves against any other category of liabilities which includes deposits by reference to which LIBOR is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender which includes any such LIBOR Loans), 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, provided that with respect to Pounds Sterling Loans such additional interest shall be calculated as specified on Schedule 2.14. 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 Loan, or shall change the basis of taxation of payments to any Lender of the principal of or interest on any 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 eurocurrency market any other condition affecting this Agreement or any 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 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 Borrowers 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 or any change after the date hereof in any applicable law, rule, regulation or guideline regarding capital adequacy, 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 such 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 (or its holding company) 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 or Contract 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 or Contract Period. The protection of this Section 2.15 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 or Section 2.21 or (ii) would require the Borrower to pay an increased amount under this Section 2.15, Section 2.16 or Section 2.21, 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 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 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 pursuant to this Section 2.15, Section 2.16 or Section 2.21 would be materially reduced or the taxes or other amounts otherwise payable under this Section 2.15, Section 2.16 or Section 2.21 would be materially reduced, and if, as determined by such Lender, in its sole reasonable discretion, the making, funding or maintaining of such Loans through such other Lending Office would not otherwise materially adversely affect such Loans.

(f) In the event any Lender shall have delivered to the Borrower a notice that LIBOR Loans or B/As are no longer available from such Lender pursuant to Section 2.16, that amounts are due to such Lender pursuant to paragraph (c) above, that any of the events designated in paragraph (e) above have occurred or that a Lender shall not be rated at least BBB by S&P and Baa2 by Moody's, 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 from the Lender providing such notice and such Lender shall thereupon assign its Commitment, any Loans owing to such Lender 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 and all other amounts (including without limitation all amounts payable under this Section and Sections 2.21, 9.4 and 9.5) 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 B/A or to give effect to its obligations as contemplated hereby, then, by written notice to the Borrower or the Canadian Borrower, as applicable and to the Administrative Agent and the Canadian Agent, as applicable, such Lender may:

(i) declare that LIBOR Loans or B/As 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 and the Canadian Borrower shall be prohibited from requesting LIBOR Revolving Credit Loans or B/As from such Lender hereunder unless such declaration is subsequently withdrawn; and

(ii) require that all outstanding LIBOR Loans (in Dollars) or B/As made by it be converted to ABR Loans or C$ Prime Rate Loans, respectively, in which event (A) all such LIBOR Loans or B/As shall be automatically converted to ABR Loans or C$ Prime Rate Loans, respectively, 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 or B/As shall instead be applied to repay the ABR Loans or C$ Prime Rate Loans, as the case may be resulting from the conversion of such LIBOR Loans or B/As.

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

SECTION 2.17. Reimbursement of Lenders.

(a) The Borrower or the Canadian Borrower, as the case may be, 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, including any refinancing) of any LIBOR or Fixed Rate Loan or B/A if such Loan is repaid other than on the last day of the applicable Interest Period or Contract Period, as the case may be, for such Loan or (ii) in the event that after the Borrower or the Canadian Borrower, as the case may be 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) or B/A, pursuant to which it has accepted Competitive 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 or the Canadian Borrower, as the case may be for any reason other than (I) a suspension or limitation under Section 2.16 of the right of the Borrower or the Canadian Borrower, as the case may be, to select a LIBOR Loan or B/A 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 or Contract Period, as the case may be 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 or Contract Period, as the case may be for a Loan, such loss shall be the amount 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 Interest Period or Contract Period, as the case may be for such Loan, over (B) an 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 or Canadian Treasury Securities, as the case may be (at such date of determination) with maturities approximately equal to the remaining Interest Period or Contract Period, as the case may be for such Loan times (z) the number of days remaining in the Interest Period or Contract Period, as the case may be for such Loan. Each Lender shall deliver to the Borrower or the Canadian Borrower, as the case may be 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 or the Canadian Borrower, as the case may be, shall pay to the Administrative Agent or the Canadian

Agent, as the case may be 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 or the Canadian Borrower, as the case may be, fails to prepay any Loan on the date specified in any prepayment notice delivered pursuant to Section 2.13(a), the Borrower or the Canadian Borrower, as the case may be, on demand by any Lender shall pay to the Administrative Agent or the Canadian Agent, as the case may be 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 or the Canadian Borrower, as the case may be, and the Administrative Agent or the Canadian Agent, as the case may be, 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), 2.15(f), 2.16, 2.17 and 2.24, (i) each Primary Borrowing, each reduction of the aggregate Primary Commitments and each refinancing of any Borrowing with, or conversion of any Borrowing to, a Primary Borrowing, or continuation of any Borrowing as a Primary Borrowing, shall be allocated pro rata among the Primary Lenders in accordance with their respective Primary Commitments (or, if such Primary Commitments shall have expired or been terminated, in accordance with the respective principal amount of their Primary Loans) and each payment or prepayment of principal of any Primary Borrowing and each payment of interest on the Primary Loans shall be allocated pro rata in accordance with the respective principal amount of the Primary Loans then held by the Primary Lenders, (ii) each Pounds Sterling Borrowing, each reduction of the aggregate Pounds Sterling Commitments and each refinancing of any Borrowing with, or conversion of any Borrowing to, a Pounds Sterling Borrowing, or continuation of any Borrowing as a Pounds Sterling Borrowing, shall be allocated pro rata among the Pounds Sterling Lenders in accordance with their respective Pounds Sterling Commitments (or, if such Pounds Sterling Commitments shall have expired or been terminated, in accordance with the respective principal amount of their outstanding Pounds Sterling Loans) and each payment or prepayment of principal of any Pounds Sterling Borrowing and each payment of interest on the Pounds Sterling Loans shall be allocated pro rata in accordance with the respective principal amount of the Pounds Sterling Loans then held by the Pounds Sterling Lenders and (iii) each Canadian Borrowing, each reduction of the aggregate Canadian Commitments and each refinancing of any Canadian Borrowing, or continuation of any Borrowing as a Canadian Borrowing, shall be allocated pro rata among the Canadian Lenders in accordance with their respective Canadian Commitments (or, if such Canadian Commitments shall have expired or been terminated, in accordance with the respective principal amount of their outstanding Canadian Revolving Credit Loans) and each payment or prepayment of principal of any Canadian Borrowing and each payment of interest on the Canadian Loans shall be allocated pro rata in accordance with the respective principal amount of the Canadian Loans then held by the Canadian Lenders. 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, each 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 Applicable 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 and are subject to the provisions of Section 8.2.

SECTION 2.20. Manner of Payments.

(a) All payments by the Borrower hereunder and under the Notes shall be made in Dollars or other applicable Currency in immediately available funds at the office of the Administrative Agent's Agent Bank Services Department, One Chase Manhattan Plaza, New York, New York 10081, Attention: Maggie Swales, for credit to PHH Corporation Clearing Account, Account No. 323-5-11260 (Reference: PHH Corporation Credit Agreement dated March 4, 1997) or as otherwise directed by the Borrower (with the consent of the Administrative Agent, which consent shall not be unreasonably withheld) no later than 4:30 p.m., 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.

(b) All payments by the Canadian Borrower hereunder and under the Canadian Revolving Credit Notes shall be made in Canadian Dollars in immediately available funds at

Royal Bank of Canada Swift Code ROYCCAT2 for credit to PHH Vehicle Management Services Inc. Clearing Account, Account No. 219-247-4 Reference: PHH Vehicle Management Services Inc. Credit Agreement dated March 4, 1997) no later than 4:30 p.m., Toronto time, on the date on which such payment shall be due. Interest in respect of any Canadian Revolving Credit Loan hereunder shall accrue from and including the date of such Canadian Revolving Credit Loan to, but excluding, the date on which such Canadian Revolving Credit Loan is paid or refinanced with a Canadian Revolving Credit Loan of a different Interest Rate Type.

SECTION 2.21. Withholding Taxes.

(a) Prior to the date of the initial Loans hereunder, and from time to time thereafter if requested by either of the Borrowers or the Applicable 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 or Canada, in the case of a Canadian Lender, shall provide, if applicable, the Applicable Agents and the Borrowers with complete, accurate and duly executed forms or other statements prescribed by a Governmental Authority certifying such Lender's exemption, if any, from, or entitlement to a reduced rate, if any, of, withholding taxes (including backup withholding taxes) with respect to all payments to be made to such Lender hereunder and under the Notes.

(b) The Borrowers and the Applicable Agents 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 Borrowers or the Applicable Agents in good faith determine that such deduction or withholding is required by Applicable Law, including, without limitation, any applicable treaty. In the event either of the Borrowers or the Applicable Agents 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 either of the Borrowers or the Applicable Agents 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 either of the Borrowers and the Applicable Agents have received forms or other documents satisfactory to them indicating that payments hereunder or under the Notes are not subject to withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrowers or the Applicable Agents may withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender.

(c) Each Lender agrees (i) that as between it and either of the Borrowers or the Applicable Agents, 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 Borrowers and the Applicable Agents and any of their officers, directors, agents, or employees 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 as a result of any change in any statute, treaty, ruling, determination or regulation occurring after the Initial Date (as defined below) in respect of any sum payable hereunder or under any other Fundamental Document to any Lender or either of the Applicable Agents (i) the sum payable by either of the Borrowers 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 Applicable Agents (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Applicable Borrower shall make such deductions and (iii) the Applicable 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 Applicable Agents, 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 and B/A 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 unsecured long-term debt	Facility Fee (in Basis Points)	Applicable LIBOR Spread And B/A Spread (in Basis Points)
A/A2 or better	8.0	29.5
A-/A3	10.0	40.0
BBB+/Baa1	12.5	50.0
BBB/Baa2	15.0	60.0
BBB-/Baa3	17.5	70.0
BB+/Ba1 or worse	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 and B/A Spread. In the event that the Borrower's senior unsecured long-term debt is rated by only one of S&P and Moody's (for any reason, including if S&P or Moody's shall cease to be in the business of rating corporate debt obligations) or if the rating system of either S&P or Moody's shall change, then an amendment shall be negotiated in good faith (and shall be effective only upon approval by the Borrower and the Supermajority Lenders) to the references to specific ratings in the table above to reflect such changed rating system or the unavailability of ratings from such rating agency (including an amendment to provide for the substitution of an equivalent or successor ratings agency). 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 and B/A 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 and B/A 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 and B/A 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 and C$ Prime Rate Loans shall be 1% less than the applicable LIBOR Spread (but not less than 0%), including as the LIBOR Spread may be increased pursuant to the next paragraph.

In addition, on each day on which the Borrower's commercial paper is rated A2 or lower by S&P or P2 or lower by Moody's or is not rated by each of S&P and Moody's, the applicable LIBOR Spread and B/A Spread shall be increased by .25% per annum. If the rating system with respect to commercial paper of either S&P or Moody's shall change, then an amendment shall be negotiated in good faith (and shall be effective only upon approval by the Borrower and the Supermajority Lenders) to reflect such changed rating system. Any decrease in the Borrower's commercial paper rating shall be deemed to become effective for purposes of this Section 2.22 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 commercial paper or on the date either of such rating agencies announces it shall no longer rate the Borrower's commercial paper. Any increase in the Borrower's commercial paper rating shall be deemed to be effective for purposes of this Section 2.22 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.

SECTION 2.23. [Intentionally Deleted.]

SECTION 2.24. Extension of Maturity Date. (a) Not less than 60 days and not more than 90 days prior to the Maturity Date then in effect, provided that no Event of Default shall have occurred and be continuing, the Borrower may request an extension of the Maturity Date then in effect by submitting to the Administrative Agent an Extension Request containing the information in respect of such extension specified in Exhibit H, which the Administrative Agent shall promptly furnish to each Lender. Each Lender shall, not less than 30 days and not more than 60 days prior to such Maturity Date then in effect, notify the Borrower and the Administrative Agent of its election to grant or not to grant the extension as requested in such Extension Request. Notwithstanding any provision of this Agreement to the contrary, any notice by any Lender of its willingness to extend the Maturity Date shall be revocable by such Lender in its sole and absolute discretion at any time prior to the date which is 30 days prior to such Maturity Date then in effect. If the Supermajority Lenders shall approve in writing the extension of the Maturity Date requested in such Extension Request, the Maturity Date shall automatically and without any further action by any Person be extended for the period specified in such Extension Request; provided that (i) each extension pursuant to this Section 2.24 shall be for a maximum of 364 days and (ii) the Commitment of any Lender which does not consent in writing to such extension not less than 30 days and not more than 60 days prior to such Maturity Date then in effect (an "Objecting Lender") shall, unless earlier terminated in accordance with this Agreement, expire on the Maturity Date in effect on the date of such Extension Request (such Maturity Date, if any, referred to as the "Commitment Expiration Date" with respect to such Objecting Lender). If not less than 30 days and not more than 60 days prior to such Maturity Date then in effect, the Supermajority Lenders shall not approve in writing the extension of the Maturity Date requested in an Extension Request, the Maturity Date shall not be extended pursuant to such Extension Request. The Administrative Agent shall promptly notify (y) the Lenders and the Borrower of any extension of the Maturity Date pursuant to this Section 2.24 and (z) the Borrower and any other Lender of any Lender which becomes an Objecting Lender.

(b) Loans (including any principal, interest, fees and other amounts due hereunder) owing to any Objecting Lender on the Commitment Expiration Date with respect to such Lender shall be repaid in full on or before such Commitment Expiration Date.

(c) The Borrower shall have the right, so long as no Event of Default has occurred and is then continuing, upon giving notice to the Administrative Agent and the Objecting Lender in accordance with Section 2.13, to prepay in full the Loans of the Objecting Lenders, together with accrued interest thereon, any amounts payable pursuant to Sections 2.9, 2.10, 2.14, 2.15, 2.17, 2.21, 9.4 and 9.5 and any accrued and unpaid Facility Fee or other amounts payable to it hereunder and/or, upon giving not less than three Business Days' notice to the Objecting Lenders and the Administrative Agent, to cancel in whole or in part the Commitments of the Objecting Lenders.

(d) The Borrower may, with the consent of the Administrative Agent, designate one or more financial institutions to act as a Lender hereunder in place of any Objecting Lender, and upon the execution of an agreement substantially in the form of Exhibit H by each such Objecting Lender (who hereby agrees to execute such agreement), such replacement financial institution and the Administrative Agent, such replacement financial institution shall become and be a Lender hereunder with all the rights and obligations it would have had if it had been named on the signature pages hereof, and having for all such financial institutions aggregate Commitments of no greater than the whole of the Commitment of the Objecting Lender in place of which such financial institutions were designated; provided that the Facility Fees, interest and other payments to the Lenders due hereunder shall accrue for the account of each such financial institution from the date of replacement pursuant to such agreement. The Administrative Agent shall notify the Lenders of the execution of any such agreement, the name of the financial institution executing such agreement and the amount of such financial institution's Commitment.

SECTION 2.25. Bankers' Acceptances. () Subject to the terms and conditions of this Agreement, the Canadian Borrower may request a Borrowing by presenting drafts for acceptance and purchase as B/As by the Canadian Lenders.

(b) No Contract Period with respect to a B/A shall extend beyond the Maturity Date.

(c) To facilitate availment of the Borrowings by way of B/As, the Canadian Borrower hereby appoints each Canadian Lender as its attorney to sign and endorse on its behalf, in handwriting or by facsimile or mechanical signature as and when deemed necessary by such Canadian Lender, blank forms of B/As substantially in the form of Exhibit I. In this respect, it is each Canadian Lender's responsibility to maintain an adequate supply of blank forms of B/As for acceptance under this Agreement. The Canadian Borrower recognizes and agrees that all B/As signed and/or endorsed on its behalf by a Canadian Lender shall bind the Canadian Borrower as fully and effectually as if signed in the handwriting of and duly issued by the proper signing officers of the Canadian Borrower. Each Canadian Lender is hereby authorized to issue such B/As endorsed in blank in such face amounts as may be determined by such Canadian Lender; provided that the aggregate amount thereof is equal to the aggregate amount of B/As required to be accepted and purchased by such Canadian Lender. No Canadian Lender shall be liable for any damage, loss or other claim arising by reason of any loss or improper use of any such instrument except the gross negligence or wilful misconduct of the Canadian Lender or its officers, employees, agents or representatives. Each Canadian Lender shall maintain a record with respect to B/As (a) received by it from the Canadian Agent in blank hereunder, (b) voided by it for any reason, (c) accepted and purchased by it hereunder, and (d) cancelled at their respective maturities. Each Canadian Lender further agrees to retain such records in the manner and for the statutory periods provided in the various provincial or federal statutes and regulations which apply to such Canadian Lender. Each Canadian Lender agrees to provide a copy of such records to the Canadian Borrower at the Canadian Borrower's expense upon request. On request by or on behalf of the Canadian Borrower, a Canadian Lender shall cancel all forms of B/A which have been pre-signed or pre-endorsed on behalf of the Canadian Borrower and which are held by the said Canadian Lender and are not required to be issued in accordance with the Canadian Borrower's irrevocable notice.

(d) Drafts of the Canadian Borrower to be accepted as B/As hereunder shall be signed as set forth in this Section 2.25. Notwithstanding that any Person whose signature appears on any B/A may no longer be an authorized signatory for any of the Canadian Lenders or the Canadian Borrower at the date of issuance of a B/A, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such issuance and any such B/A so signed shall be binding on the Canadian Borrower.

(e) Promptly following receipt of a Notice of Canadian Borrowing or Notice of Rollover or notice of refinancing pursuant to Section 2.6 by way of B/As, the Canadian Agent shall so advise the Canadian Lenders and shall advise each Canadian Lender of the aggregate face amount of the B/As to be accepted by it and the applicable Contract Period (which shall be identical for all Lenders). The aggregate face amount of the B/As to be accepted by a Canadian Lender shall be a whole multiple of C$100,000, and such face amount shall be in the Canadian Lenders pro rata portion of such Borrowing, provided that the Canadian Agent may in its sole discretion increase or reduce each Canadian Lender's portion of such Borrowing to the nearest C$100,000.

(f) Upon acceptance of a B/A by a Canadian Lender, such Canadian Lender shall purchase, or arrange the purchase of, each B/A from the Canadian Borrower at the Discount Rate for such Canadian Lender applicable to such B/A accepted by it and provide to the Canadian Agent the Discount Proceeds for the account of the Canadian Borrower. The Acceptance Fee payable by the Canadian Borrower to a Canadian Lender under Section 2.9 in respect of each B/A accepted by such Canadian Lender shall be set off against the Discount Proceeds payable by such Canadian Lender under this Section 2.25.

(g) Each Canadian Lender may at any time and from time to time hold, sell, rediscount or otherwise dispose of any or all B/As accepted and purchased by it.

(h) With respect to each Borrowing which is outstanding hereunder by way of B/As, at or before 11:00 a.m. two Business Days before the maturity date of such B/As, the Canadian Borrower shall notify the Canadian Agent at the Canadian Agent's address set forth in Section 9.1 by irrevocable telephone notice, followed by a Notice of Rollover on the same day, if the Canadian Borrower intends to issue B/As on such maturity date to provide for the payment of such maturing B/As. If the Canadian Borrower fails to notify the Canadian Agent of its intention to issue B/As on such maturity date, the Canadian Borrower shall provide payment to the Canadian Agent on behalf of the Canadian Lenders of an amount equal to the aggregate face amount of such B/As on the maturity date of such B/As. If the Canadian Borrower fails to make such payment, such maturing B/As shall be deemed to have been converted on their maturity date into a C$ Prime Rate Loan in an amount equal to the face amount of such B/As and the Canadian Borrower shall on demand pay any penalties that may have been incurred by the Canadian Agent and any Canadian Lender due to the failure of the Canadian Borrower to make such payment.

(i) The Canadian Borrower waives presentment for payment and any other defense to payment of any amounts due to a Canadian Lender in respect of a B/A accepted and purchased by it pursuant to this Agreement which might exist solely by reason of such B/A being held, at the maturity thereof, by such Canadian Lender in its own right and the Canadian Borrower agrees not to claim any days of grace if such Canadian Lender as holder sues the Canadian Borrower on the B/A for payment of the amount payable by the Canadian Borrower thereunder. On the specified maturity date of a B/A, or such earlier date as may be required or permitted pursuant to the provisions of this Agreement, the Canadian Borrower shall pay the Canadian Lender that has accepted and purchased such B/A the full face amount of such B/A and after such payment, the Canadian Borrower shall have no further liability in respect of such B/A and such Canadian Lender shall be entitled to all benefits of, and be responsible for all payments due to third parties under, such B/A.

(j) If a Canadian Lender grants a participation in a portion of its rights under this Agreement to a Participant, then in respect of any Borrowing by way of Bankers' Acceptances, a portion thereof may, at the option of such Canadian Lender, be by way of Bankers' Acceptance accepted by such Participant. In such event, the Canadian Borrower shall upon request of the Canadian Agent or the Canadian Lender granting the participation execute and deliver a form of Bankers' Acceptance undertaking in favor of such Participant for delivery to such Participant.

SECTION 2.26. Guarantee. (a) To induce the Agents and the Lenders to execute and deliver this Agreement and to make or maintain the Canadian Loans hereunder, and in consideration thereof, the Borrower hereby unconditionally and irrevocably guarantees to the Agents, for the ratable benefit of the Lenders, the prompt and complete payment and performance by the Canadian Borrower when due (whether at stated maturity, by acceleration or otherwise) of the Canadian Obligations, and the Borrower further agrees to pay any and all expenses (including, without limitation, all reasonable fees, charges and disbursements of counsel) which may be paid or incurred by the Agents or by the Lenders in enforcing, or obtaining advice of counsel in respect of, any of their rights under the guarantee contained in this Section 2.26. The guarantee contained in this Section 2.26, subject to Section 2.26(e), shall remain in full force and effect until the Canadian Obligations are paid in full and the Canadian Commitments are terminated, notwithstanding that from time to time prior thereto the Canadian Borrower may be free from any Canadian Obligations.

(b) Notwithstanding any payment or payments made by the Borrower hereunder or any set-off or application of funds of the Borrower by any Lender, the Borrower shall not be entitled to be subrogated to any of the rights of the Agents or any Lender against the Canadian

Borrower or any collateral security or guarantee or right of offset held by any Lender for the payment of the Canadian Obligations, nor shall the Borrower seek or be entitled to seek any contribution or reimbursement from the Canadian Borrower in respect of payments made by the Borrower hereunder, until all amounts owing to the Agents and the Lenders by the Canadian Borrower on account of the Canadian Obligations are paid in full and the Canadian Commitments are terminated. If any amount shall be paid to the Borrower on account of such subrogation rights at any time when all of the Canadian Obligations shall not have been paid in full or the Canadian Commitments shall not have been terminated, such amount shall be held by the Borrower in trust for the Agents and the Lenders, segregated from other funds of the Borrower, and shall, forthwith upon receipt by the Borrower, be turned over to the Agents in the exact form received by the Borrower (duly endorsed by the Borrower to the Administrative Agent, if required), to be applied against the Canadian Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine. The Borrower hereby further irrevocably waives all contractual, common law, statutory and other rights of reimbursement, contribution, exoneration or indemnity (or any similar right) from or against the Canadian Borrower or any other Person which may have arisen in connection with the guarantee contained in this Section 2.26.

(c) The Borrower shall remain obligated under this Section 2.26 notwithstanding that, without any reservation of rights against the Borrower, and without notice to or further assent by the Borrower, any demand for payment of or reduction in the principal amount of any of the Canadian Obligations made by either of the Agents or any Lender may be rescinded by either of the Agents or such Lender, and any of the Canadian Obligations continued, and the Canadian Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by either of the Agents or any Lender, and this Agreement, any other Fundamental Document, and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Lenders (or the Required Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by either of the Agents or any Lender for the payment of the Canadian Obligations may be sold, exchanged, waived, surrendered or released. Neither of the Agents nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Canadian Obligations or for the guarantee contained in this Section 2.26 or any property subject thereto.

(d) The Borrower waives any and all notice of the creation, renewal, extension or accrual of any of the Canadian Obligations and notice of or proof of reliance by either of the Agents or any Lender upon the guarantee contained in this Section 2.26 or acceptance of the guarantee contained in this Section 2.26; the Canadian Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2.26; and all dealings between the Canadian Borrower or the Borrower, on the one hand, and the Agents and the Lenders, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2.26. The Borrower waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Canadian Borrower or the Borrower with respect to the Canadian Obligations. The guarantee contained in this Section 2.26 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (i) the validity or enforceability of this Agreement, any other Fundamental Document, any of the Canadian Obligations or any collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by either of the Agents or any Lender, (ii) any defense, setoff or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by any Borrower against either of the Agents or any Lender, or (iii) any other circumstance whatsoever (with or without notice to or knowledge of the Canadian Borrower or the Borrower) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Canadian Borrower for the Canadian Obligations, or of the Borrower under the guarantee contained in this Section 2.26, in bankruptcy or in any other instance. When either of the Agents or any Lender is pursuing its rights and remedies under this Section 2.26 against the Borrower, either of the Agents or any Lender may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Canadian Borrower or any other Person or against any collateral security or guarantee for the Canadian Obligations or any right of offset with respect thereto, and any failure by either of the Agents or any Lender to pursue such other rights or remedies or to collect any payments from the Canadian Borrower or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Canadian Borrower or any such other Person or of any such collateral security, guarantee or right of offset, shall not relieve the Borrower of any liability under this Section 2.26, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Agents and the Lenders against the Borrower.

(e) The guarantee contained in this Section 2.26 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Canadian Obligations is rescinded or must otherwise be restored or returned by either of the Agents or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Canadian Borrower or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Canadian Borrower or any substantial part of its property, or otherwise, all as though such payments had not been made.

(f) The Borrower hereby agrees that any payments in respect of the Canadian Obligations pursuant to this Section 2.26 will be paid to the Canadian Agent without setoff or counterclaim (other than a defense of payment or performance) in Dollars at the office of the Canadian Agent specified in Section 9.1.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

In order to induce the Lenders to enter into this Agreement and to make the Loans, each of the Borrowers makes the following representations and warranties to the Administrative Agent, the Canadian 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:

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. Each of the Borrowers 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 and No Violation.

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 Borrowers, (b) will not violate any provision of any Applicable Law 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 Contractual Obligation of the Borrower or any of its Subsidiaries, (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 (including the making of borrowings) by the Borrowers 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, 1997 and December 31, 1998, and (b) unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 1998, in each case, together with the related unaudited statements of income, shareholders' equity and cash flows for the periods then ended fairly present the financial position 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 such quarterly financial statements.

SECTION 3.5. No Material Adverse Change.

Since December 31, 1997 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; provided that the foregoing representation is made solely as of the Closing Date.

SECTION 3.6. [Intentionally Deleted].

SECTION 3.7. Copyrights, Patents and Other Rights.

Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, service marks, 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.

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.

Neither of the Borrowers is, nor will 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 Borrowers (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 have filed or caused to be filed all federal, provincial, state and local tax returns which are required to be filed, and have paid or have 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 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 and the applicable laws, rules and regulations of any jurisdiction applicable to Plans. 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 February 1999, 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 Borrowers which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

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 Effectiveness.

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 each of the Borrowers party thereto.

(b) Corporate Documents for the Borrowers. The Administrative Agent shall have received, with copies for each of the Lenders, a certificate of the Secretary or Assistant Secretary of each of the Borrowers dated the date hereof and certifying (A) that attached thereto is a true and complete copy of the certificate of incorporation and by-laws of such 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 such 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 such Borrower executing this Agreement or any other document delivered by it in connection herewith (such certificate to contain a certification by another officer of such 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 (i) audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of and for the fiscal years ended December 31, 1997 and December 31, 1998 and (ii) unaudited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of and for the nine-month period ended September 30, 1998.

(d) Opinions of Counsel. The Administrative Agent shall have received the favorable written opinions, dated the date hereof and addressed to the Agents and the Lenders, of in-house counsel of PHH Corporation, of Skadden, Arps, Slate, Meagher & Flom LLP and of Blake, Cassels & Graydon, substantially in the form of Exhibits B-1, B-2 and B-3 hereto respectively.

(e) No Material Adverse Change. The Administrative Agent shall be satisfied that no material adverse change shall have occurred with respect to the business, assets, operations or condition, financial or otherwise, of the Borrower and its Consolidated Subsidiaries, taken as a whole, since December 31, 1997.

(f) Payment of Fees. The Administrative Agent shall be satisfied that all amounts payable to the Arranger, the Agents and the other Lenders pursuant hereto or with regard to the transactions contemplated hereby have been or are simultaneously being paid.

(g) Closing Date Payments. The Borrower and the Lenders shall have made such payments among themselves on the Closing Date as directed by the Administrative Agent with the result that, after giving effect thereto, the outstanding Revolving Credit Loans, Canadian Revolving Credit Loans and Pounds Sterling Loans, if any, shall be held by the Lenders pro rata in accordance with their respective Primary Commitments, Canadian Commitments and Pounds Sterling Commitments. The Borrowers shall have paid to the Administrative Agent, for the account of the respective lenders under the Existing Credit Agreement, all unpaid fees and other amounts accrued under the Existing Credit Agreement to the Closing Date.

(h) Litigation. No litigation shall be pending or, to the Borrower's knowledge, 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 Borrowers to fulfill their obligations hereunder or to otherwise materially impair the interests of the Lenders.

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

SECTION 4.2. Conditions Precedent to Each Loan.

The obligation of the Lenders to make each Loan, including the initial Loan hereunder, is subject to the following conditions precedent:

(a) Notice. The Administrative Agent and the Canadian Agent shall have received a notice with respect to such Borrowing as required by Article 2 hereof.

(b) Representations and Warranties. The representations and warranties set forth in Article 3 (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 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 hereunder, the Borrowers 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 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 shall be deemed to be a representation and warranty by the Borrowers on the date of such Borrowing as to the matters specified in paragraphs (b) and (c) of this Section.

5. AFFIRMATIVE COVENANTS

For so long as the Commitments shall be in effect or any amount shall remain outstanding under any Note or unpaid under this Agreement, 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 90 days after the end of each fiscal year of the Borrower, (i) either (A) consolidated statements of income (or operations) and consolidated statements of cash flows and changes in stockholders' equity of the Borrower and its Consolidated Subsidiaries for such year and the related consolidated balance sheets as at the end of such year, or (B) the Form 10K filed by the Borrower with the Securities and Exchange Commission and (ii) if not included in such Form 10K, an opinion of independent certified public accountants of recognized national standing, which opinion shall state that said consolidated financial statements fairly present the consolidated financial position and results of operations of the Borrower and its Consolidated Subsidiaries as at the end of, and for, such fiscal year and that such financial statements were prepared in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods;

(b) As soon as is practicable, but in any event within 60 days after the end of each of the first three fiscal quarters of each fiscal year, either (i) the Form 10-Q filed by the Borrower with the Securities and Exchange Commission or (ii) the unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, as at the end of, and the related unaudited statements of income and cash flows 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 of the end of the preceding fiscal year, and for the corresponding period in the preceding fiscal year, in each case, together with a certificate (substantially in the form of Exhibit D) signed by the chief financial officer, the chief accounting 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, chief accounting 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 and the nature thereof and (ii) demonstrating in reasonable detail compliance with the provisions of Sections 6.7 and 6.8;

(d) 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, chief financial officer or chief accounting 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; and

(e) 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, prompt notice thereof and 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.

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, 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, and all state and provincial laws and regulations of similar import; provided that mergers, dissolutions and liquidations permitted under Section 6.4 shall be permitted.

SECTION 5.3. Insurance.

Maintain with good 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 as such insurance is usually carried by companies of established reputation and comparable size.

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 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, as amended) 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 Section 4062, 4063 or 4064 of ERISA or the withdrawal or partial withdrawal from a Multiemployer Plan under Section 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, after the occurrence and during the continuance of an Event of Default (at a time during which Loans are outstanding), provide the Administrative Agent and its representatives 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 companies of established reputation and comparable size.

6. NEGATIVE COVENANTS

For so long as the Commitments shall be in effect or any amount shall remain outstanding under any Note or unpaid under this Agreement, 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 Material Subsidiary Indebtedness.

Incur, assume or suffer to exist any Indebtedness of any Material Subsidiary which principally transacts business in the United States, except:

(a) Indebtedness in existence on the date hereof, or required to be incurred pursuant to a contractual obligation in existence on the date hereof, which in either case (to the extent not otherwise permitted by paragraphs (b)-(h) of this Section 6.1), 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) Indebtedness owing by any Material Subsidiary to the Borrower or any other Subsidiary;

(d) 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 (e) and (f) below, shall not exceed $125,000,000;

(e) any renewal, extension or modification of Indebtedness under paragraph (d) 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;

(f) other Indebtedness of any Material Subsidiary in an aggregate principal amount which, when added to the aggregate outstanding principal amount of Indebtedness permitted by paragraphs (d) and (e) above, does not exceed $125,000,000;

(g) Indebtedness of Special Purpose Vehicle Subsidiaries incurred to finance investment in lease agreements and vehicles by such Subsidiaries, so long as the lender (and any other party) in respect of such Indebtedness has recourse, if any, solely to the assets of such Special Purpose Vehicle Subsidiary;

(h) Indebtedness of any Asset Securitization Subsidiary incurred solely to finance asset securitization transactions as long as (i) such Indebtedness is unsecured or is secured solely as permitted by Section 6.5(n), and (ii) the lender (and any other party) in respect of such Indebtedness has recourse (other than customary limited recourse based on misrepresentations or failure of such assets to meet customary eligibility criteria), if any, solely to the assets securitized in the applicable asset securitization transaction and, if such Asset Securitization Subsidiary is of the type described in clause (i) of the definition of "Asset Securitization Subsidiary", the capital stock of such Asset Securitization Subsidiary; and

(i) Indebtedness consisting of the obligation to repurchase mortgages and related assets to the extent permitted by Section 6.12.

SECTION 6.2. [Intentionally deleted].

SECTION 6.3. Limitation on Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate (other than the Borrower or a wholly-owned Subsidiary of the Borrower) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of the Borrower's or such Subsidiary's business and (c) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

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, (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) in connection with a transaction permitted by Section 6.4(b); provided that immediately prior to and on a Pro Forma Basis after giving effect to such transaction no Default or Event of Default has occurred or is continuing.

(b) Sell or otherwise dispose of all or substantially all of the assets of the Borrower and its Subsidiaries, taken as a whole; provided that it is understood for purposes of clarity that this Section 6.4(b) shall not prohibit or limit in any respect transactions in the ordinary course of business of the Borrower or any of its Subsidiaries (including but not limited to asset securitization transactions entered into in the ordinary course of business).

SECTION 6.5. Limitations on Liens.

Suffer any Lien on the property of the Borrower or any of the Material Subsidiaries which principally transact business in the United States, 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 materialmen 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 such 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 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 as contemplated by this Agreement;

(f) Liens securing Indebtedness of any Material Subsidiary to the Borrower;

(g) Liens covering only the property or other assets of any Special Purpose Vehicle Subsidiary and securing only such Indebtedness of such Special Purpose Vehicle Subsidiary as is permitted by paragraph (g) of Section 6.1;

(h) mortgage liens existing on homes acquired by the Borrower or any of its Material Subsidiaries in the ordinary course of their relocation management business;

(i) other Liens incidental to the conduct of its business or the ownership of its property and other assets, which do not secure any Indebtedness and did not otherwise arise in connection with the borrowing of money or the obtaining of advances or credit and which do not, in the aggregate, materially detract from the value of its property or other assets or materially impair the use thereof in the operation of its business;

(j) Liens covering only the property or other assets of any Subsidiary which principally transacts business outside of the United States;

(k) to the extent not otherwise permitted by this Section 6.5, Liens existing on the date hereof listed on Schedule 6.5 hereto and any extensions or renewals thereof;

(l) Liens securing indebtedness in respect of one or more asset securitization transactions, which indebtedness is not reported on a consolidated balance sheet of the Borrower and its Subsidiaries, covering only the assets securitized in the asset securitization transaction financed by such indebtedness and the capital stock of any special purpose vehicle the sole purpose of which is to effectuate such asset securitization transaction;

(m) other Liens securing obligations having an aggregate principal amount not to exceed $100,000,000;

(n) Liens securing Indebtedness and related obligations of an Asset Securitization Subsidiary in respect of one or more asset securitization transactions, which Indebtedness is reported on a consolidated balance sheet of the Borrower and its Subsidiaries, covering only the assets securitized in the asset securitization transaction financed by such Indebtedness and, if such Asset Securitization Subsidiary is of the type described in clause (i) of the definition of "Asset Securitization Subsidiary", the capital stock of such Asset Securitization Subsidiary; and

(o) Liens on mortgages and related assets securing obligations to repurchase such mortgages and related assets to the extent such obligations are permitted by Section 6.12.

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 may enter into sale-leaseback transactions relating to assets not in excess of $100,000,000 in the aggregate on a cumulative basis.

SECTION 6.7. Consolidated Net Worth.

Permit Consolidated Net Worth on the last day of any fiscal quarter to be less than the sum of (i) $601,400,000 plus (ii) 25% of Consolidated Net Income, if positive, for each fiscal quarter after September 30, 1998.

SECTION 6.8. Ratio of Indebtedness To Consolidated Net Worth.

Permit, at any time, Indebtedness of the Borrower and its Subsidiaries less Cash Equivalents (owned by the Borrower or any of its Subsidiaries and free of Liens (other than Liens securing Indebtedness)) to exceed ten (10) times Consolidated Net Worth.

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.

SECTION 6.10. Restrictions Affecting Subsidiaries.

Enter into, or suffer to exist, any Contractual Obligation with any Person, which prohibits or limits the ability of any Material Subsidiary (other than Special Purpose Vehicle Subsidiaries and Asset Securitization Subsidiaries) to (a) pay dividends or make other distributions or pay any Indebtedness owed to the Borrower or any other Subsidiary, (b) make loans or advances to the Borrower or any other Subsidiary or (c) transfer any of its properties or assets to the Borrower or any other Subsidiary.

Section 6.11. Restrictions Regarding Coldwell Banker Securitization Facility. () Sell, convey, lease, assign or otherwise transfer any of its property, business or assets, whether now owned or hereafter acquired, to Funding (as defined in the Creditor Acknowledgment and Agreement) or Services (as defined in the Creditor Acknowledgment and Agreement) except to the extent required by the Transaction Documents (as defined in the Creditor Acknowledgment and Agreement); or

(b) Amend, supplement or otherwise modify the Transaction Documents (as defined in the Creditor Acknowledgment and Agreement) as in effect on the Closing Date in a manner materially adverse to the Lenders.

SECTION 6.12. Limitation on Mortgage Repurchase Indebtedness.

Incur, assume or suffer to exist any Indebtedness (other than Indebtedness of Asset Securitization Subsidiaries incurred to finance asset securitization transactions permitted by this Agreement) in respect of the repurchase of mortgages and related assets if the aggregate principal amount of all such Indebtedness would exceed $900,000,000 at any time.

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 or deemed made by either of the Borrowers 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 either of the Borrowers or any of its Subsidiaries to the Administrative Agent or the Canadian 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 the Notes or of any fees or other amounts payable by either of the Borrowers 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 Business Days, and in the case of payments other than of any principal amount of or interest on the Notes, such default shall continue unremedied for five Business 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) or Article 6;

(d) default shall be made by either of the Borrowers 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 such Borrower obtains knowledge of such occurrence;

(e) (i) default in payment shall be made with respect to any Indebtedness of its Protection Agreements of the Borrower or any of its Subsidiaries where the amount or amounts of such Indebtedness exceeds $25,000,000 (or its equivalent thereof in any other currency) in the aggregate; or (ii) default in payment or performance shall be made with respect to any Indebtedness or Interest Rate Protection Agreements of the Borrower or any of its Subsidiaries where the amount or amounts of such Indebtedness or Interest Rate Protection Agreements exceeds $25,000,000 (or its equivalent thereof in any other currency) in the aggregate, if the effect of such default is to result in the acceleration of the maturity of such Indebtedness or Interest Rate Protection Agreement; 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 or Interest Rate Protection Agreement where the amount or amounts of such Indebtedness or Interest Rate Protection Agreement exceeds $25,000,000 (or its equivalent thereof in any other currency) in the aggregate; provided that clause (iii) shall not apply to secured Indebtedness or Interest Rate Protection Agreement that becomes due as a result of a voluntary sale of the property or assets securing such Indebtedness or Interest Rate

Protection Agreement and provided, further, that clauses (ii) and (iii) shall not apply to any Indebtedness or Interest Rate Protection Agreement of any Subsidiary issued and outstanding prior to the date such Subsidiary became a Subsidiary of the Borrower (other than Indebtedness or Interest Rate Protection Agreement 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 or Interest Rate Protection Agreement 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 $25,000,000 (or its equivalent thereof in any other currency) 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;

(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; or

(k) any provision of Section 2.26 shall cease, for any reason, to be in full force and effect, or either of the Borrowers or any Affiliate of either of the Borrowers shall so assert;

then, in every such event and at any time thereafter during the continuance of such event, the Administrative Agent may or, if directed by the Required Lenders, shall 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; provided that, in the case of a payment of principal default pursuant to paragraph (b), the Administrative Agent, unless it is directed to do so by the Required Lenders, will not take either or both of such actions for three Business Days. If an Event of Default specified in paragraph (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 AGENTS

SECTION 8.1. Administration by Agents.

The general administration of the Fundamental Documents and any other documents contemplated by this Agreement shall be by the Agents or their designees as provided for herein. 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 appropriate, together with all powers reasonably incidental thereto. Each of the Canadian Lenders hereby irrevocably authorizes the Canadian 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 Canadian Revolving Credit 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 Agents shall have no duties or responsibilities except as set forth in the Fundamental Documents. Any Lender which is a co-agent or lead manager (as indicated on Schedule 1.1A 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 or the Canadian Agent, as provided for herein, shall be authorized (but not obligated) to advance, for the account of each of the applicable Lenders, the amount of the Loan to be made by it in accordance with this Agreement. Each of the Lenders (other than the Canadian Lenders) hereby authorizes and requests the Administrative Agent and the Canadian Lenders hereby authorize and request the Canadian 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 or the Canadian Agent, as the case may be, that such Lender does not intend to fund that particular Loan. Each of the Lenders agrees forthwith to reimburse the Administrative Agent or the Canadian Agent, as the case may be, in immediately available funds for the amount so advanced on its behalf by such Agent pursuant to the immediately preceding sentence. If any such reimbursement is not made in immediately available funds on the same day on which such 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 such Agent at a rate per annum equal to such Agent's cost of obtaining overnight funds in the New York Federal Funds Market in the case of US Loans, and the C$ Prime Rate in the case of Canadian Loans. Notwithstanding the preceding sentence, if such reimbursement is not made by the second Business Day following the day on which such 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 such Agent, the Borrower or the Canadian Borrower, as the case may be, shall immediately pay such unreimbursed advance amount (plus any accrued, but unpaid interest at the rate per annum equal to such Agent's cost of obtaining overnight funds in the New York Federal Funds Market in the case of US Loans and the C$ Prime Rate in the case of Canadian Loans) to such Agent.

(b) Any amounts received by either of the Agents 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, second, to pay accrued but unpaid interest on the Notes, third, to pay the principal balance outstanding on the Notes and fourth, to pay other amounts payable to the Agents and/or the Lenders. All amounts to be paid to any of the Lenders by the Administrative Agent or the Canadian Agent, as the case may be, shall be credited to the applicable Lenders, after collection by such Agent, in immediately available funds either by wire transfer or deposit in such Lender's correspondent account with such Agent, or as such Lender and such 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 Section 2.19 or the exercise of a right of banker's lien, setoff or counterclaim against the Borrower or the Canadian 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 (other than pursuant to Section 2.15(f) or 2.24), obtain payment in respect of its

Loans as a result of which the unpaid portion of its Loans 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 of such other Lenders, so that the aggregate unpaid principal amount of each of the Lenders' Loans and its participation in Loans of the other Lenders shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of its Loans prior to the obtaining of such payment was to the principal amount of all Loans 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 or the Canadian Agent from the Borrower or the Canadian Borrower of any communication calling for an action on the part of the Lenders, or upon notice to the Administrative Agent or the Canadian Agent of any Event of Default, such 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 Each Agent.

(a) Each of the Agents, 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 Agents 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. Neither the Agents nor their respective directors, officers, agents, and employees shall in any 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 Agents nor any of their respective directors, officers, employees, or agents shall be responsible to any of the Lenders for the due execution (other than its own), validity, genuineness, effectiveness, sufficiency, or enforceability of, or for any statement, warranty, or representation made by any other Person 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 or the Canadian Borrower, as the case may be, of any of the terms, conditions, covenants, or agreements of this Agreement or any related agreement or document.

(b) Neither the Agents nor any of their respective directors, officers, employees, or agents shall have any responsibility to the Borrowers on account of the failure or delay in performance or breach by any of the Lenders or the Borrowers 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) Each of the Agents 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 Agents and the Arranger, in the amount of its proportionate share, for any reasonable expenses and fees incurred for the benefit of the Lenders under the Fundamental Documents, including, without limitation, reasonable counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, and any other reasonable expense incurred in connection with the administration or enforcement thereof not reimbursed by the Borrowers or one of its Subsidiaries; and (ii) to indemnify and hold harmless the Agents and the Arranger and any of their directors, officers, employees, or agents, on 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 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 Borrowers 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 Each Agent.

It is understood and agreed that Chase and Chase Canada 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 Borrowers as though it were not an 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 hereunder based on its own analysis of the transactions contemplated hereby and of the creditworthiness of the Borrowers and agrees that neither of the Agents shall bear responsibility therefor.

SECTION 8.9. Notice of Transfer.

Each of the Agents 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 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 Agents.

Each of the Agents may resign at any time by giving written notice thereof to the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent from among the Lenders, with the consent of the Borrower, which will not be unreasonably withheld. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation, the retiring Agent may, on behalf of the Lenders, appoint a successor 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 or of any State thereof and having a combined capital and surplus of at least $500,000,000 in the case of the Administrative Agent and a commercial bank organized or licensed under the laws of the Province of Ontario and having a combined capital and surplus of at least C$100,000,000 in the case of the Canadian Agent. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation hereunder as 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 Agent 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 One Chase Manhattan Plaza, New York, New York 10081, Attn: Maggie Swales, with a copy to Sandra Miklave, and with a copy (in the case of all notices relating to Pounds Sterling Loans) to Chase Manhattan Investment Bank Ltd., Trinity Tower, 9 Thomas Moore Street, London, England EY91T, Attn: Stephen Clarke, if to the Canadian Agent or Chase Canada, to it at One First Canadian Place, 100 King Street West, Suite 6900, P.O. Box 106, Toronto, Ontario, Canada MSX 1A4, Attn: Amanda Staff, if to the Borrower or the Canadian Borrower, to it at 11333 McCormick Road, Hunt Valley, Maryland 21031-1000, Attention: Assistant Treasurer, with a copy to the General Counsel, or if to a Lender, to it at its address set forth on Schedule 1.1A (or 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 each of the Borrowers 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 Agents and the Lenders and shall survive the making of the Loans herein contemplated and the issuance and delivery to the Agents of the Notes regardless of any investigation made by the Agents 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 Commitments have not been terminated. All statements in any such certificate or other instrument shall constitute representations and warranties by the Borrowers 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 that the Borrowers may not assign their respective rights hereunder without the prior written consent of all the Lenders), and all covenants, promises and agreements by, or on behalf of, the Borrowers 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 and the Borrower, which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other financial institutions 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) (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 Loans (other than Competitive Loans) at the time owing to it 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 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 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 Dollar Equivalent Amount of $10,000,000 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).

(3) [Intentionally Deleted].

(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 and any other Fundamental Document 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 Borrowers or the performance or observance by the Borrowers of any of their 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) 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, the Canadian Agent, if the assignor is a Canadian Lender, 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 and the Canadian Agent, if the assignor is a Canadian Lender, to take such action as agent on its behalf and to exercise such powers under the Fundamental Documents as are delegated to such 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 Borrowers, 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 Commitment 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 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 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 its Commitment has been assigned by an assigning Lender, then such Lender shall deliver its Note in respect of such Commitment, 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 Note in respect of the assigned Commitment 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 Note in respect of the assigned Commitment 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 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, A-2, A-3 and A-4 hereto, as the case may be.

(g) Each of the Lenders may without the consent of the Borrowers or the Administrative Agent sell participations to one or more banks or other financial institutions (a "Participant") 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 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 Borrowers, 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 Borrowers furnished to the Administrative Agent by or on behalf of the Borrowers.

(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 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) Each of the Borrowers 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 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.

SECTION 9.4. Expenses; Documentary Taxes.

Whether or not the transactions hereby contemplated shall be consummated, each of the Borrowers agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Canadian Agent and the Arranger in connection with the syndication, preparation, execution, delivery and administration of this Agreement, the Notes, and the making of the Loans including but not limited to the reasonable fees and disbursements of Simpson Thacher & Bartlett, counsel to the Administrative Agent, and Blake, Cassels & Graydon, counsel to the Canadian 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 in connection with the enforcement or protection of the rights of the Lenders in connection with this Agreement or the Notes or any other Fundamental Document, and with respect to any action which may be instituted by any Person against any 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. Such payments shall be made on the date of execution of this Agreement and thereafter promptly on demand. Each of the Borrowers agrees that it shall indemnify the Administrative Agent, the Canadian Agent and the 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 any other Fundamental Document. The obligations of the Borrowers under this Section shall survive the termination of this Agreement and/or the payment of the Loans for two years.

SECTION 9.5. Indemnity.

Further, by the execution hereof, each of the Borrowers agrees to indemnify and hold harmless the Administrative Agent, the Canadian Agent, the Arranger and the 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 that the Borrowers 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 Borrowers be liable for any settlement of any proceeding effected without each of the Borrowers' written consent, and provided, further, that this Section 9.5 shall not be construed to expand the scope of the reimbursement obligations specified in Section 9.4. The obligations of each of the Borrowers under this Section 9.5 shall survive the termination of this Agreement and/or payment of the Loans.

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 AND THE PROVINCE OF ONTARIO.

SECTION 9.7. No Waiver.

No failure on the part of the Administrative Agent, the Canadian Agent or any Lender to exercise, and no delay in exercising, any right, power or remedy hereunder or under the Notes 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 7, 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 or any other Fundamental Document, and no consent to any departure by either of the Borrowers 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 that no such modification or amendment shall without the written consent of each Lender affected thereby (x) increase the Commitment of a Lender or postpone or waive any scheduled reduction in the Commitments, (y) alter the stated maturity or principal amount of any installment of any Loan, or decrease the rate of interest payable thereon, or the rate at which the Facility Fees are paid or (z) waive a default under Section 7(b) with respect to a scheduled principal installment of any Loan or scheduled payment of interest or fees; 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 or Supermajority Lenders or (iii) amend Section 2.26; and provided, further, however, 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 either of the Agents hereunder without its prior written consent. No notice to or demand on the Borrowers shall entitle either 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) EACH OF THE BORROWERS 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, AND THE COURTS OF THE PROVINCE OF ONTARIO 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, THE CANADIAN AGENT OR A LENDER. EACH OF THE BORROWERS 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. EACH OF THE BORROWERS HEREBY CONSENTS TO SERVICE OF PROCESS BY MAIL AT ITS ADDRESS TO WHICH NOTICES ARE TO BE GIVEN PURSUANT TO SECTION 9.1. EACH OF THE BORROWERS 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 CANADIAN AGENT AND THE LENDERS. THE CANADIAN BORROWER HEREBY IRREVOCABLY APPOINTS THE BORROWER AS ITS AGENT FOR SERVICE OF PROCESS IN ANY PROCEEDING REFERRED TO IN THIS SECTION 9.11 AND AGREES THAT SERVICE OF PROCESS IN ANY SUCH PROCEEDING MAY BE MADE BY MAILING OR DELIVERING A COPY THEREOF TO IT CARE OF THE BORROWER AT ITS ADDRESS FOR NOTICES SET FORTH IN SECTION 9.1. FINAL JUDGMENT AGAINST EITHER OF THE BORROWERS 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 THAT THE ADMINISTRATIVE AGENT, THE CANADIAN AGENT OR A LENDER MAY AT ITS OPTION BRING SUIT, OR INSTITUTE OTHER JUDICIAL PROCEEDINGS AGAINST EITHER OF THE BORROWERS OR ANY OF ITS ASSETS IN ANY STATE OR FEDERAL COURT OF THE UNITED STATES OR OF ANY COUNTRY OR PLACE WHERE EITHER OF THE BORROWERS 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 February 4, 1997, among the Borrower, Chase and Chase Securities Inc., relating to fees and expenses and syndication issues) prior to the execution of this Agreement which relate to Loans to be made shall be replaced by the terms of this Agreement.

SECTION 9.15. Foreign Currency Judgments. () If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in one currency into another currency, each of the Borrowers agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the relevant Lender (or agent acting on its behalf) or the Administrative Agent could purchase the first currency with such other currency for the first currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of either of the Borrowers in respect of any sum due hereunder shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with this Agreement (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by any Lender (or agent acting on its behalf) (the "Applicable Creditor") of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, each of the Borrowers agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss, provided, that if the amount of the Agreement Currency so purchased exceeds the sum originally due to the Applicable Creditor, the Applicable Creditor agrees to remit such excess to the Applicable Borrower. The obligations of the Borrowers contained in this Section 9.15 shall survive the termination of this Agreement and the payment of all amounts owing hereunder. Each Borrower shall repay each Loan made to it, and interest thereon, in the Currency in which such Loan is denominated.

SECTION 9.16. Risks of Superior Force. Each of the Borrowers expressly assumes all risks of superior force, such that it shall be bound to timely execute each and every of its obligations under this Agreement notwithstanding the existence or occurrence of any event or circumstance constituting a superior force within the meaning of Article 1693 of the Civil Code of Quebec.

SECTION 9.17. Language. The parties hereto have agreed that this Agreement as well as any document or instrument relating thereto be drawn up in English only. Les parties aux presentes ont convenu que la presente Convention ainsi que tous autres actes ou documents s'y rattachant soient rediges en anglais seulement.

SECTION 9.18. Acknowledgment and Agreement. The Borrower, the Canadian Borrower, and the Lenders hereby agree to the terms and provisions of the Creditor Acknowledgment and Agreement (the "Creditor Acknowledgment and Agreement") attached hereto as Exhibit K (which for purposes of this Agreement is hereby incorporated herein).

SECTION 9.19. European Economic And Monetary Union. () Effectiveness of Provisions. The provisions of paragraphs (b) to (i) below (inclusive) shall be effective at and from the commencement of the third stage of EMU, provided that if and to the extent that any such provision relates to any state (or the currency of such state) that is not a participating member state on the commencement of the third stage of EMU, such provision shall become effective in relation to such state (and the currency of such state) at and from the date on which such state becomes a participating member state.

(b) Redenomination and Alternative Currencies. Each obligation under this Agreement of a party to this Agreement which has been denominated in the national currency unit of a participating member state shall be redenominated into the euro unit in accordance with EMU legislation, provided that if and to the extent that any EMU legislation provides that following the commencement of the third stage of EMU an amount denominated either in the euro or in the national currency unit of a participating member state and payable within that participating member state by crediting an account of the creditor can be paid by the debtor either in the euro unit or in that national currency unit, each party to this Agreement shall be entitled to pay or repay any such amount either in the euro unit or in such national currency unit.

(c) Determination of LIBOR. For the purposes of determining the date on which LIBOR is determined under this Agreement for any Loan denominated in the euro (or any national currency unit) for any Interest Period therefor, references in this Agreement to Business Days shall be deemed to be references to Target Operating Days. In addition, if the Administrative Agent determines that LIBOR is not displayed on the screen for deposits denominated in the national currency unit in which any Loans are denominated, LIBOR for such Loans shall be based upon the rate displayed on the screen for the offering of deposits denominated in euro units.

(d) Payments to the Administrative Agent. This Agreement shall be construed so that, in relation to the payment of any amount of euro units or national currency units, such amount shall be made available to the Administrative Agent in immediately available, freely transferable, cleared funds to such account with such bank in Frankfurt am Main, Germany (or such other principal financial center in such participating member state as the Administrative Agent may from time to time nominate for this purpose) as the Administrative Agent shall from time to time nominate for this purpose. This Agreement shall be construed so that, in relation to the payment of any euro units or national currency units to be made, the references to "Business Day" therein shall instead refer to "Target Operating Day."

(e) Payments by the Administrative Agent to the Lenders. Any amount payable by the Administrative Agent to the Lenders under this Agreement in the currency of a participating member state shall be paid in the euro unit.

(f) Payments by the Administrative Agent Generally. With respect to the payment of any amount denominated in the euro or in a national currency unit, the Administrative Agent shall not be liable to any Borrower or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in the euro unit or, as the case may be, in a national currency unit) to the account of any Lender in the principal financial center in the participating member state which such Borrower or, as the case may be, such Lender shall have specified for such purpose. In this paragraph (f), `all relevant steps' means all such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Administrative Agent may from time to time determine for the purpose of clearing or settling payments of the euro.

(g) Basis of Accrual. If the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that becomes a participating member state shall be inconsistent with any convention or practice in the LIBOR market for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a participating member state; provided that if any Loan in the currency of such state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Loan, at the end of the then current Interest Period.

(h) Rounding. Without prejudice and in addition to any method of conversion or rounding prescribed by the EMU legislation, each reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency unit to be paid to or by the Administrative Agent shall be replaced by a reference to such reasonably comparable and convenient amount (or an integral multiple thereof) in the euro unit as the Administrative Agent may from time to time specify.

(i) Other Consequential Changes. Without prejudice to the respective liabilities of the Borrowers to the Lenders and the Lenders to the Borrowers under or pursuant to this Agreement, except as expressly provided in this Section 9.19, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the euro in participating member states. Without limiting the generality of the foregoing, for each Available Foreign Currency that is a national currency unit, the relevant display page on the Telerate or Reuter screen used to determine the LIBOR Rate for applicable Loans in such Available Foreign Currency shall be determined by the Administrative Agent.

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

PHH CORPORATION

By:/s/ David M. Johnson

Title: Senior Executive Vice President and Chief Financial Officer

PHH VEHICLE MANAGEMENT SERVICES INC.

By:/s/ Terry E. Kridler

Title: Senior Vice President and Treasurer

THE CHASE MANHATTAN BANK, individually and as
Administrative Agent

By: /s/ Randolph E. Cates

Title: Vice President
Name: Randolph E. Cates

THE CHASE MANHATTAN BANK OF CANADA,
as Canadian Agent

By: /s/ Christine Chan

Title: Vice President
Name: Christine Chan

By: /s/ Charles D. Ritchie

Title: Vice President
Name: Charles D. Ritchie

BANK OF AMERICA NT & SA

By: /s/ Steve A. Aronowitz

Title: Managing Director
Name: Steve A. Aronowitz

BANK OF MONTREAL

By: /s/ Brian L. Banke

Title: Director
Name: Brian L. Banke

THE BANK OF NEW YORK

By: /s/ Ronald R. Reedy

Title: Vice President
Name: Ronald R. Reedy

THE BANK OF NOVA SCOTIA

By: /s/ J. Alan Edwards

Title: Authorized Signatory
Name: J. Alan Edwards

THE BANK OF TOKYO-MITSUBISHI, LIMITED,
NEW YORK BRANCH

By: /s/ W. DiNicola

Title: Attorney-in-Fact
Name: W. DiNicola

BANKERS TRUST COMPANY

By: /s/ Anthony LoGrippo

Title: Principal
Name: Anthony LoGrippo

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ Gerald Girardi

Title: Executive Director
Name: Gerald Girardi

COMERICA BANK

By: /s/ Kimberly S. Kersten

Title: Vice President
Name: Kimberly S.Kersten

COMMERZBANK AG (NEW YORK BRANCH)

By: /s/ David T. Whitworth

Title: Senior Vice President
Name: David T. Whitworth

By: /s/ A. Oliver Welsch-Lehman

Title: Assistant Vice President
Name: A. Oliver Welsch-Lehman

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Vladimir Labun

Title: First Vice President-Manager
Name: Vladimir Labun

CREDIT SUISSE FIRST BOSTON

By: /s/ Bill O'Daly

Title: Vice President
Name: Bill O'Daly

By: /s/ Glodviska

Title: Managing Director
Name: Glodviska

DEUTSCHE MORGAN GRENFELL
NEW YORK BRANCH

By: /s/ Gayman Z. Shivnarain

Title: Vice President
Name: Gayma Z. Shivnarain

By: /s/ Alan Krouk

Title: Associate
Name: Alan Krouk

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Todd E. Ritz

Title: Vice President
Name: Todd E. Ritz

THE FIRST NATIONAL BANK OF MARYLAND

By: /s/ Susan Elliott Benninghoff

Title: Vice President
Name: Susan Elliott Benninghoff

FIRST UNION NATIONAL BANK OF MARYLAND

By: /s/ Ronald J. Bucci

Title: Vice President
Name: Ronald J. Bucci

FLEET BANK

By: /s/ Ken Ahrens

Title: Authorized Signatory
Name: Ken Ahrens

THE FUJI BANK, LTD. NEW YORK BRANCH

By:

Title:

HYPO VEREINSBANK

By: /s/ Marianne Weinzinger

Title: Director
Name: Marianne Weinzinger

By: /s/ Pamela J. Gillons

Title: Associate Director
Name: Pamela J. Gillons

THE INDUSTRIAL BANK OF JAPAN, LIMITED
NEW YORK BRANCH

By: /s/ William Kennedy

Title: President
Name: William Kennedy

MELLON BANK, N.A.

By: /s/ Donald G. Cassidy, Jr.

Title: First Vice President
Name: Donald G. Cassidy, Jr.

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK

By:

Title:

NATIONAL WESTMINSTER BANK PLC

By: /s/ C.C. Stone

Title: Senior Corporate Manager
Name: C.C. Stone

NORTHERN TRUST COMPANY

By: /s/ James F.T. Monhart

Title: Senior Vice President
Name: James F.T. Monhart

ROYAL BANK OF CANADA

By: /s/ David A. Barsalou

Title: Senior Manager
Name: David A. Barsalou

SAHWA BANK LTD.

By:

Title:

THE SUMITOMO BANK, LIMITED

By: /s/ Michael Garrido

Title: Senior Vice President
Name: C. Michael Garrido

WELLS FARGO BANK, N.A.

By: /s/ Donald A. Hartmann

Title: Senior Vice President
Name: Donald A. Hartmann

By: /s/ David B. Hollingsworth

Title: Vice President
Name: David B. Hollingsworth

WESTDEUTSCHE LANDESBANK

By: /s/ Felicia La Forgia

Title: Vice President
Name: Felicia La Forgia

By: /s/ Walter T. Duffy III

Title: Associate
Name: Walter T. Duffy III

Schedule 1.1A

Commitments

Lender	Commitment
TOTAL	$1,250,000,000.00

Schedule 1.1B

Available Foreign Currencies

For purposes of Competitive Loans, Available Foreign Currencies are the following:

Canadian Dollars
the lawful currency of France
the lawful currency of Germany
Japanese Yen
the lawful currency of England
Swiss Francs
the lawful currency of Italy
euro

Calculation of Additional Interest for Pounds Sterling Loans

1. The additional interest for any period shall (subject to paragraph 5 below) be calculated in accordance with the following formula:

$$\frac{BY + L(Y-X) + S(Y-Z)}{100 - (B+S)} \text{ per cent, per annum}$$

where on the day of application of the formula:

B is the percentage of the Administrative Agent's eligible liabilities which the Bank of England then requires the Administrative Agent to hold on a non-interest-bearing deposit account in accordance with its cash ratio requirements;

Y is the rate at which Pounds Sterling deposits are offered by the Administrative Agent to leading banks in the London Interbank Market at or about 11 a.m. on that day for the relevant period;

L is the percentage of eligible liabilities which (as a result of the requirements of the Bank of England) the Administrative Agent maintains as secured money with members of the London Discount Market Association or in certain marketable or callable securities approved by the Bank of England, which percentage shall (in the absence of evidence that any other figure is appropriate) be conclusively presumed to be 5%;

X is the rate at which secured Pounds Sterling investments may be placed by the Administrative Agent with members of the London Discount Market Association at or about 11 a.m. on that day for the relevant period or, if greater, the rate at which Pounds Sterling bills of exchange (of a tenor equal to the duration of the relevant period) eligible for rediscounting at the Bank of England can be discounted in the London Discount Market at or about 11 a.m. on that day;

S is the percentage of the Administrative Agent's eligible liabilities which the Bank of England requires the Administrative Agent to place as a special deposit; and

Z is the interest rate per annum allowed by the Bank of England on special deposits.

2. For the purposes of this schedule 2.14:

(a) "eligible liabilities" and "special deposits" have the meanings given to them at the time of application of the formula by the Bank of England; and

(b) "relevant period" in relation to each period for which additional interest is to be calculated means:

(i) if it is 3 months or less, that period; or

(ii) if it more than 3 months, 3 months.

3. In the application of the formula, B, Y, L, X, S and Z are included in the formula as figures and not as percentages, e.g. if B 0.5% and Y 15% BY is calculated as 0.5 X 15.

4. The formula shall be applied on the first day of each relevant period. Each amount shall be rounded up to the nearest four decimal places.

5. If the Administrative Agent determines that a change in circumstances has rendered, or will render, the formula inappropriate, the Administrative Agent (after consultation with the Lenders) shall notify the Borrower of the manner in which the additional interest will subsequently be calculated provided that no amendment to the manner of such calculation may be made other than to restore the position in terms of overall return to that which prevailed before such change occurred. The manner of calculation so notified by the Administrative Agent shall, in the absence of manifest error be binding on all the parties.

Schedule 3.6

Material Subsidiaries

Subsidiary Name	Jurisdiction of Incorporation	Authorized Capitalization	Shares Issued	Ownership of Capital Stock*
PHH Vehicle Management Services Corporation	Maryland	100,000(C)	404(C)	PHH Holdings Corporation
PHH Real Estate Services Corporation	Delaware	1,000(C)	860(C)	PHH Holdings Corporation
PHH Mortgage Services Corporation	New Jersey	5,000(C) 20,000(P)	1,000(C) 0(P)	PHH Holdings Corporation
PHH Holdings Corporation	Maryland	5,000	100	PHH Corporation
PHH Investments I Corporation	Delaware	5,000	1,000	PHH Corporation
PHH Europe PLC**	United Kingdom	25,000,000	18,251,110	PHH Holdings Corporation
PHH Vehicle Management Services PLC**	United Kingdom	2,000,000	1,147,500	PHH Europe PLC
PHH Financial Services Ltd.**	United Kingdom	10,000,000	10,000,000	PHH Investment Services Ltd.***

* Ownership is 100% unless otherwise indicated.

** These Material Subsidiaries Do Not principally transact business in the United States.

*** Does not meet the Material Subsidiary test.

(C)=Common stock
(P)=Preferred stock

Schedule 3.9

Litigation

None.

Schedule 6.1

Existing Indebtedness and Guaranties

None.

Schedule 6.5

Existing Liens

None.

FOURTH AMENDMENT dated as of November 2, 1998 (this "Fourth Amendment"), to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997 (as heretofore and hereafter amended, supplemented or otherwise modified from time to time, the "Five Year Credit Agreement"), among PHH Corporation (the "Borrower"), the Lenders referred to therein and The Chase Manhattan Bank, as agent for the Lenders (in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Borrower has requested that the Lenders amend certain provisions of the Five Year Credit Agreement;

WHEREAS, the Lenders have agreed to such amendments only upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, capitalized terms which are defined in the Five Year Credit Agreement are used herein as therein defined.

SECTION 2. Amendments to Section 1. Section 1 of the Five Year Credit Agreement is hereby amended by adding the following definition in proper alphabetical order:

> "Asset Securitization Subsidiary" shall mean (i) any Subsidiary engaged solely in the business of effecting asset securitization transactions permitted by this Agreement and activities incidental thereto or (ii) any Subsidiary whose primary purpose is to hold title or ownership interests in vehicles, mortgages, relocation assets and related assets under management.

SECTION 3. Amendments to Section 2. (a) Section 2.9 of the Five Year Credit Agreement is hereby amended by adding at the end of paragraph (b) the phrase "plus the applicable margin therefor from time to time in effect in accordance with Section 2.22".

(b) Section 2.22 of the Five Year Credit Agreement is hereby amended by deleting such Section and substituting therefor the following:

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 unsecured long-term debt	Facility Fee (in Basis Points)	Applicable LIBOR Spread Spread (in Basis Points)
A/A2 or better	10.0	27.5
A-/A3	12.5	37.5
BBB+/Baa1	15.0	47.5
BBB/Baa2	17.5	57.5
BBB-/Baa3	22.5	65.0
BB+/Ba1 or lower	37.5	112.5

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 (for any reason, including if S&P or Moody's shall cease to be in the business of rating corporate debt obligations) or if the rating system of either S&P or Moody's shall change, then an amendment shall be negotiated in good faith (and shall be effective only upon approval by the Borrower and the Supermajority Lenders) to the references to specific ratings in the table above to reflect such changed rating system or the unavailability of ratings from such rating agency (including an amendment to provide for the substitution of an equivalent or successor ratings agency). 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%), including as the LIBOR Spread may be increased pursuant to the next paragraph.

In addition, on each day on which the Borrower's commercial paper is rated A2 or lower by S&P or P2 or lower by Moody's or is not rated by each of S&P and Moody's, the applicable LIBOR Spread shall be increased by .25% per annum. If the rating system with respect to commercial paper of either S&P or Moody's shall change, then an amendment shall be negotiated in good faith (and shall be effective only upon approval by the Borrower and the Supermajority Lenders) to reflect such changed rating system. Any decrease in the Borrower's commercial paper rating shall be deemed to become effective for purposes of this Section 2.22 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 commercial paper or on the date either of such rating agencies announces it shall no longer rate the Borrower's commercial paper. Any increase in the Borrower's commercial paper rating shall be deemed to be effective for purposes of this Section 2.22 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.

(c) Section 2.24 of the Five Year Credit Agreement is hereby amended by adding to paragraph (f)(i)(A) thereof the phrase "plus any applicable margin therefor from time to time in effect in accordance with Section 2.22" immediately after the phrase "Alternate Base Rate".

SECTION 4. Amendments to Section 6. (a) Section 6.1 of the Five Year Credit Agreement is hereby amended by (i) deleting the word "and" from the end of paragraph (f), (ii) deleting the period at the end of paragraph (g) and substituting therefor a semicolon and (iii) adding the following new paragraphs at the end thereof:

(h) Indebtedness of any Asset Securitization Subsidiary incurred solely to finance asset securitization transactions as long as (i) such Indebtedness is unsecured or is secured solely as permitted by Section 6.5(n), and (ii) the lender (and any other party) in respect of such Indebtedness has recourse (other than customary limited recourse based on misrepresentations or failure of such assets to meet customary eligibility criteria), if any, solely to the assets securitized in the applicable asset securitization transaction and, if such Asset Securitization Subsidiary is of the type described in clause (i) of the definition of "Asset Securitization Subsidiary", the capital stock of such Asset Securitization Subsidiary; and

(i) Indebtedness consisting of the obligation to repurchase mortgages and related assets to the extent permitted by Section 6.12.

(b) Section 6.5 of the Five Year Credit Agreement is hereby amended by (i) deleting the word "and" from the end of paragraph (l), (ii) deleting the period at the end of paragraph (m) and substituting therefor a semi-colon and (iii) adding the following new paragraphs at the end thereof:

(n) Liens securing Indebtedness and related obligations of an Asset Securitization Subsidiary in respect of one or more asset securitization transactions, which Indebtedness is reported on a consolidated balance sheet of the Borrower and its Subsidiaries, covering only the assets securitized in the asset securitization transaction financed by such Indebtedness and, if such Asset Securitization Subsidiary is of the type described in clause (i) of the definition of "Asset Securitization Subsidiary", the capital stock of such Asset Securitization Subsidiary; and

(o) Liens on mortgages and related assets securing obligations to repurchase such mortgages and related assets to the extent such obligations are permitted by Section 6.12.

(c) Section 6.10 of the Five Year Credit Agreement is hereby amended by adding immediately after the phrase "Special Purpose Vehicle Subsidiaries" the phrase "and Asset Securitization Subsidiaries".

(d) Section 6 of the Five Year Credit Agreement is hereby amended by adding the following new Section 6.12.

SECTION 6.12. Limitation on Mortgage Repurchase Indebtedness.

Incur, assume or suffer to exist any Indebtedness (other than Indebtedness of Asset Securitization Subsidiaries incurred to finance asset securitization transactions permitted by this Agreement) in respect of the repurchase of mortgages and related assets if the aggregate principal amount of all such Indebtedness would exceed $900,000,000 at any time.

SECTION 5. Conditions to Effectiveness. This Fourth Amendment shall become effective as of the date hereof (the "Effective Date") upon execution and delivery by a duly authorized officer of each of the Borrower, the Administrative Agent and the Required Lenders.

SECTION 6. Representation and Warranties. The Borrower represents and warrants to each Lender that as of the Effective Date, before and after giving effect to this Fourth Amendment: (I) no Default or Event of Default has occurred and is continuing; (ii) the representations and warranties made by the Borrower in or pursuant to the Five Year Credit Agreement or any Fundamental Documents are true and correct in all material respects on and as of the Effective Date as if made on such date (except to the extent that any such representation and warranty expressly relates to an earlier date) and (iii) this Fourth Amendment constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting creditors' rights generally, by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and an implied covenant of good faith and fair dealing.

SECTION 7. Continuing Effect of the Five Year Credit Agreement. This Fourth Amendment shall not constitute an amendment or waiver of or consent to any provision of the Five Year Credit Agreement not expressly referred to herein and shall not be construed as an amendment, waiver or consent to any action on the part of the Borrower that would require an amendment, waiver or consent of the Administrative Agent or the Lenders except as expressly stated herein. Except as expressly consented to hereby, the provisions of the Five Year Credit Agreement are and shall remain in full force and effect.

SECTION 8. Expenses. The Borrower agrees to pay and reimburse the Administrative Agent for all of its reasonable costs and out-of-pocket expenses incurred in connection with the preparation, execution and delivery of this Fourth Amendment and ancillary documents, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

SECTION 9. Counterparts. This Fourth Amendment may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all counterparts taken together shall constitute one and the same instrument.

SECTION 10. GOVERNING LAW. THIS FOURTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

PHH CORPORATION

By: /s/ David M. Johnson

Title: Senior Executive Vice President and CFO

THE CHASE MANHATTAN BANK, individually and as Administrative Agent

By: /s/ Randolph Cates

Title: Vice President

THE CHASE MANHATTAN BANK OF CANADA, as Canadian Agent

By: /s/ Christine Chan

Title: Vice President

By: /s/ Arun K. Bery

Title: Vice President

BANK OF AMERICA NT&SA

By: /s/ John Poralyko

Title: Managing Director

BANK OF MONTREAL

By: /s/ Brian L. Banke

Title: Director

THE BANK OF NEW YORK

By: /s/ Ronald R. Reedy

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ J. Alan Edwards

Title: Authorized Signatory

THE BANK OF TOKYO-MITSUBISHI, LIMITED, NEW YORK BRANCH

By: /s/ Michael C. Irwin

Title: Attorney-in-fact

BANKERS TRUST COMPANY

By: /s/ Anthony LoGrippo

Title: Vice President

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ Katherine Bass

Title: Authorized Signatory

COMERICA BANK

By: /s/ Kimberly S. Kersten

Title: Vice President

COMMERZBANK AG (NEW YORK BRANCH)

By: /s/ David J. Whitworth

Title: Senior Vice President

By: /s/ Oliver Welsch-Lehman

Title: Assistant Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Vladimir Labun

Title: First Vice President-Manager

DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN
ISLANDS BRANCHES

By: /s/ Suzanne R. Kissling

Title: Managing Director

By: /s/ Peter J. Bassier

Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Cory Helfand

Title: Vice President

THE FIRST NATIONAL BANK OF MARYLAND

By: /s/ Susan Elliot Benninghoff

Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ Ronald J. Bucci

Title: Vice President

THE FUJI BANK, LTD. NEW YORK BRANCH

By: /s/ Raymond Ventura

Title: Vice President and Manager

MELLON BANK, N.A.

By: /s/ Donald G. Cassidy, Jr.

Title: First VP

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: /s/ Robert Bottamidi

Title: Vice President

NATIONSBANK, N.A.

By: /s/ John W.

Title: Managing Director

ROYAL BANK OF CANADA

By: /s/ Sheryl L. Greenberg

Title: Senior Manager

THE SUMITOMO BANK, LIMITED
NEW YORK BRANCH

By: /s/ J. Bruce Meredith

Title: Senior Vice President

WELLS FARGO BANK, N.A.

By:

Title:

By:

Title:

EXHIBIT 12

CENDANT CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN MILLIONS)

In connection with the Company's discovery and announcement of accounting irregularities, previously reported information for periods prior to December 31, 1994 should not be relied upon (see Note 18 to the consolidated financial statements). Accordingly, the computation of Ratio of Earnings to Fixed Charges is presented for years subsequent to and including December 31, 1995.

	YEAR ENDED DECEMBER 31,			
	1998	1997	1996	1995
Income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change	$ 315.0	$ 257.3	$ 533.5	$ 350.3
Plus: Fixed charges	676.6	409.4	325.6	291.2
Less: Equity income in unconsolidated affiliates	13.5	51.3	--	--
Capitalized interest	--	--	0.6	--
Minority interest in mandatorily preferred securities	80.4	--	--	--
Earnings available to cover fixed charges	$ 897.7	$ 615.4	$ 858.5	$ 641.5
Fixed charges (1):				
Interest, including amortization of deferred financing costs	$ 509.0	$ 379.0	$ 299.9	$ 270.4
Capitalized interest	--	--	0.6	--
Other charges, financing costs	27.9	--	--	--
Minority interest in mandatorily preferred securities	80.4	--	--	--
Interest portion of rental payment	59.3	30.4	25.1	20.8
Total fixed charges	$ 676.6	$ 409.4	$ 325.6	$ 291.2
Ratio of earnings to fixed charges (2)	1.33x	1.50x	2.64x	2.20x

- ----------

(1) Fixed charges consist of interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

(2) For the years ended December 31, 1998, 1997 and 1996, income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change includes non-recurring other charges of $810.4 million (exclusive of financing costs of $27.9 million), $704.1 million and $109.4 million, respectively. Excluding such charges, the ratio of earnings to fixed charges for the years ended December 31, 1998, 1997 and 1996 is 2.52x, 3.22x and 2.97x, respectively.

CENDANT CORPORATION
SIGNIFICANT SUBSIDIARIES

SUBSIDIARY	STATE OF INCORPORATION
Benefit Consultants, Inc.	DE
Cendant Business Answers (Europe) PLC	United Kingdom
Cendant Finance Holding Corporation	DE
Cendant Membership Services, Inc.	DE
Cendant Mobility Services Corp.	DE
Cendant Mortgage Corporation	NJ
Cendant Operations, Inc.	DE
Century 21 Real Estate Corporation	DE
Coldwell Banker Corporation	DE
FISI* Madison Financial Corporation	TN
HFS Dublin Unlimited	United Kingdom
National Parking Corporation Limited	United Kingdom
PHH Corporation	MD
PHH Holdings Corporation	MD
PHH Vehicle Management Services Corporation	MD
RCI General Holdco 1, Inc.	DE
RCI General Holdco 2, Inc.	DE
RCI Holdings One, Inc.	DE
Resort Condominiums International, LLC	DE
TM Acquisition Group	DE
Wizard Co. Inc.	DE

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Cendant Corporation's Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45277, and 333-49405 on Form S-3, and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537 and 333-69505 on Form S-8 of our report dated March 17, 1999, (which expresses an unqualified opinion and includes explanatory paragraphs relating to certain litigation as described in Note 18, and the change in the method of recognizing revenue and membership solicitation costs as described in Note 2) appearing in this Annual Report on Form 10-K of Cendant Corporation for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 25, 1999

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
PHH Corporation

We consent to the incorporation by reference in Registration Statement No. 333-11035, 333-17323, 333-17411, 333-20391, 333-26927, 333-35709, 333-35707, 333-23063, 333-45155, 333-45227 and 333-49405 on Forms S-3 and in Registration Statement Nos. 33-26875, 33-75682, 33-93322, 33-41823, 33-48175, 33-58896, 33-91656, 333-03241, 33-74068, 33-74066, 33-91658, 333-00475, 333-03237, 33-75684, 33-80834, 33-93372, 333-09633, 333-09637, 333-09655, 333-22003, 333-34517-2, 333-42503, 333-30649, 333-42549, 333-45183, 33-47537 and 333-69505 on Forms S-8 for Cendant Corporation of our report dated April 30, 1997, with respect to the consolidated statements of income, shareholder's equity and cash flows of PHH Corporation and subsidiaries (the "Company") for the year ended December 31, 1996, before the restatement related to the merger of Cendant Corporation's relocation businss with the Company and reclassifications to conform to the presentation used by Cendant Corporation which report is included in the Annual Report on Form 10-K of Cendant Corporation for the year ended December 31, 1998.

KPMG LLP

Baltimore, Maryland
March 25, 1999

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF OPERATIONS OF THE COMPANY AS OF AND FOR THE YEAR ENDED DECMEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY TO BE REFERENCED TO SUCH FINANCIAL STATEMENTS. AMOUNTS ARE IN MILLIONS, EXCEPT PER SHARE DATA.

1,000,000

YEAR
DEC-31-1998
JAN-01-1998
DEC-31-1998
1,009
0
1,660
124
0
4,547
1,924
491
20,217
2,872
3,363
1,472
0
9
4,827
20,217
0
5,284
0
4,017
838
0
114
315
104
160
380
0
0
540
0.64
0.61