

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, 1999
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 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 February 24, 2000 was \$12,368,280,865. 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 725,692,057 as of February 24, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement, dated February 10, 2000, which was mailed to stockholders in connection with the registrant's special stockholders' meeting to be held March 21, 2000 (the "Special Proxy Statement") and the registrant's definitive proxy statement to be mailed to stockholders in connection with our annual stockholders meeting to be held on May 25, 2000 (the "Annual 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.

TABLE OF CONTENTS

ITEM ----	DESCRIPTION -----	PAGE ----
	PART I	
1	Business	1
2	Properties	36
3	Legal Proceedings	37
4	Submission of Matters to a Vote of Security Holders	43
	PART II	
5	Market for the Registrant's Common Equity and Related Stockholder Matters	45
6	Selected Financial Data	46
7	Management's Discussion and Analysis of Financial Condition and Results of Operations	47
7a	Quantitative and Qualitative Disclosures about Market Risk	66
8	Financial Statements and Supplementary Data	67
9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	67
	PART III	
10	Directors and Executive Officers of the Registrant	68
11	Executive Compensation	68
12	Security Ownership of Certain Beneficial Owners and Management	68
13	Certain Relationships and Related Transactions	68
	PART IV	
14	Exhibits, Financial Statement Schedules and Reports on Form 8-K	68
	Signatures	69
	Index to Exhibits	71

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 providers of travel related, real estate related and direct marketing consumer and business services 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 operate in four principal divisions -- travel related services, real estate related services, direct marketing services and diversified services. Our businesses provide a wide range of complementary consumer and business services, which together represent eight business segments. The travel related services businesses facilitate vacation timeshare exchanges and franchise car rental and hotel businesses; the real estate related services businesses franchise real estate brokerage businesses, provide home buyers with mortgages, assist in employee relocations and provide consumers with relocation, real estate and home-related products and services through our Move.com network of websites; and the direct marketing services businesses provide an array of value driven products and services. Our diversified services businesses include our tax preparation services franchise, information technology services, car parks in the United Kingdom 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. Instead, we provide our franchisee customers with services designed to increase their revenue and profitability.

Travel Related Services

In our 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 18% 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.

Real Estate Related Services

Our real estate division consists of the real estate franchise, Move.com Group, 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 Move.com Group Segment, we operate a popular network of Web sites which offer a wide selection of quality relocation, real estate and home-related products and services. 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.

Direct Marketing Services

Our direct marketing division is divided into two segments: individual membership and insurance/ wholesale. The individual membership segment, with approximately 25 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 over 50 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. Our direct 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 Cendant International Membership Services, Ltd. ("CIMS").

Diversified 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 Car Parks Limited ("NCP") subsidiary operates car parks throughout the United Kingdom. We also provide information technology services and other consumer services.

RECENT DEVELOPMENTS

Strategic Developments

In connection with our previously announced plan to focus on maximizing the opportunities and growth potential of our existing businesses, we have divested certain non-strategic businesses and assets and have completed or commenced certain other strategic initiatives related to the Internet as stated below. The divestiture program has resulted in the disposition of 18 business units, the proceeds of which have been partially utilized to repurchase our common stock and reduce our indebtedness.

Disposition of Businesses

In connection with the aforementioned program, we have completed the following dispositions during 1999:

Entertainment Publications, Inc. On November 30, 1999, we completed the disposition of approximately 85% of our Entertainment Publications, Inc. ("EPub") business unit for approximately \$281 million in cash. We retained approximately 15% of EPub's common equity in connection with the transaction. In addition, we will have a designee on the EPub Board of Directors.

We account for our investment in EPub using the equity method of accounting because, in accordance with Accounting Principles Board Opinions No. 18, we believe that our ownership interest combined with our representation on the Board of Directors of EPub gives us the ability to exercise significant influence on EPub. Under the equity method of accounting, our investments will be increased or reduced to reflect our share of EPub's income or losses.

Green Flag. On November 26, 1999, we completed the disposition of our Green Flag business unit for approximately \$401 million. Green Flag is a roadside assistance organization based in the United Kingdom, which provides a wide range of emergency support and rescue services.

North American Outdoor Group. On October 8, 1999, we completed the disposition of 94% of our North American Outdoor Group ("NAOG") business unit for approximately \$141 million in cash and will retain approximately 6% of NAOG's equity in connection with the transaction. We account for this investment in NAOG using the cost method of accounting.

Global Refund Group. On August 24, 1999, we completed the sale of our Global Refund Group subsidiary ("Global Refund") for approximately \$158 million in cash. Global Refund, formerly known as Europe Tax Free Shopping, was a value-added tax refund services company.

Fleet. On June 30, 1999, we completed the disposition of the fleet business segment ("fleet segment" or "fleet businesses"), which included PHH Vehicle Management Services Corporation, Wright Express Corporation, The Harpur Group, Ltd., and other subsidiaries pursuant to an agreement between our PHH Corporation ("PHH") subsidiary and ARAC. Pursuant to the agreement, ARAC acquired net assets of the fleet businesses through the assumption and subsequent repayment of \$1.44 billion of intercompany debt and the issuance of \$360 million of convertible preferred stock of Avis Fleet Leasing and Management Corporation, a wholly-owned subsidiary of ARAC. We account for the convertible preferred stock using the cost method of accounting.

Cendant Software Corporation. On January 12, 1999, we completed the sale of our consumer software division, Cendant Software Corporation and its subsidiaries, to Paris-based Havas SA, a subsidiary of Vivendi SA, for approximately \$770 million in cash.

Other Businesses. During 1999, we completed the dispositions of certain other businesses, including Central Credit, Inc., Spark Services, Inc., Match.com, National Leisure Group, National Library of Poetry and Essex Corporation. Aggregate consideration received on the dispositions of such businesses was comprised of \$116 million in cash and 1.9 million shares of common stock of Ticketmaster On-line-City Search, Inc., which we received in the sale of Match.com.

Internet Developments

As part of our focus on maximizing the opportunities and growth potential of our existing businesses, we have completed or have pending the following Internet initiatives:

New Real Estate Portal -- Move.com Group. In January 2000, we launched the Move.com Internet portal, our flagship relocation, real estate and home-related products and services Web site. In connection therewith we mailed a proxy statement on February 10, 2000 to stockholders proposing the creation of a new class of common stock ("Move.com Stock") to track the performance of the Move.com Group, a group of businesses, assets and liabilities of Cendant that are dedicated to providing online relocation, real estate and home-related products and services. We also filed a registration statement on Form S-3 on February 14, 2000 in connection with a proposed initial public offering of Move.com stock in the second quarter of 2000. Move.com Group operates a popular network of Web sites, including move.com, rent.net, century21.com, coldwellbanker.com, era.com, seniorhousing.net, corporatehousing.net, selfstorage.net and welcomewagon.net, which offer a wide selection of quality relocation, real estate and home-related products and services. Move.com Group also offers a broad-based distribution platform for its business partners, who are trying to reach a highly targeted and valued group of consumers at the most opportune times.

Strategic Alliance. On December 15, 1999, we entered into a strategic alliance with Liberty Media Corporation ("Liberty Media"). Specifically, we have agreed to work together with Liberty Media to develop Internet and related opportunities associated with our travel, mortgage, real estate and direct marketing businesses. Such efforts may include the creation of joint ventures between Liberty Media and Cendant as well as additional equity investments in each others' businesses. However, we can make no assurances that any alliances or additional equity investments will be made or the timing thereof.

We will also assist Liberty Media in creating, and will receive an equity participation in, a new venture that will seek to provide broadband video, voice and data content to our hotels and their guests on a worldwide basis. We will also pursue opportunities within the cable industry with Liberty Media to leverage our direct marketing resources and capabilities.

On February 7, 2000, Liberty Media invested \$400 million in cash to purchase 18 million shares of our common stock and a two-year warrant to purchase approximately 29 million shares of our common stock at an exercise price of \$23.00 per share. The common stock, together with the common stock underlying the warrant, represents approximately 6.3% of our outstanding shares after giving effect to the aforementioned transaction. We also announced that Liberty Media Chairman, John C. Malone, Ph.D., will join our board of directors and has also committed to purchase one million shares of our common stock for approximately \$17 million in cash.

Netmarket Group, Inc. Transaction. On September 15, 1999, Netmarket Group, Inc. ("NGI") began operations as an independent company that pursues the development of certain interactive businesses formerly within our direct marketing division. NGI owns, operates and develops the online membership businesses, which collectively have approximately 1.4 million online members. Prior to September 15, 1999, our ownership of NGI was restructured into common stock and preferred stock interests. On September 15, 1999, we donated NGI's outstanding common stock to a charitable trust, and NGI issued additional shares of its common stock to certain of its marketing partners. Accordingly, as a result of the change in ownership of NGI's common stock from us to independent third parties, NGI's operating results are no longer included in our Consolidated Financial Statements. We retained the opportunity to participate in NGI's value through the ownership of convertible preferred stock of NGI, which is ultimately convertible, at our option, after September 14, 2001, into 78% of NGI's diluted common shares which has a \$5 million annual preferred dividend. The convertible preferred stock is accounted for using the cost method of accounting. The preferred stock dividend will be recorded in income if and when it becomes realizable.

Formation of Cendant Internet Group. On January 31, 2000 we announced the formation of the Cendant Internet Group ("CIG") to spearhead the convergence of our offline and online assets. Over the next several months, we expect to develop a comprehensive Internet plan which delivers several new business applications and e-enable the Cendant organization. During this time frame, the Company also expects to enter into related alliances and investments to further enhance its digital strategy. CIG intends to work closely with Liberty Media and our operating divisions to achieve this convergence vision.

Class Action Litigation and Government Investigation

Since our April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC business units, approximately 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and several individual lawsuits and arbitration proceedings have been filed against us and, among others, our predecessor, HFS, and several current and former officers and directors of Cendant and HFS. These lawsuits assert, among other things, various claims under the federal securities laws including claims under sections 11, 12 and 15 of the Securities Act of 1933 and sections 10(b), 14(a) and 20(a) of and Rules 10b-5 and 14a-9 under the Securities Exchange Act of 1934 and state, statutory and common laws, including claims that financial statements previously issued by us allegedly were false and misleading that these statements allegedly caused the price of our securities to be artificially inflated. 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. As a result of the findings from our internal investigations, we made all adjustments considered necessary which are reflected in our previously filed restated financial statements. Although we can provide no assurances that additional adjustments will not be necessary as a result of these government investigations, we do not expect that additional adjustments will be necessary.

On December 7, 1999, we announced that we reached a preliminary agreement to settle the principal securities class action pending against us in the U.S. District Court in Newark, New Jersey relating to the aforementioned class action lawsuits. Under the agreement, we would pay the class members approximately \$2.85 billion in cash, an increase from approximately \$2.83 billion previously reported. The increase is a result of continued negotiation toward definitive documents relating to additional costs to be paid to the plaintiff class. The settlement remains subject to execution of a definitive settlement agreement and approval by the U.S. District Court. If the preliminary settlement is not approved by the U.S. District Court, we can make no assurances that the final outcome or settlement of such proceedings will not be for an amount greater than that set forth in the preliminary agreement. We currently plan to fund the settlement through the use of available cash, the issuance of debt securities and/or the issuance of equity securities. We intend to finance the cost of the settlement so as to maintain our investment grade ratings.

Settlement of PRIDES Class Action Litigation

On March 17, 1999, we entered into a stipulation of settlement in the PRIDES action and the court subsequently granted the settlement its approval. Under the settlement stipulation, in return for the release of all claims arising from any purchase of current FELINE PRIDES on or before April 15, 1998, we are obligated to issue up to 29,161,474 Rights with a stated theoretical value of \$11.71 each. Each class member who does not opt out and who submits a timely and valid proof of claim will be entitled to one Right for each current FELINE PRIDES held at the close of business on April 15, 1998. For example, if a person owned 100 FELINE PRIDES on April 15, 1998, such person would be entitled to 100 rights. Under the settlement stipulation, until February 14, 2001 we will issue two new FELINE PRIDES to every person who delivers to us three Rights and two current FELINE PRIDES. For example, if a holder of rights exchanges three rights together with two current Income PRIDES, they will receive two new Income PRIDES. If a holder of rights exchanges three rights together with two Growth PRIDES, they will receive two New Growth PRIDES. The terms of the new FELINE 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 of the new PRIDES will have a value equal to \$17.57 more than each original PRIDES, based upon a generally accepted valuation model. The settlement does not resolve claims based upon purchases of current FELINE PRIDES after April 16, 1998.

Based on the settlement, we recorded an after tax charge of approximately \$228 million, or \$0.26 per diluted share, which is \$351 million pre-tax, in the fourth quarter of 1998. 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 shareholders' equity of \$122 million as a result of the prospective issuance of the common stock. As a result, the settlement should not reduce net book value. In addition, the settlement is not expected to reduce 2000 earnings per share unless our common stock price materially appreciates. SEE "ITEM 3. LEGAL PROCEEDINGS" for a more detailed description of the settlement.

* * *

We continually explore and conduct discussions with regard to acquisitions and other strategic corporate transactions in our industries and in other franchise, franchisable or service businesses. As part of this regular on-going evaluation of acquisition opportunities, we currently are engaged in a number of separate, unrelated preliminary discussions concerning possible acquisitions. The purchase price for the possible acquisitions may be paid in cash, through the issuance of our common stock (which would increase the number of our common stock outstanding) or other securities of the Company, borrowings, or a combination thereof. Prior to consummating any such possible acquisition, we will need, among other things, to initiate and complete satisfactorily our due diligence investigations; negotiate the financial and other terms (including price) and conditions of such acquisitions; obtain appropriate Board of Directors, regulatory and other necessary consents and approvals; and secure financing. No assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. In the past, we have been involved in both relatively small acquisitions and acquisitions which have been significant.

FINANCIAL INFORMATION

Financial information about our business segments may be found in Note 24 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:

- o the resolution or outcome of the pending litigation and government investigations relating to the previously announced accounting irregularities;
- o uncertainty as to our future profitability and our ability to integrate and operate successfully acquired businesses and the risks associated with such businesses;
- o our ability to successfully implement our plan to create a tracking stock for our new real estate portal (described in "Businesses and Recent Developments");
- o our ability to develop and implement operational and financial systems to manage rapidly growing operations;
- o competition in our existing and potential future lines of business;
- o 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
- o the effect of changes in current interest rates.

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 OFFICE

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

TRAVEL DIVISION

TRAVEL SEGMENT

The Travel Segment consists of our lodging franchise services, timeshare exchange, and Avis car rental franchise businesses and represented approximately 21%, 20% and 23% of our revenue for the years ended December 31, 1999, 1998 and 1997, 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.

As franchisor of lodging facilities, we provide a number of services designed to directly or indirectly increase hotel occupancy rates, revenue and profitability, the most important of which is a centralized brand-specific reservation 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,

technology 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 and decrease in certain expenses 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.

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 central 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 6,300 properties and 4,576 franchisees in our systems, no individual hotel owner accounts for more than 2% of our lodging revenue.

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 upscale segment of the market, where we are not currently represented. See "Lodging Franchise Growth" below.

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 property 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 88 salespeople and sales management personnel, which is divided into several brand specific 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, 1999, our franchising subsidiaries (other than Ramada) have entered into international master licensing agreements for part or all of approximately 80 countries on six continents. The agreements typically include minimum development requirements and require 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 that are open and operating and is presented as of December 31, 1999.

BRAND	PRIMARY MARKET SERVED	AVG. ROOMS PER PROPERTY	# OF PROPERTIES	# OF ROOMS	DOMESTIC INTERNATIONAL*
-----	-----	-----	-----	-----	-----
Days Inn	Lower Economy	86	1,888	162,472	International(1)
Howard Johnson	Mid-market	102	497	50,489	International(2)
Knights Inn	Lower Economy	80	233	18,609	International(3)
Ramada	Mid-market	126	1,047	131,603	Domestic
Super 8	Economy	61	1,893	115,318	International(4)
Travelodge	Upper Economy	84	575	48,111	International(5)
Villager Lodge	Lower Economy	83	105	8,748	International(6)
Wingate	Upper Mid-market	95	77	7,280	International(6)
			-----	-----	
Total			6,315	542,630	

* Description of rights owned or licensed.

- (1) Includes properties in Mexico, Canada, China, South Africa, India, Uruguay, Philippines, Colombia, Czech Republic and UK.
- (2) Includes properties in Mexico, Canada, Colombia, Israel, Venezuela, Malta, U.A.E., Dominican Republic, Egypt, Equator, Argentina, Jordan and UK.
- (3) Includes properties in Canada.
- (4) Includes properties in Canada and Singapore.
- (5) Includes properties in Canada and Mexico.
- (6) No international properties currently open and operating.

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 anticipated marketing and reservation fees each year.

CENTRAL 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 and the Internet. 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.

Each brand maintains an Internet Web site to acquaint viewers with the brand and its properties. Each property has its own series of information pages. Each brand also accepts reservations over the Internet from the brand's own Web site and other Internet Web sites equipped with compatible booking devices. In 1999, the brand Web sites had 64.7 million page views and booked an aggregate of 649,253 roomnights from Internet booking sources, compared with 33.7 million page views and 226,782 roomnights booked in 1998, increases of 91.9% and 186.3%, respectively.

LODGING FRANCHISE AGREEMENTS. Our lodging franchise agreements grant the right to utilize one of the brand names associated with our lodging franchise systems to lodging facility owners or operators under long-term franchise agreements. An annual average of 2.0% of our existing franchise agreements are scheduled to expire from January 1, 2000 through December 31, 2006, with no more than 2.6% (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, 1999, 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 revenue 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. The lodging franchise agreements are terminable by the franchisee under certain limited circumstances. The franchisee may terminate under certain procedures if the hotel suffers a substantial casualty or condemnation. Some franchisees and the franchisors have negotiated certain mutual termination rights, which usually may be exercised only on specific anniversary dates of the hotel's opening, and only if certain conditions precedent are met. The Lodging Division also has a policy that allows a franchisee to terminate the franchise if its hotel fails to achieve 50% annual occupancy after certain conditions and waiting periods are satisfied.

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 and 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 \$48 million in royalties from its Ramada franchisees in 1999 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 we 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 effect on the franchisee's annual performance and effect our annual performance.

TIMESHARE EXCHANGE BUSINESS

GENERAL. Our RCI subsidiary, which we acquired on November 12, 1996, is the world's largest provider of timeshare vacation exchange opportunities and timeshare services for more than 2.6 million timeshare households from more than 200 nations and more than 3,500 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 3,700 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 \$11,000, plus a yearly maintenance fee of approximately \$350 per interval owned. Based upon information published about the industry, we believe that 1999 sales of timeshares exceeded \$6 billion worldwide. Two principal segments make up the timeshare exchange industry: owners of timeshare interest (consumers) and resort properties (developers/operators). Industry sources have estimated that the total number of owner households of timeshare interests is nearly 4.0 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 1.3 million members of the RCI Network, representing approximately 50% of the total members of the RCI Network reside outside of the United States.

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 1999, members in the United States paid an average annual subscribing membership fee of \$64 as well as an average exchange fee of approximately \$130 for every exchange arranged by RCI. In 1999, membership and exchange fees totaled approximately \$350 million and RCI arranged more than 2.0 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.

One of the key innovations that RCI introduced to the vacation timeshare industry in 1999 was the Global Points Network ("GPN"). GPN allows members to use points (rather than a timeshare interval) as the tool for exchange. These points can then be used for stays at RCI resorts, airfare, car rentals, hotel stays, cruises and more, providing enormous flexibility for RCI members. GPN is a creative way to enhance the attractiveness of RCI membership by adapting to changes in consumer vacation habits which have trended toward shorter, but more frequent vacations. Initial reaction to GPN has been positive, and the program will continue to expand in 2000.

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 16 countries throughout the world. These call centers are staffed by approximately 2,100

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 cross selling 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. Growth of the timeshare business is dependent on the sale of timeshare units by affiliated resorts. RCI affiliates consist of 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. 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. Management believes that our RCC Premier information software is the only commercially available technology that can fully support timeshare club operations and points based 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 3,500 timeshare resorts are affiliated with the RCI Network, of which approximately 1,400 resorts are located in the United States and Canada, more than 1,300 in Europe and Africa, more than 500 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 (which are the most recent 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 to either terminate or not to renew their existing Interval contracts. The proposed Consent Order contains certain other restrictions. The restrictions generally expired 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 our previously announced plan, on September 24, 1997, we completed the initial public offering of our former subsidiary, ARAC, which owned and operated the company-owned Avis car rental operations. We currently own approximately 18% of the outstanding Common Stock of ARAC. We no longer own or 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 431,000 vehicles during the peak season, all of which are operated by franchisees. Approximately 92.5% 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 system identity 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 web site; 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 real-time processing for travel agents and corporate travel departments. Among the principal features of the Wizard System are:

- o an advanced graphical interface reservation system;
- o "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;
- o "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;
- o "Wizard on Wheels," which enables the Avis System locations to assign vehicles and complete rental agreements while customers are being transported to the vehicle;
- o "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;
- o "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;
- o interactive interfaces through third-party computerized reservation systems; and
- o 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.

The Wizard System processes incoming customer calls, during which customers inquire about locations, rates and availability and place or modify 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 65 independent licensees that operate locations in the United States. The largest licensee, ARAC, accounts for approximately 91% 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 seven 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 55 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 1.0 % of gross revenue payable quarterly in arrears which will increase 0.2% effective January 1, 2001 and will increase 0.1% per year effective August 1, 2001 and in each of the following two 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.

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 Avis and us. 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

Pursuant to our program to divest non-strategic businesses and assets, on June 30, 1999, we completed the disposition of our Fleet Segment for aggregate consideration of \$1.8 billion (see "Recent Developments -- Strategic Developments"). The following is a description of the Fleet Segment businesses through June 30, 1999.

GENERAL. Through our former PHH Vehicle Management Services Corporation and PHH Management Services PLC subsidiaries, we offered a full range of fully integrated fleet management services to corporate clients and government agencies. These services included vehicle leasing, advisory services and fleet management services for a broad range of vehicle fleets. Advisory services included fleet policy analysis and recommendations, benchmarking, and vehicle recommendations and specifications. In addition, we provided managerial services which included 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 re-marketing used vehicles. We also offered 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 former PHH Vehicle Management Services and Wright Express subsidiaries in the United States and our former Harpur Group Limited subsidiary in the U.K., we also offered 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 were able to purchase various products and services such as gasoline, tires, batteries, glass and maintenance services at numerous outlets.

We also provided 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 were furnished with courtesy cards together with a directory listing the names of strategically located truck stops and service stations, which participated in this program. Service fees were earned for billing, collection and record keeping services and for assuming credit risk. These fees were paid by the truck stop or service stations and/or the fleet operator and were based upon the total dollar amount of fuel purchased or the number of transactions processed.

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

Asset Based Products represented the services our clients require to lease a vehicle that included vehicle acquisition, vehicle re-marketing, financing, and fleet management consulting. Open-end leases were 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 were 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 were typically structured with a 12-month minimum lease term, with month to month renewals thereafter. The typical unit remained under lease for approximately 34 months. A client received a full range of services in exchange for a monthly rental payment that included a management fee. The residual risk on the value of the vehicle at the end of the lease term remained with the lessee under an open-end lease, except for a small amount that was retained by the lessor.

Closed-end leases were structured with a fixed term with the lessor retaining the vehicle residual risk. The most prevalent lease terms were 24 months, 36 months, and 48 months. The closed end structure was

preferred in Europe due to certain accounting regulations. The closed-end lease structure was utilized by approximately 71% of the vehicles leased in Europe, but only 14% of the vehicles leased on a worldwide basis. We utilized independent third party valuations and internal projections to set the residuals utilized for these leases.

The Fee Based Products were designed to effectively manage costs and enhance driver productivity. The three main Fee Based Products were Fuel Services, Maintenance Services and Accident Management. Fuel Services represented the utilization of our proprietary cards to access fuel through a network of franchised and independent fuel stations. The cards operated as a universal card with centralized billing designed to measure and manage costs. In the United States, Wright Express was 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 distributed its fuel cards and related offerings through three primary channels: (1) the WEX-branded Universal Card, which was issued directly to fleets by Wright Express, (2) the Private Label Card, under which Wright Express provided 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 were co-branded and issued in conjunction with products and services of partners such as commercial vehicle leasing companies. In the UK, our Harpur Group Limited and Cendant Business Answers PLC subsidiaries, utilizing the All Star and Dial brands, maintained the largest independent fueling network with more than 12,000 fueling sites and more than 1.2 million cards in circulation.

We offered customer vehicle maintenance charge cards that were used to facilitate repairs and maintenance payments. The vehicle maintenance cards provided 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 maintained 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 provided 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 received 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 provided customers with extremely favorable repair terms and (3) expertise of our damage specialists, who ensured that vehicle appraisals and repairs were appropriate, cost-efficient, and in accordance with each customer's specific repair policy.

COMPETITIVE CONDITIONS. The principal factors for competition in vehicle management services were service, quality and price. We were competitively positioned as a fully integrated provider of fleet management services with a broad range of product offerings. We ranked 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 were four other major providers of fleet management service in the United States, hundreds of local and regional competitors, and numerous niche competitors who focused on only one or two products and did 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.

REAL ESTATE DIVISION

REAL ESTATE FRANCHISE SEGMENT

GENERAL. Our Real Estate Franchise Segment represented approximately 10.6%, 8.6% and 7.9% of our revenue for the years ended December 31, 1999, 1998 and 1997, 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 97,000 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 2,500 independently owned and operated franchised offices and more than 25,000 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 73,000 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 homebuyers 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 in the real estate division which seeks to capitalize on the valuable access point the CENTURY 21, COLDWELL BANKER and ERA brokerage offices provide for service providers who wish to reach these home buyers and sellers as well as agents and brokers. Preferred alliances include providers of property and casualty insurance, moving and storage services, mortgage and title insurance, Internet services, sellers of furniture, telecommunications 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 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 97,000 active sales agents located in 24 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 1999, approximately 16% 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 1999, the NAF spent approximately \$49 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 11 other countries, with approximately 73,000 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 revenue (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 1999, approximately 30% of COLDWELL BANKER franchisees qualified for PPA payments and such payments aggregated less than 1% of gross commissions.

In 1999, Coldwell Banker Real Estate Corporation began offering a commercial only franchise, licensing the Coldwell Banker Commercial trademarks and systems. Coldwell Banker Commercial franchisees pay annual fees consisting of ongoing service fees and marketing fees, generally 6% and 1%, respectively, of their annual gross revenue (subject to annual rebates to franchisees who achieve certain revenue thresholds annually, and to minimums and maximums on the marketing fees).

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 1999, the COLDWELL BANKER Advertising Funds expended approximately \$21 million for such purposes.

ERA. The ERA franchise system is a leading residential real estate brokerage franchise system, with more than 2,500 independently owned and operated franchise offices, and more than 25,000 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 \$222 to \$875 per month, based on volume, plus \$201 per branch and a per transaction fee of approximately \$124, and (ii) for franchise agreements entered into after July 1997, royalty fees equal to 6% of the franchisees' gross revenue. For franchise agreements dated after July 1997, 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 \$239 to \$958, based on volume, plus an additional \$239 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, a contribution to the ERA 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 1999, the ERA NMF spent approximately \$11 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 generally focus on increasing brand awareness, in order to increase the likelihood of potential homebuyers 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 that 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 that 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 Co-Marketing Arrangements" below.

REAL ESTATE BROKERAGE FRANCHISE AGREEMENTS. Our real estate brokerage franchise agreements grant the franchisees 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 defaults 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 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. 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, GMAC Real Estate (also known as 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, 1999, the combined real estate franchise systems had approximately 8,300 franchised brokerage offices in the United States and nearly 12,000 offices worldwide. The real estate franchise systems have offices in 34 countries and territories in North and South 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.

MOVE.COM GROUP SEGMENT

GENERAL. Move.com Group operates a popular network of Web sites, which offer a wide selection of quality relocation, real estate and home-related products and services. We seek to improve the often stressful and demanding moving experience by providing a one-source, "friend-in-need" solution before, during and after the move. Move.com Group strives to establish strong, long-term relationships with consumers by offering quality products and services for each phase of the moving process from finding a home to improving an existing home. Move.com Group also provides a multi-channel distribution platform for its business partners, who are trying to reach a highly targeted and valued group of consumers at the most opportune times. Move.com Group currently generates the following types of revenue from its business partners: listing subscription fees, advertising and sponsorship fees, e-commerce transaction fees and website management fees. During 1999, Move.com Group represented an immaterial part of our business operations. On December 31, 1999, Move.com Group had 178 full-time employees.

The Internet is revolutionizing the way in which businesses and consumers interact, share information and consummate transactions. According to International Data Corporation, or IDC, the number of Internet users worldwide will grow to approximately 502 million by the end of 2003 from approximately 196 million in 1999. The Internet places at consumers' fingertips an unprecedented amount of information and offers a convenient way for them to select and order products and services. The rapid growth in users combined with the Internet's unique ability to connect a broad range of consumers and businesses is driving growth in electronic commerce. IDC estimates that the total value of Internet commerce will increase to \$1.3 trillion in 2003 from \$111 billion in 1999.

MOVE.COM NETWORK. The move.com network is comprised of the following Web sites that offer quality relocation, real estate and home-related content and services.

Move.com. Move.com is Move.com Group's Internet portal and flagship site. Move.com is dedicated to providing consumers a one-stop solution for their relocation, real estate and home-related needs before, during and after a move. Move.com combines home and rental housing listings, mortgage

services and numerous moving and home-related services to help make moves easier, less stressful, more efficient and enjoyable. Move.com offers content and services through planning, renting, buying, selling, moving and living site tabs.

Rent.net. Rent Net is a leading online rental and relocation guide and advertising source for the apartment industry, representing properties and relocation services in more than 3,000 cities across North America. Rent Net's paying advertising clients include managers and owners of over 13,000 apartment communities representing over 3 million apartment units in all 50 states and Canada. Rent Net provides rental listings containing detailed property descriptions, photographs, floor plans, 360- virtual tours, and direct communication links to rental property managers. According to Media Metrix, Rent Net was the most visited Web site for real estate rental listings, based on unique visitors, during 1999, including December 1999, the most recently measured period.

Seniorhousing.net. Senior Housing Net provides the move.com network with a directory of over 750 retirement communities, assisted living facilities and nursing homes containing detailed property descriptions, photographs, floor plans, 360- virtual tours and direct communication links to onsite managers.

Corporaterehousing.net. Corporate Housing Net is the leading online directory and advertising source for the temporary/corporate housing industry, with over 400 local and national listing providers across the United States and Canada. Through Corporate Housing Net, users are able to access detailed property information, including photos, floor plans and available amenities, and may contact leasing agents via e-mail, fax or phone.

Selfstorage.net. Self Storage Net is the leading online directory and advertising source for the self storage industry, with listings for over 3,000 storage facilities across the United States and Canada. Through Self Storage Net, users are able to access descriptions of facilities, photos and maps, as well as direct communication links to facility owners or managers.

Century21.com. Century21.com is the official Web site for the CENTURY21 (Registered Trademark) real estate franchise system. The CENTURY21 (Registered Trademark) franchise system is comprised of over 6,300 independently owned and operated offices with approximately 97,000 brokers and agents worldwide, in more than 24 countries and territories. The CENTURY21 (Registered Trademark) franchise system provides the move.com network with home listings and brand exposure. Move.com Group manages the Web site's maintenance and technical support and acts as an advertising placement agent.

Coldwellbanker.com. Coldwellbanker.com is the official Web site for the COLDWELL BANKER (Registered Trademark) real estate franchise system. The COLDWELL BANKER (Registered Trademark) franchise system has over 3,000 independently owned and operated real estate offices with more than 73,000 sales associates throughout the United States, Canada and 11 other countries. The COLDWELL BANKER (Registered Trademark) franchise system provides the move.com network with listings of residential and vacation properties and brand exposure. Move.com Group manages the Web site's maintenance and technical support and acts as an advertising placement agent.

Era.com. Era.com is the official Web site for the ERA (Registered Trademark) real estate franchise system. The ERA (Registered Trademark) franchise system is comprised of more than 2,500 independently owned and operated offices with approximately 25,000 sales associates worldwide. The ERA (Registered Trademark) franchise system provides the move.com network with residential property listings and brand exposure. Move.com Group manages the Web site's maintenance and technical support and acts as an advertising placement agent.

Welcomewagon.com. Welcomewagon.com is the official Web site of Welcome Wagon/Getko. Welcomewagon.com provides the move.com network with local community information, including a directory of more than 40,000 local merchants and service providers nationwide.

COMPETITION. The market for online relocation and real estate-related services is relatively new, intensely competitive and rapidly changing. Move.com Group's success will depend on its ability to continue to provide comprehensive, timely and useful information to attract and maintain both consumers and business partners.

Move.com Group believes that the primary competitive factors in attracting consumers to the move.com network are: (i) brand recognition; (ii) quality, depth, breadth and presentation of content and services; (iii) functionality; (iv) ease-of-use; and (v) quality and reliability of service.

Move.com Group believes that the principal competitive factors in attracting advertisers and content providers to the move.com network are: (i) amount of traffic and user demographics; (ii) quality of service; (iii) ability to provide targeted audience and quality leads that become customers; (iv) cost-effectiveness of advertising on the move.com network; and (v) ability to integrate content and purchase opportunities.

Move.com Group's main existing and potential competitors for consumers and advertisers include: (i) Web sites offering home or apartment listings together with other related services, such as apartments.com, cyberhomes.com, homehunter.com, homestore.com, homeseekers.com, homeadvisor.com, iown.com, newhomenetwork.com and realestate.com; (ii) online services or websites targeting buyers and sellers of real estate properties and financial services companies, offering real estate-related products and services; (iii) general purpose consumer Web sites, search engine providers, and websites maintained by Internet service providers that offer relocation, real estate or home-related content; (iv) traditional forms of media such as radio, television, newspapers and magazines; and (v) offline relocation, real estate and home-related product and service companies.

Move.com Group believes its various competitive advantages, including its affiliation with Cendant's real estate franchise systems and its proprietary database and content will permit it to compete favorably with its competitors. However, many of Move.com Group's existing competitors, as well as a number of potential new competitors, have great name recognition, larger existing consumer bases and significantly greater financial, technical and marketing resources. Move.com Group may not be able to compete successfully for consumers, clients and staff and increased competition could result in price reductions, reduced margins or loss of market share, any of which could materially adversely affect its business, results of operations and financial condition.

RELOCATION SEGMENT

GENERAL. Our Relocation Segment represented approximately 8%, 8% and 9% of our revenue for the years ended December 31, 1999, 1998 and 1997, 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 over 17,000 employees internationally each year in 106 countries and 2,000 destination locations. At December 31, 1999, 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 primarily include evaluation, inspection and selling of transferees' homes or purchasing a transferee's home, issuing equity advances (generally guaranteed by the corporate client), 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 equity advances and broker referral fees. 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). As a result of the obligations of most corporate clients to reimburse Cendant Mobility for losses on resale 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 where we assume the risk for losses on the sale of homes, which comprise approximately 5% of net revenue, 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 provides 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 department provides coordination for moves involving a large number of employees over a short period of time. 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 over 63,000 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 provide 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 provide home buying and selling assistance, as well as mortgage assistance and moving services to members of applicable organizations. Personal assistance is provided to over 53,000 individuals with approximately 22,000 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 350 principal brokers and 700 associate brokers. Our van line, insurance, appraisal and closing networks allow us to receive 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 second 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 and third quarters.

MORTGAGE SEGMENT

GENERAL. Our Mortgage Segment represented approximately 7%, 7% and 4% of our revenue for the years ended December 31, 1999, 1998 and 1997, respectively. Through our Cendant Mortgage Corporation ("Cendant Mortgage") subsidiary, we are the ninth largest originator of residential first mortgage loans in the United States, and, on a retail basis, we are the sixth largest originator in 1999. 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, 1999, Cendant Mortgage had approximately 4,200 employees.

Cendant Mortgage 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 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 mortgage related expenses such as taxes and insurance, and otherwise administering our mortgage loan servicing portfolio.

Cendant Mortgage offers mortgages through the following platforms:

- o Internet. Mortgage information is offered to consumers through a web interface that is owned by Cendant Mortgage. The Web Interface was completed in 1999 and contains educational materials, rate quotes and a full mortgage application. This content is made available to the customers of partner organizations. Partners include Century 21, Coldwell Banker, ERA, Cendant Mobility, Mellon Bank, US Bank, BET, GFN and Move.com Group. In addition, we have developed and launched our own online brand -- InstaMortgage.com in 1999. Applications from online customers are processed via our teleservices platform.
- o Teleservices. Mortgages are offered to consumers through an 800 -- number Teleservices operation based in New Jersey under programs for real estate organizations (Phone In-Move In(Registered Trademark)), 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 that contributes to Cendant Mortgage ranking as the sixth largest retail originator in 1999 according to "Inside Mortgage Finance".
- o Point of Sale. Mortgages are offered to consumers through 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 around the United States and are equipped with software to obtain product information, quote interest rates and prepare a mortgage application with the consumer.
- o 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.

STRATEGY. Our strategy is to increase market share by expanding all of our sources of business with emphasis on purchase mortgage volume through our teleservice. Phone In-Move In (Registered Trademark) and Internet (Log In-Move In (Registered Trademark) programs Phone In-Move In (Registered Trademark) was developed for real estate firms in 1997 and has been established in over 5,600 real estate offices at December 31, 1999. We are well positioned to expand our financial institutions business channel by working with financial institutions which desire to outsource their mortgage originations operations to Cendant Mortgage. We also will expand our relocation mortgage volume through increased linkage with Cendant Mobility. 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, products 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 1999 from 0.9% in 1998. The market share leader reported a 7.3% market share in the United States according to "Inside Mortgage Finance" for 1999. Competitive Conditions can also be impacted by shifts in consumer preference for variable rate mortgages from fixed rate mortgages. Consumer demand for variable rate mortgages has increased in the second half of 1999.

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.

DIRECT MARKETING DIVISION

Our direct marketing division is divided into two segments: individual membership and insurance/ wholesale. The individual membership segment, with approximately 25 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 and dismemberment 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 direct marketing activities are conducted principally through our Cendant Membership Services, Inc. subsidiary and certain of our other wholly owned subsidiaries, including FISFI, BCI and CIMS.

We derive our direct 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, companies, associations and other groups. Some of our individual memberships and those of Netmarket are available online to interactive computer users via major online services and the Internet's World Wide Web. See "Direct Marketing Distribution Channels".

INDIVIDUAL MEMBERSHIP SEGMENT

Our Individual Membership segment represented approximately 18%, 17% and 18% of our revenues for the years ended December 31, 1999, 1998 and 1997, 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, charge card or other 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 us generally paying for the marketing costs to solicit the prospective members. The member pays us and our business partners directly for the service and, in most instances, the member 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 (or, in some cases, on a pro rata basis) at any point during the membership term. Most of the services may be accessed either through the Internet (online) or through the mail or by telephone (offline).

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) , along with other membership programs. A brief description of the different types of membership programs is 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 toll free 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. Generally, with the Shoppers Advantage (Registered Trademark) membership program, there is a product feature whereby a member receives an automatic 2-year extended warranty protection on any product purchased through the Shoppers Advantage (Registered Trademark) service (which means that this membership service will automatically extend the manufacturer's U.S. warranty to 2 years from the date of purchase of the particular product in question). There is a similar feature for the CompleteHome (Registered Trademark) membership service (now being renamed as the Homeowner Savings Network) and for members of the Family Fundsaver Club (Registered Trademark) .

Travel. Travelers Advantage (Registered Trademark) is a discount travel service program whereby our Cendant Travel, Inc. ("Cendant Travel") subsidiary (one of the ten largest full service 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 short notice 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 Cendant Travel 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 offer 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 certain amounts 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.

Home-Related Services. The Homeowner Savings Network 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.

Health Services. The HealthSaver (Service Mark) membership provides discounts ranging from 10% to 60% off retail prices on prescription drugs, eyewear, eye care, 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 former North American Outdoor Group, Inc. subsidiary ("NAOG") owned and operated 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 received fulfillment kits, discounts on related goods and services, magazines and other benefits. In October 8, 1999, we completed the disposition of 94% of NAOG for approximately \$141 million and we retained an equity interest in NAOG of approximately 6% (see "Recent Developments").

ONLINE PRODUCTS

Until September 15, 1999, we operated Netmarket (www.netmarket.com), our flagship online, membership-based, value-oriented consumer site which offers discounts on over 500,000 products and services. Netmarket offers discounted shopping and other benefits to both members and non-members, with members receiving preferred pricing, access to special items, cash back benefits, low price guarantees and extended warranties on certain items. In addition, Netmarket and/or the Individual Membership business also offer the following online products and services: AutoVantage (Registered Trademark), Travelers Advantage (Registered Trademark) and PrivacyGuard (Registered Trademark) membership programs and Haggle Zone (Registered Trademark) and Fair Agent (Registered Trademark) consumer services. As part of our internet strategy, on September 15, 1999, we donated Netmarket Group, Inc.'s (the owner of our online membership businesses) outstanding common stock to a charitable trust, and Netmarket issued additional shares of its common stock to certain of its marketing partners. Accordingly, as a result of the change in ownership in Netmarket common stock from us to an independent third party, Netmarket's operating results are no longer included in our Consolidated Financial Statements. We retained the opportunity to participate in Netmarket's value through the ownership of the convertible preferred stock of Netmarket, which is ultimately exchangeable, at our option, into at least 78% of Netmarket's diluted common shares. (See "Recent Developments -- Internet Developments").

Prior to its sale in 1999, we operated Match.com, Inc. ("Match"), a 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.

INSURANCE/WHOLESALE SEGMENT

Our Insurance/Wholesale segment represented approximately 11%, 10% and 11% of our revenues for the years ended December 31, 1999, 1998 and 1997, 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 segment.

ENHANCEMENT PACKAGE SERVICE. Primarily through our FISl subsidiary, we sell enhancement packages for financial institution consumer and business checking and deposit account holders. FISl'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 and dismemberment insurance, travel discounts and a nationwide check cashing service. Others may include our shopping and credit card registration services, a financial newsletter or pharmacy, eyewear or entertainment discounts as enhancements. The accidental death and dismemberment 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 FISl, 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 and dismemberment 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.

DIRECT MARKETING DISTRIBUTION CHANNELS

We market our Individual Membership and Insurance/Wholesale 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 companies and various other entities.

Some of our and Netmarket's 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 and Netmarket's interactive members account for approximately 4% of our total members. Strategic alliances have been formed with online services and various other companies, including many of the major Internet portals.

DIRECT MARKETING INTERNATIONAL OPERATIONS

Individual Membership and Insurance/Wholesale. Our Cendant International Membership Services subsidiary has developed the international distribution of enhancement package services and insurance products together with certain individual memberships including shopping, auto and payment card protection.

As of December 31, 1999, Cendant International Membership Services had expanded its international membership and customer base to approximately thirteen 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 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 direct marketing revenues and profits in the years ended December 31, 1999, 1998 and 1997, respectively.

The economic impact of currency exchange rate movements on our business 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 Disclosures About Market Risk".

DIRECT MARKETING SEASONALITY

Our direct marketing businesses are generally not seasonal.

DIRECT 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 that may be 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 in-store retail shopping and shopping clubs (with respect to our discount shopping service), and travel agents (with respect to our 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 may from time to time 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.

DIVERSIFIED SERVICES DIVISION

Our Diversified Services Division represented approximately 20%, 21% and 18% of our revenue for the years ended December 31, 1999, 1998 and 1997, respectively.

CONTINUING OPERATIONS

TAX PREPARATION BUSINESS. In January 1998, we acquired Jackson Hewitt, Inc. ("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". 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. During 1999, Jackson Hewitt prepared approximately 1.38 million tax returns, which represented an increase of 17% from the approximately 1.18 million tax returns it prepared during 1998. To complement our tax preparation

services, we also offer accelerated check refunds and refund anticipation loans to our tax preparation customers. We believe that the application of our focused management strategies and techniques for franchise systems to the Jackson Hewitt network can increase revenue produced by the Jackson Hewitt franchise system while also increasing the quality and quantity of services provided to franchisees.

Tax Services of America. During 1999, Jackson Hewitt, in conjunction with two of its largest franchisees, created an independent joint venture, Tax Services of America ("TSA") to maximize Jackson Hewitt's ability to add independent tax preparation firms to its franchise system. Cendant initially invested \$5 million and approximately 80 company owned stores, and currently has a 48% interest in the form of convertible preferred stock. TSA currently has over 200 offices and is expected to prepare over 140,000 tax returns during the 2000 filing season. TSA's primary objective is to grow by acquiring independent tax preparation firms in areas where TSA is licensed to operate and convert them to the Jackson Hewitt system.

NATIONAL CAR PARKS. Our National Car Parks ("NCP") subsidiary operates commercial car parks 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 2,500 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 secured facilities. In addition, NCP is a leader in on-airport car parking at UK airports, with over 31,000 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 name NCP is registered in the UK as a trademark. 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.

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.

OTHER SERVICES. 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.

DIVESTED BUSINESSES

ENTERTAINMENT PUBLICATIONS BUSINESS. In November 1999, we completed the disposition of approximately 85% of Epub for approximately \$281 million in cash. In connection with the transaction, we will retain an equity interest in Epub of approximately 15% (see "Recent Developments"). In addition, we will have a designee on the Epub Board of Directors.

Through our Epub subsidiary, we offered discount programs in specific markets throughout North America and certain international markets and enhanced our Individual Membership 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 provide 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 for Entertainment (Registered Trademark), Entertainment (Registered Trademark) Values and Gold C (Registered Trademark) and other trademarked local 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 and the sale of discount coupon books. In addition, Epub has a specialized Sally Foster sales force.

GREEN FLAG. In November 1999, we completed the disposition of our Green Flag business unit for approximately \$401 million in cash.

Green Flag is an 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 deliver 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 homeowners 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.

CREDIT INFORMATION BUSINESS. Our former Central Credit Inc. ("CCI") subsidiary (sold in August 1999) was a gambling patron credit information business. CCI maintained a database of information provided by casinos regarding the credit records of casino gaming patrons, and provided, for a fee, such information and related services to its customers, which primarily consisted of casinos. See "Recent Developments".

FINANCIAL PRODUCTS. Our former Essex Corporation ("Essex") subsidiary (sold in January 1999) was a third-party marketer of financial products for banks, primarily marketing annuities, mutual funds and insurance products through financial institutions. Essex generally marketed 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 distributed generally entitled Essex to a commission of slightly less than 1% on the premiums generated through Essex's sale of annuities for these insurance companies. See "Recent Developments".

TAX REFUND BUSINESS. Through our former Global Refund subsidiary (sold in August 1999), we assisted travelers to receive valued added tax ("VAT") refunds in 22 European countries, Canada and Singapore. Global Refund was the world's leading VAT refund service, with over 125,000 affiliated retailers and seven million transactions per year. Global Refund operated over 400 cash refund offices at international airports and other major points of departure and arrival worldwide. See "Recent Developments".

OTHER DIVESTED SERVICES. Our former Spark Services, Inc. ("Spark") subsidiary (sold in August 1999) provided database-driven dating services to over 300 radio stations throughout the United States and Canada. Spark was the leading provider of dating and personals services to the radio industry. Spark had 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 paid for Spark's services on a per minute of usage transaction basis. See "Recent Developments".

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 100 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 International, Inc. ("Hebdo Mag"). 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 \$770 million in cash.

SOFTWARE. Our former 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.

CLASSIFIED ADVERTISING. Our former Hebdo Mag subsidiary was a 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 was involved in the publication, printing and distribution, via print and electronic media, of branded classified advertising information products. Hebdo Mag had also expanded into other related business activities, including the distribution of third-party services and classified advertising web sites.

REGULATION

DIRECT MARKETING REGULATION. We market our products and services through a number of distribution channels including telemarketing, direct mail and online. 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.

In November 1999, the Federal Gramm-Leach-Bliley Act became law. This statute, among other things, modernized the regulatory structure affecting the delivery of financial services to consumers.

Pursuant to this statute, additional requirements and limitations were adopted relating to the sharing by financial institutions of certain customer information with third parties such as our Direct Marketing division. Such additional requirements and limitations will take effect in November 2000, at the earliest, following the adoption of implementing regulation by the various federal agencies which are charged with enforcing these matters. We do not believe that this legislation will have a material impact on our business and we were generally supportive of this legislation because we believe that it adequately protects the legitimate privacy rights of the customers of those financial institutions who partner with us in our marketing efforts, but does so without unduly harming our own marketing efforts. We are also aware of, and we are actively monitoring the status of, certain proposed privacy-related state legislation that might be passed in the future; it is unclear at this point what effect, if any, such state legislation might have on our business.

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. Although no assurance can be given, proposed changes in the FTC's franchise rule should have no adverse impact on our franchised businesses. 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 federal or state legislation or regulation.

REAL ESTATE REGULATION. The federal Real Estate Settlement Procedures Act (RESPA) 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. Currently, there are local efforts in certain states which could limit referral fees to our relocation business.

It is a common practice for online mortgage and real estate-related companies to enter into advertising, marketing and distribution arrangements with other Internet companies and websites whereby the mortgage and real estate-related companies pay fees for advertising, marketing and distribution services and other goods and facilities. The applicability of RESPA's referral fee prohibitions to the compensation provisions of these arrangements is unclear and the Department of Housing and Urban Development has provided no guidance to date on the subject. Although Move.com Group believes that it has structured its relationships with Internet advertisers to ensure compliance with RESPA, some level of risk is inherent absent amendments to the law or regulations, or clarification from regulators.

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 that 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.

INTERNET REGULATION. Although Move.com Group's and other business units' operations on the Internet are not currently regulated by any government agency in the United States beyond regulations discussed above and applicable to businesses generally, it is likely that a number of laws and regulations may be adopted governing the Internet. In addition, existing laws may be interpreted to apply to the

Internet in ways not currently applied. Regulatory and legal requirements are subject to change and may become more restrictive, making Move.com Group's compliance more difficult or expensive or otherwise restricting its ability to conduct its business as it is now conducted.

EMPLOYEES

As of December 31, 1999, we employed approximately 28,000 persons fulltime. 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 with a lease term expiring in 2013. 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 segment has three 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, a 200,000 square foot facility in Carmel, Indiana which serves as an administrative office for RCI and a property located in Kettering, UK which is the European office for RCI. The travel segment 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 and Fredericton, New Brunswick, Canada pursuant to leases that expire in 2000, 2004, 2007, 2004, 2002, 2001, 2000, 2001, 2008, 2009 and 2009, respectively. The Tulsa and Drumright, Oklahoma and St. John and Fredericton, New Brunswick, Canada locations serves as an Avis car rental reservations centers. In addition, the travel segment has 14 leased offices spaces located within the United States and an additional 37 leased spaces in various countries outside the United States.

The real estate franchise segment leases approximately seven properties in various locations that function as sales offices, three of which are shared with the travel segment.

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; Richmond, Virginia; Westerville, Ohio; Nashville, Tennessee; Moore, Oklahoma; Houston and Arlington, Texas; and Great Falls, Montana pursuant to leases that expire in 2000, 2007, 2005, 2006, 2003, 2005, 2000 and 2004, 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.

The relocation segment has their main corporate operations located in three leased buildings in Danbury, Connecticut with lease terms expiring in 2008, 2005 and 2004. There are also six regional offices located in Walnut Creek, California; Oak Brook, Chicago, and Schaumburg, Illinois; Las Colinas, Texas and Mission Viejo, California which provide operation support services for the region pursuant to leases that expire in 2004, 2003, 2004, 2001 and 2003, respectively. We own the office in Mission Viejo. International offices are located in Swindon, UK and Hong Kong, China, pursuant to leases that expire in 2013 and 2001, respectively.

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 885,000 square feet. The lease terms expire over the next five years. Regional sales offices are located in Englewood, Colorado and Santa Monica, California, pursuant to leases that expire in 2002 and 2005, respectively.

The insurance/wholesale segment leases domestic space in Brentwood, Tennessee; San Carlos, California; and Richmond, Virginia with lease terms ending in 2002, 2003 and 2007, respectively. In addition, there are ten leased locations internationally that function as sales and administrative offices for CIMS with the main office located in Portsmouth, UK.

The Move.com Group segment occupies two leased offices in San Francisco, with lease terms ending in 2003 and 2006.

We also own property in Westbury, New York and lease space in Garden City, New York and Parsippany, New Jersey that supports the Diversified Services Segment. The Garden City and Parsippany locations are the main operation and administrative centers for Wizcom and Jackson Hewitt, respectively. In addition, there are approximately nineteen leased office locations in the United States. Internationally, we lease office space in the United Kingdom and own one building in Birmingham, UK to support the National Car Parks business unit.

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

A. CLASS ACTION AND OTHER LITIGATION AND GOVERNMENT INVESTIGATIONS

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, approximately 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and several other lawsuits and arbitration proceedings have been filed in various courts against us and other defendants.

In re: Cendant Corporation Litigation, Master File No. 98-1664 (WHW) (D.N.J.) (the "Securities Action"), is a consolidated action consisting of over sixty constituent class action lawsuits, that were originally filed in the United States District Court for the District of New Jersey, the District of Connecticut, and the Eastern District of Pennsylvania. The Securities 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 lead 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; and Ernst & Young LLP ("Ernst & Young"), CUC's former independent accounting firm.

The Amended and Consolidated Class Action Complaint in the Securities Action alleges that, among other things, the lead plaintiffs and members of the class 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"). Lead plaintiffs in the Securities Action seek damages for themselves in unspecified amounts.

On December 14, 1998, the lead plaintiffs in the Securities Action moved for partial summary judgment, on liability only, against the Company on the claims under Section 11 of the Securities Act. The lead plaintiffs adjourned this motion, however, without prejudice to their right to re-notice the motion at a subsequent time.

On January 25, 1999, the Company answered the Amended Consolidated Complaint and asserted Cross-Claims against 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 in unspecified amounts. The Cross-Claims assert claims for breaches of Ernst & Young's audit agreements with the Company, negligence, breaches of fiduciary duty, fraud, and contribution.

On March 26, 1999, Ernst & Young filed Cross-Claims against the Company and certain of the Company's present and former officers and directors, alleging that any failure to discover the accounting irregularities was caused by misrepresentations and omissions made to Ernst & Young in the course of its audits and other reviews of the Company's financial statements. Ernst & Young's Cross-Claims assert

claims for breach of contract, fraud, fraudulent inducement, negligent misrepresentation and contribution. Damages in unspecified amounts are sought for the costs to Ernst & Young associated with defending the various shareholder lawsuits and for harm to Ernst & Young's reputation.

On December 7, 1999, we announced that we reached a preliminary agreement to settle the Securities Action. (See "Litigation Settlements" below and Note 17 to the Consolidated Financial Statements).

Welch & Forbes, Inc. v. Cendant Corp., et al., No. 98-2819 (WHW) (the "PRIDES Action") is a class action filed on June 15, 1998 and brought on behalf of purchasers of the Company's PRIDES securities between February 24 and July 15, 1998. The PRIDES Action is a consolidation of Welch & Forbes, Inc. v. Cendant Corp., et. al. with seven other class action lawsuits filed on behalf of purchasers of PRIDES. 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.

The allegations in the Amended Consolidated Complaint in the PRIDES Action are substantially similar to those in the Securities 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 on liability 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 Litigation Settlements below and Note 5 to the Consolidated Financial Statements).

Semerenko v. Cendant Corp., et al., Civ. Action No. 98-5384 (D.N.J.) and P. Schoenfield 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 January 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. Plaintiffs allege that they purchased shares of ABI common stock at artificially inflated prices due to the accounting irregularities after we announced a cash tender offer for 51% of ABI's outstanding shares of common stock in January 1998. Plaintiffs also allege that after the disclosure of the accounting irregularities, we misstated our intention to complete the tender offer and a second step merger pursuant to which the remaining shares of ABI stock were to be acquired by us. Plaintiffs seek, among other things, unspecified compensatory damages. The Company and the other defendants filed motions to dismiss the ABI Actions on March 10, 1999. The United States District Court for the District of New Jersey found that the complaints failed to state a claim upon which relief could be granted and, accordingly, dismissed the complaints by order dated April 30, 1999. Plaintiff's appeal of the dismissal is scheduled to be argued before the United States Court of Appeals for the Third Circuit on March 21, 2000.

B. OTHER LITIGATION

Prior to April 15, 1999, actions making substantially similar allegations to the allegations in the Securities Action were filed by various plaintiffs on their own behalf in the United States District Courts for the District of New Jersey, the Eastern and Central Districts of California, the Southern District of Florida, the Eastern District of Louisiana, the District of Connecticut and the Eastern District of Wisconsin. The Company filed motions before the Judicial Panel on Multidistrict Litigation (the "JPML") to transfer to the District of New Jersey, for consolidation with the Securities Action, the actions filed in judicial districts other than the District of New Jersey. The motions to transfer were granted in August and

September, 1999. The District of New Jersey has granted the Company's motion to dismiss two of these transferred actions: Stewart v. Cendant Corp., originally filed in the District of Connecticut, and Wyatt v. Cendant Corp., originally filed in the Southern District of Florida.

The Company has filed Cross-Claims against Ernst & Young in three of the remaining transferred actions: McLaughlin v. Cendant Corp., originally filed in the District of New Jersey; Yeager v. Cendant Corp. and Alexander v. Cendant Corp. both originally filed in the Central District of California. Ernst & Young has filed counterclaims and Cross-Claims against the Company in each of these actions.

Among the actions transferred is Reliant Trading and Shepherd Trading Ltd. v. Cendant Corp., originally filed in the Eastern District of Wisconsin. The plaintiffs in Reliant allegedly purchased certain 4-3/4% Senior Notes originally issued by HFS and claim to have converted these notes to shares of Cendant common stock in April 1998, before our April 15, 1998 announcement concerning the accounting irregularities. Plaintiffs seek, among other things, rescission of the conversion of the notes, unspecified compensatory damages resulting from the conversion, and additional unspecified damages resulting from the original purchase of the notes at allegedly artificially inflated prices.

On November 2, 1999, the Company moved for judgment on the pleadings dismissing the Securities Act claims asserted against it. On December 10, 1999, the parties filed a stipulation dismissing with prejudice claims of violations of Sections 11, 12 and 15 of the Securities Act against all defendants and claims of violations of Sections 10(b) and 20 of the Exchange Act against certain present and former Cendant directors. On December 14, 1999, plaintiffs filed a first Amended Complaint alleging violations of Section 10(b) of the Exchange Act and breach of contract against the Company and violations of Sections 10(b) and 20 of the Exchange Act against certain former and present officers and directors of The Company. On January 14, 2000, the Company filed an answer denying all material allegations in the First Amended Complaint. Additionally, various counterclaims, cross-claims and third-party claims exist between Ernst & Young and the Company and certain of its present and former officers and directors.

Another action transferred to the District of New Jersey is Daystar Special Situations Fund, L.P. and Daystar LLC v. Cendant Corp., originally filed in the Southern District of New York in July 1999 to the District of New Jersey. Plaintiffs in Daystar, allege that after disclosure of the accounting irregularities by us in April 1998 certain material misstatements were made regarding the full extent of the accounting irregularities. Plaintiffs allege that they relied on such statements in purchasing over 3 million shares of Cendant stock in April, May and June 1998. Plaintiffs seek, among other things, damages in excess of \$35 million. On October 26, 1999, all of the defendants, including the Company, filed a motion to dismiss the Complaint. On November 29, 1999, the motion to dismiss was denied. On December 23, 1999, the Company filed an answer denying all material allegations in the Complaint.

Kennilworth Partners, L.P. et al., v. Cendant Corp., et al., 98 Civ. 8939 (DC) (the "Kennilworth Action") was filed on December 18, 1998 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 when they converted their notes into shares of common stock in the Company shortly prior to the Company's April 15, 1998 announcement. 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 April 29, 1999, the Company moved to dismiss the Securities Act claims brought against it. On August 10, 1999, the District Court dismissed plaintiffs' claims under Sections 11 and 12(2) of the Securities Act against us and all of the other defendants and dismissed the claims under Section 10(b) of the Exchange Act against the individual officers and directors and Ernst & Young. On August 23, 1999, the Company filed an Answer and Affirmative Defenses, in which it denied all material allegations in the amended complaint. In January 2000, plaintiffs filed a Second Amended Complaint, asserting claims against Cendant under Section 10(b) of the Exchange Act and for breach of contract.

Kevlin, et al v. Cendant Corp., No. C-98-12602-B (the "Kevlin Action"), was commenced in December 1998 in the County Court of Dallas County, Texas. According to the complaint, plaintiffs are

former shareholders of an entity known as Kevlin Services, Inc. In 1996, a subsidiary of Cendant acquired all of the assets of Kevlin Services, Inc. in exchange for approximately 1,155,733 shares of common stock of CUC International Inc. According to the complaint, plaintiffs were to receive CUC shares worth \$26,370,000 and instead received shares worth substantially less than that amount due to the impact of the accounting irregularities on the market price for CUC common stock. Plaintiffs have asserted claims against Cendant, its subsidiary and Ernst & Young for fraud, negligent misrepresentation, breach of duty of good faith and fair dealing, breach of contract, conspiracy, negligence and gross negligence. Plaintiffs seek compensatory and exemplary damages in unspecified amounts. Cendant and its subsidiary have filed a general denial to the allegations in the complaint. The parties have commenced discovery in this case.

Raymond H. Stanton II and Raymond H. Stanton III v. Cendant Corp. is an arbitration proceeding filed by Raymond H. Stanton II and Raymond H. Stanton III, former owners of Dine-A-Mate, Inc. The Demand for Arbitration alleges that the Stantons sold Dine-A-Mate stock to CUC in September 1996 in exchange for 929,930 shares of CUC common stock. The Demand alleges that due to the accounting irregularities the price of CUC stock was artificially inflated at the time and asserts claims for fraud, fraudulent inducement, breach of warranty, and violation of Sections 18(a) and 10(b) of the Exchange Act. The Stantons seek, among other things, damages equal to the differences between \$33,314,736 (the alleged value of the transaction) and the actual value of the CUC stock they received in the sale, and punitive damages on their claims for fraud and fraudulent inducement. The arbitration hearing is scheduled to take place on May 2-5, 2000.

Janice G. Davidson and Robert M. Davidson v. Cendant Corp. (JAMS/Endispute -Los Angeles No. 122002145) is an arbitration proceeding filed on December 17, 1998, by Janice G. and Robert M. Davidson, former majority shareholders of a California-based computer software firm acquired by the Company in a July 1996 stock merger (the "Davidson Merger"). The Davidsons' Demand for Arbitration purported to assert claims against Cendant in connection with the Davidson Merger and a May 1997 settlement agreement settling all disputes arising out of the Davidson Merger (the "Davidson Settlement"). The Demand asserts claims for: (i) securities fraud under federal, state and common law theories relating to the Davidson Merger, through which the Davidsons received approximately 21,670,000 common shares of CUC stock and options on CUC stock in exchange for all of their Davidson & Associates, Inc. common shares, based upon CUC's accounting irregularities and alleged misrepresentations concerning the Davidsons' employment as CUC executives; (ii) wrongful taking of trust property based on fraud in connection with the Davidson Merger; (iii) unjust enrichment, in connection with the Davidson Merger; (iv) rescission of the Davidson Settlement for fraud under the federal securities laws, California Corporations Code, and common law, and on grounds of unilateral mistake, failure of consideration, and prejudice to the public interest; and (v) damages under the Settlement Agreement for fraud in connection with the grant of CUC stock options to the Davidsons under that Agreement. The Demand seeks unspecified compensatory and punitive damages and a declaratory judgment that the Davidsons are entitled to rescind the Davidson Settlement and that the claims in the Demand are arbitrable.

Cendant answered the Demand on January 12, 1999, denying all of the material allegations in the Demand, and also filed a Complaint for Injunctive and Declaratory Relief against the Davidsons in the United States District Court for the Central District of California (the "Cendant Complaint"), seeking to enjoin the arbitration on the grounds that the parties to the Davidson Settlement agreed therein not to arbitrate ten of the eleven claims contained in the Demand, and that the arbitration clauses under which the Davidsons bring their claims are inapplicable to the dispute. In February 1999, Cendant filed a Motion for Preliminary Injunction seeking to enjoin the arbitration proceedings pending the court's final resolution of the dispute on the merits. The Davidsons filed a motion to dismiss the Cendant Complaint or for summary judgment. On April 14, 1999, the court entered an order granting summary judgment in favor of the Davidsons, denying Cendant's Motion for Preliminary Injunction and dismissing the Cendant Complaint. The Company's appeal from this order is pending before the United States Court of Appeals for the Ninth Circuit. The arbitration has been stayed by agreement of the parties until the Ninth Circuit issues a mandate on the appeal, except discovery is proceeding on whether the Davidson Settlement should be rescinded.

On April 14, 1999, the Davidsons filed a complaint in the United States District Court for the Central District of California against Cendant alleging essentially the same claims asserted in the Demand. The complaint seeks unspecified compensatory and punitive damages, and was filed purportedly to toll the statute of limitations pending arbitration of the claims in the Demand. Cendant's motion to transfer this case to the District Court of New Jersey was granted by JPML on August 12, 1999.

Deutch v. Silverman, et al., No. 98-1998 (WHW) (the "Deutch Action"), is a purported shareholder derivative action, purportedly filed on behalf of, and for the benefit of the Company. The Deutch Action was commenced on April 27, 1998 in the District of New Jersey against certain of the Company's current and 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 that the individual officers and directors breached their fiduciary duties and committed acts of gross negligence by, among other things, causing and/or allowing the Company to make a series of false and misleading statements regarding the Company's financial condition, earnings and growth; entering into an agreement to acquire ABI and later paying \$400 million to ABI in connection with termination of that agreement; re-pricing certain stock options previously granted to certain Company executives; and entering into certain severance and other agreements with Walter Forbes, the Company's former Chairman, last summer under which Mr. Forbes received approximately \$51 million from the Company pursuant to an employment agreement we had entered into with him in connection with the Cendant Merger. Damages are sought on behalf of Cendant in unspecified amounts. The Company and the other defendants each moved to dismiss the Deutch Action. On August 8, 1999, the Court dismissed certain claims against some of the individual officers and directors and all claims against the Bear Stearns defendants. The Court denied the Company's motion to dismiss. On August 23, 1999, the Company filed its Answer and Affirmative Defenses to the Complaint, in which it denied all of the material allegations in the Complaint. On February 4, 2000, plaintiff moved for partial summary judgment against the individual defendants, seeking damages in the amount of \$2.83 billion. The motion is scheduled to be heard on March 27, 2000.

Corwin v. Silverman et al., No. 16347-NC (the "Corwin Action"), was filed on April 28, 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, rescission 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 Deutch Action. On June 30, 1999, the Court of Chancery for the State of Delaware stayed the Corwin Action pending a determination of the Deutch Action.

The SEC and the United States Attorney for the District of New Jersey are conducting investigations relating to 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. As a result of the findings from our internal investigations, we made all adjustments considered necessary which are reflected in previously filed financial statements. Although we can provide no assurances that additional adjustments will not be necessary as a result of these government investigations, we do not expect that additional adjustments will be necessary.

C. LITIGATION SETTLEMENTS.

Settlement of Common Stock Class Action Litigation

On December 7, 1999, the Company announced that it reached a preliminary agreement to settle the principal securities class action pending against the Company in the U.S. District Court in Newark, New Jersey relating to the aforementioned class action lawsuits. Under the agreement, the Company would pay the class members approximately \$2.85 billion in cash, an increase from approximately \$2.83 billion previously reported. The increase is a result of continued negotiation toward definitive documents relating to additional costs to be paid to the plaintiff class. The settlement remains subject to execution of a definitive settlement agreement and approval by the U.S. District Court. If the preliminary settlement is not approved by the U.S. District Court, the Company can make no assurances that the final outcome or settlement of such proceedings will not be for an amount greater than that set forth in the preliminary agreement. We currently plan to fund the settlement through the use of available cash, the issuance of debt securities and/or the issuance of equity securities. We intend to finance the cost of the settlement so as to maintain our investment grade ratings. Please see the Company's Form 8-K, dated December 7, 1999, for a description of the preliminary agreement to settle the common stock class action litigation.

The proposed settlements do not encompass all litigation asserting claims associated with the accounting irregularities. We do not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be material with respect to earnings in any given reporting period. However, the Company does not believe that the impact of such unresolved proceedings should result in a material liability to the Company in relation to its consolidated financial position or liquidity.

Settlement of PRIDES Class Action Litigation

On March 17, 1999, we entered into a stipulation of settlement with the 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 stipulation of settlement, eligible persons will receive a new security -- a Right -- for each PRIDES security held on April 15, 1998. For example, if a person held 100 PRIDES on April 15, 1998, they would receive 100 Rights. 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 shareholders' 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 of Rights 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"). For example, if a holder of Rights exchanges three rights together with two current Income PRIDES, they will receive two New Income PRIDES. If a holder of Rights exchanges three Rights together with two Growth PRIDES, they will receive two New Growth 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 of the 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 \$17.78 of our Common Stock (calculated based on the average closing price per share of our common stock for the five day period ended February 18, 2000), the effect of the issuance of the New PRIDES will be to distribute approximately 18 million more shares of our common stock when the mandatory purchase of our common stock associated with the PRIDES occurs in February of 2001.

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. 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. 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.

On June 15, 1999, the United States District Court for the District of New Jersey entered an order and judgment approving the settlement and awarding fees to counsel to the class.

One objector, who objected to a portion of the settlement notice concerning fees to be sought by counsel to the class, and the amount of fees sought by counsel to the class, has filed an appeal to the U.S. Court of Appeals for the Third Circuit from the order and judgement approving the settlement. Cendant believes this appeal is without merit. Counsel for the plaintiff class has moved to dismiss this appeal. This motion is pending before the Third Circuit.

On September 7, 1999, Cendant moved the District Court for an order disallowing claims by purported class members seeking a total of approximately 4 million Rights pursuant to the settlement, on the grounds that such claims were filed untimely and/or not supported by appropriate documentation. On October 6, 1999, the District Court of New Jersey heard oral argument on the Company's motion. On October 20, 1999, the Court issued an opinion and order directing Lead Counsel to submit additional documentation regarding the disputed claims. On January 14, 2000, the Court issued an order identifying those claims allowed to participate in the settlement and those claims that were disallowed. By stipulation and order dated February 23, 2000, the parties agreed to distribute, and the court approved distribution of, Rights in respect of the undisputed claims, which the Company expects to commence on or about March 10, 2000.

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

We held an annual meeting of our shareholders on May 27, 1999, pursuant to a Notice of Annual Meeting and Proxy Statement dated March 31, 1999, a copy of which has been filed previously with the Securities and Exchange Commission, at which our shareholders considered and approved the election of five directors for a term of three years, certain amendments to the Company's Amended and Restated By-Laws, a stockholder's proposal relating to the classification of the Board of Directors and ratification of Deloitte & Touche LLP as auditors. The results of such matters are as follows:

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

Results:	For	Withheld
Leonard S. Coleman	686,861,976	27,440,360
Robert E. Nederlander	670,402,315	43,909,021
Leonard Schutzman	687,009,774	27,292,562
Robert F. Smith	686,256,727	27,292,562
Craig R. Stapleton	687,791,909	26,510,429

Proposal 2: To ratify and approve the appointment of Deloitte & Touche LLP as the Company's Independent Auditors for the year ending December 31, 1999.

Results:	For	Against	Abstain
	711,006,803	1,612,783	1,682,750

Proposal 3: To approve and adopt certain amendments to the Company's Amended and Restated By-Laws.

Results:	For	Against	Abstain
	702,522,495	8,532,611	3,247,230

Proposal 4: A stockholder's proposal relating to the classification of the Board of Directors.

Results:	For	Against	Abstain
	289,422,825	265,624,48	56,308,894

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 January 24, 2000 the number of stockholders of record was approximately 9,598. The following table sets forth the quarterly high and low sales prices per share as reported by the NYSE for 1999 and 1998 based on a year ended December 31.

1999	HIGH	LOW
-----	-----	----
First Quarter	\$22 7/16	\$15 5/16
Second Quarter	20 3/4	15 1/2
Third Quarter	22 5/8	17
Fourth Quarter	26 9/16	14 9/16
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 February 24, 2000, the last sale price of our Common Stock on the NYSE was \$17 1/8 per share.

DIVIDEND POLICY

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

ITEM 6. SELECTED FINANCIAL DATA

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
(In millions, except per share data)					
OPERATIONS					
NET REVENUES	\$ 5,402	\$ 5,284	\$ 4,240	\$ 3,238	\$ 2,616
Operating expense	1,795	1,870	1,322	1,183	1,025
Marketing and reservation expense	1,017	1,158	1,032	911	744
General and administrative expense	671	666	636	341	283
Depreciation and amortization expense	371	323	238	146	100
Other charges	3,032(1)	838(2)	704(3)	109(4)	97(5)
Interest expense, net	199	114	51	14	17
Net gain on dispositions of businesses	(1,109)	--	--	--	--
Provision (benefit) for income taxes	(406)	104	191	220	143
Minority interest, net of tax	61	51	--	--	--
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ (229)	\$ 160	\$ 66	\$ 314	\$ 207
INCOME (LOSS) FROM CONTINUING OPERATIONS PER SHARE:					
Basic	\$ (0.30)	\$ 0.19	\$ 0.08	\$ 0.41	\$ 0.30
Diluted	(0.30)	0.18	0.08	0.39	0.28
FINANCIAL POSITION					
Total assets	\$ 15,149	\$20,217	\$14,073	\$ 12,763	\$ 8,520
Long-term debt	2,445	3,363	1,246	781	336
Assets under management and mortgage programs	2,726	7,512	6,444	5,729	4,956
Debt under management and mortgage programs	2,314	6,897	5,603	5,090	4,428
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,478	1,472	--	--	--
Shareholders' equity	2,206	4,836	3,921	3,956	1,898
OTHER INFORMATION (6)					
Cash flows provided by (used in):					
Operating activities	\$ 3,032	\$ 808	\$ 1,213	\$ 1,493	\$ 1,144
Investing activities	1,860	(4,352)	(2,329)	(3,091)	(1,789)
Financing activities	(4,788)	4,690	901	1,781	661

(1) Represents charges of (i) \$2,894 million (\$1,839 million, after tax or \$2.45 per diluted share) associated with the preliminary agreement to settle the principal shareholder securities class action suit, (ii) \$7 million (\$4 million, after tax or \$0.01 per diluted share) in connection with the termination of the proposed acquisition of RAC Motoring Services, (iii) \$21 million (\$13 million, after tax or \$0.02 per diluted share) of investigation-related costs, (iv) \$87 million (\$49 million, after tax or \$0.07 per diluted share) comprised principally of an \$85 million (\$48 million, after tax or \$0.06 per diluted share) charge incurred in conjunction with the Netmarket Group, Inc. transaction and (v) \$23 million (\$15 million, after tax or \$0.02 per diluted share) of additional charges to fund an irrevocable contribution to an independent technology trust responsible for completing the transition of the Company's lodging franchisees to a Company sponsored property management system.

(2) Represents charges of (i) \$351 million (\$228 million, after tax or \$0.26 per diluted share) associated with the agreement to settle the PRIDES securities class action suit, (ii) \$433 million (\$282 million, after tax or \$0.32 per diluted share) for the costs of terminating the proposed acquisitions of American Bankers Insurance Group, Inc. and Providan Auto and Home Insurance Company, and (iii) \$121 million (\$79 million, after tax or \$0.09 per diluted share) for investigation-related costs, including incremental financing costs, and executive terminations. Such charges are partially offset by a net credit of \$67 million (\$44 million, after tax or \$0.05 per diluted share) associated with changes to the estimate of previously recorded merger-related costs and other unusual charges.

- (3) Represents merger-related costs and other unusual charges of \$704 million (\$505 million, after tax or \$0.58 per diluted share) primarily associated with the merger of HFS Incorporated and CUC International Inc. and the merger with PHH Corporation ("PHH") in April 1997.
- (4) Represents merger-related costs and other unusual charges of \$109 million (\$70 million, after tax or \$0.09 per diluted share) substantially related to the Company's August 1996 merger with Ideon Group, Inc. ("Ideon").
- (5) Represents a provision of \$97 million (\$62 million after tax or \$0.08 per diluted share) for costs related to the abandonment of certain Ideon development efforts and the restructuring of certain Ideon operations.
- (6) 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.

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

OVERVIEW

We are one of the foremost providers of real estate related, travel related and direct marketing consumer and business services 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, direct marketing services and diversified services. Our businesses provide a wide range of complementary consumer and business services, which together represent eight business segments. The travel related services businesses facilitate vacation timeshare exchanges and franchise car rental and hotel businesses; the real estate related services businesses franchise real estate brokerage businesses, provide home buyers with mortgages, assist in employee relocation and provide consumers with relocation, real estate and home-related products and services through the move.com network of Web sites; and the direct marketing services businesses, provide an array of value driven products and services. Our diversified services include our tax preparation services franchise, information technology services, car parking facility services 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 Inc. offices, which we intend to franchise). Instead, we provide our franchisee customers with services designed to increase their revenue and profitability.

In connection with our previously announced program to focus on maximizing the opportunities and growth potential of our existing businesses, we divested several non-strategic businesses and assets and have completed or commenced certain other strategic initiatives related to our Internet businesses. Pursuant to such program, we completed the dispositions of North American Outdoor Group, Global Refund Group, the fleet business segment, Central Credit, Inc., Spark Services, Inc., Match.com, National Leisure Group, National Library of Poetry, Essex Corporation, Cendant Software Corporation, Hebdo Mag International, Inc., the Green Flag Group and Entertainment Publications, Inc. As a result of the divestitures program, we divested former CUC businesses representing approximately 45% of CUC's revenues in 1997, the year in which CUC merged with HFS (see "Liquidity and Capital Resources -- Divestitures").

In addition to the above mentioned divestitures, we have recently initiated certain Internet strategies outlined below.

On September 30, 1999, we announced that our Board of Directors approved a new series of Cendant common stock to track the performance of the Move.com Group, an operator of a popular network of Web sites, which offer a wide selection of quality relocation, real estate and home-related products and services. The Move.com Group will integrate and enhance the online efforts of our residential real estate brands and those of our other real estate business units drawing on the success of our RentNet, Inc.

("RentNet") online apartment guide model. The Move.com Group commenced operations in the third quarter of 1999 with the move.com Internet site, our flagship site, becoming functional during January 2000. Prior to the formation of the Move.com Group, RentNet's historical financial information was included in our individual membership segment. We have filed a definitive proxy with the Securities and Exchange Commission, which contains financial details as well as more specific plans concerning the transaction. If we obtain shareholder approval for the tracking stock, we currently intend to issue such tracking stock in a public offering in the second quarter of 2000.

The Move.com Group currently generates the following types of revenue from its business partners: listing subscription fees, advertising fees, e-commerce transaction fees and Web site management fees. In addition to the move.com site itself, the Move.com Group assets include RentNet, our online apartment rental business acquired in January 1996 and previously included in our individual membership segment, National Home Connections, LLC, a facilitator of connecting and disconnecting utilities, processor of address changes and facilitator of moving related services and products, which was acquired in May 1999, and the assets of MetroRent, an online provider of apartment rental listings for buildings with 25 or fewer units, which was acquired in December 1999.

On September 15, 1999, we donated Netmarket Group, Inc., ("NGI") outstanding common stock to a charitable trust and NGI began operations as an independent company that will pursue the development of certain interactive businesses formerly within our direct marketing division. For a detailed discussion regarding the NGI transaction, see "Merger -- Related Costs and Other Unusual Charges (Credits) -- 1999."

The following discussion should be read in conjunction with the information contained in our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein.

CONSOLIDATED OPERATIONS -- 1999 VS. 1998

REVENUES

Revenues increased \$118 million (2%) in 1999 over 1998, which reflected growth in substantially all of our reportable operating segments despite the effects of dispositions of non-strategic businesses. Significant contributing factors which gave rise to such revenue growth included an increase in the amount of royalty fees received from our franchised brands within both our travel and real estate franchise segments and an increase in loan servicing revenues within our mortgage segment. In addition, we experienced growth and efficiencies within our direct marketing businesses. Revenues in 1999 included the full year operating results of our car park subsidiary, which was acquired in April 1998, compared to the post acquisition period in 1998. A detailed discussion of revenue trends from 1998 to 1999 is included in the section entitled "Results of Reportable Operating Segments -- 1999 vs. 1998."

OTHER CHARGES

LITIGATION SETTLEMENTS. On December 7, 1999, we reached a preliminary agreement to settle the principal securities class actions pending against us, other than certain claims relating to FELINE PRIDES securities discussed below. As a result of the settlement, we recorded a pre-tax charge of approximately \$2.89 billion, an increase from approximately \$2.87 billion previously reported. The increase is primarily the result of continued negotiation toward definitive documents relating to additional costs to be paid to the plaintiff class. This settlement is subject to final documentation and court approval (see "Liquidity and Capital Resources -- Litigation").

During 1998, we reached a final agreement to settle a class action lawsuit that was brought on behalf of the holders of the FELINE PRIDES. As a result of the settlement, we recorded a pre-tax charge of \$351 million.

TERMINATION OF PROPOSED ACQUISITIONS. During 1999, we announced our intention not to proceed with the acquisition of RAC Motoring Services and recorded a \$7 million charge in connection with the write-off of acquisition costs. During 1998, we recorded a \$433 million charge in connection with the termination of the proposed acquisitions of American Bankers Insurance Group, Inc. and Providian Auto and Home Insurance Company.

INVESTIGATION-RELATED COSTS. During 1999 and 1998, we incurred investigation-related costs of \$21 million and \$33 million, respectively, in connection with our discovery and announcement of accounting irregularities on April 15, 1998.

MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES (CREDITS). During 1999 and 1998, we recorded merger-related costs and other unusual charges (credits) of \$110 million and (\$67) million, respectively (see "Merger-Related Costs and Other Unusual Charges (Credits)").

OTHER CHARGES. During 1998, we incurred other charges of \$53 million and \$35 million in connection with the termination of certain of our former executives and investigation-related financing costs, respectively.

For a detailed discussion regarding Other Charges, see Note 5 to the Consolidated Financial Statements.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense increased \$48 million (15%) in 1999 over 1998 as a result of incremental amortization of goodwill and other intangible assets from 1998 acquisitions and capital spending primarily to support growth and enhance marketing opportunities in our businesses, partially offset by the impact of the disposal of non-strategic businesses.

INTEREST EXPENSE AND MINORITY INTEREST

Interest expense, net increased \$85 million (75%) in 1999 over 1998 primarily as a result of an increase in the average debt balances outstanding and a nominal increase in the cost of funds. In addition, the composition of average debt balances during 1999 included longer term fixed rate debt carrying higher interest rates as compared to 1998. The weighted average interest rate on long-term debt increased to 6.4% in 1999 from 6.2% in 1998. Minority interest, net of tax increased \$10 million (20%). Minority interest, net of tax is primarily related to distributions payable in cash on our FELINE PRIDES and the trust preferred securities issued in February 1998.

NET GAIN ON DISPOSITIONS OF BUSINESSES

During 1999, we recorded a net gain of \$1.1 billion in connection with the disposition of certain non-strategic businesses. For a detailed discussion regarding such dispositions, see "Liquidity and Capital Resources -- Divestiture Program."

PROVISION (BENEFIT) FOR INCOME TAXES

Our effective tax rate increased to a benefit of 70.7% in 1999 from an expense of 33.2% in 1998 primarily due to the impact of the disposition of our fleet businesses which was accounted for as a tax-free merger. Accordingly, nominal income taxes were provided on the net gain realized upon such disposition.

DISCONTINUED OPERATIONS

Pursuant to our program to divest non-strategic businesses and assets, we disposed of our consumer software and classified advertising businesses in January 1999 and December 1998, respectively. During 1998, we recorded a \$405 million gain, net of tax, on the disposal of discontinued operations, which included our classified advertising and consumer software businesses. During 1999, we recorded an additional \$174 million gain, net of tax, on the sale of discontinued operations, related to the disposition of our consumer software business, coincident with the closing of the transaction and in connection with certain post-closing adjustments. Loss from discontinued operations, net of tax, was \$25 million in 1998. For a detailed discussion regarding discontinued operations, see Note 4 to the Consolidated Financial Statements.

RESULTS OF REPORTABLE OPERATING SEGMENTS -- 1999 VS. 1998

The underlying discussions of each segment's operating results focuses on Adjusted EBITDA, which is defined as earnings before non-operating interest, income taxes, depreciation, amortization, and minority

interest, adjusted to exclude net gains on dispositions of businesses and certain 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. However, our presentation of Adjusted EBITDA may not be comparable with similar measures used by other companies. For additional information, including a description of the services provided in each of our reportable operating segments, see Note 24 to the Consolidated Financial Statements.

YEAR ENDED DECEMBER 31,

	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	1999	1998	% CHANGE	1999 (1)	1998 (2)	% CHANGE	1999	1998
(Dollars in millions)								
Travel	\$1,148	\$1,063	8%	\$ 586	\$ 542	8%	51%	51%
Individual Membership	972	920	6%	127	(59)	*	13%	(6%)
Insurance/Wholesale	575	544	6%	180	138	30%	31%	25%
Real Estate Franchise	571	456	25%	424	349	21%	74%	77%
Relocation	415	444	(7%)	122	125	(2%)	29%	28%
Mortgage	397	353	12%	182	188	(3%)	46%	53%
Move.com Group	18	10	80%	(22)	1	*	*	10%
Diversified Services	1,099	1,107	(1%)	239	132	81%	22%	12%
Fleet	207	387	*	81	174	*	39%	45%
	-----	-----		-----	-----			
Total	\$5,402	\$5,284	2%	\$1,919	\$1,590	21%	36%	30%
	=====	=====		=====	=====			

* Not meaningful.

(1) Excludes (i) a charge of \$2.9 billion associated with the preliminary agreement to settle the principal shareholder securities class action suit, (ii) a charge of \$7 million in connection with the termination of the proposed acquisition of RAC Motoring Services, (iii) a charge of \$21 million of investigation-related costs, (iv) a charge of \$87 million primarily incurred in connection with the Netmarket Group, Inc. transaction, (v) \$23 million of additional charges to fund an irrevocable contribution to an independent technology trust responsible for completing the transition of the Company's lodging franchisees to a Company sponsored property management system and (vi) a credit of \$1.1 billion for the net gain on the dispositions of businesses.

(2) Excludes (i) a charge of \$351 million associated with the agreement to settle the PRIDES securities class action suit, (ii) charges of \$433 million for the costs of terminating the proposed acquisitions of American Bankers Insurance Group, Inc. and Providian Auto and Home Insurance Company, (iii) charges of \$121 million for investigation-related costs, including incremental financing costs, and executive terminations and (iv) a net credit of \$67 million associated with changes to the estimate of previously recorded merger-related costs and other unusual charges.

TRAVEL

Revenues and Adjusted EBITDA increased \$85 million (8%) and \$44 million (8%), respectively, in 1999 compared to 1998. Franchise fees increased \$39 million (7%) in 1999, consisting of increases in lodging and car rental franchise fees of \$26 million (7%) and \$13 million (8%), respectively. Our franchise businesses experienced growth in 1999 compared to 1998 primarily due to increases in the amount of weighted average available rooms (24,000 incremental rooms domestically) and car rental days. Timeshare subscriptions and exchange revenues increased \$18 million (5%), primarily as a result of increased volume. Also contributing to the revenue and Adjusted EBITDA increases was an \$11 million bulk timeshare exchange transaction in 1999, largely offset by a \$7 million decrease in gains from the sale of portions of our equity investment in Avis Rent A Car, Inc. ("ARAC"). The Adjusted EBITDA margin remained unchanged at 51% in 1999. Total expenses increased \$40 million (8%), primarily due to increased volume; however, such increase included a \$19 million increase in marketing and reservation fund expenses associated with our lodging franchise business unit that was offset by increased marketing and reservation revenues received from franchisees.

INDIVIDUAL MEMBERSHIP

Revenues and Adjusted EBITDA increased \$52 million (6%) and \$186 million, respectively, in 1999 compared to 1998. The Adjusted EBITDA margin improved to positive 13% from negative 6% for the

same periods. The revenue growth is principally due to a greater number of members added year over year and increases in the average price of a membership. The increase in the Adjusted EBITDA margin is primarily due to the revenue increases, since many of the infrastructure costs associated with providing services to members are not dependent on revenue volume, and reduction in solicitation spending, as we further refined the targeted audiences for our direct marketing efforts and achieved greater efficiencies in reaching potential new members. Beginning September 15, 1999, certain of individual membership's online businesses were no longer consolidated into our operations as a result of the NGI transaction. In October 1999, we completed the divestiture of our North American Outdoor Group ("NAOG") business unit. The operating results of our former online membership businesses and NAOG were included through their respective disposition dates in 1999 versus being included for the full year in 1998. The divested businesses accounted for a net increase in revenues and Adjusted EBITDA of \$11 million and \$21 million, respectively in 1999 versus 1998. Excluding the operating results of our former online businesses and NAOG, revenues and Adjusted EBITDA increased \$41 million and \$165 million, respectively, in 1999 over 1998 and the Adjusted EBITDA margin increased to positive 18% from negative 3%. Additionally, revenues and Adjusted EBITDA in 1999 were incrementally benefited \$13 million and \$5 million, respectively, by the April 1998 acquisition of a company that, among other services, provides members with access to their personal credit information.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased \$31 million (6%) and \$42 million (30%), respectively, in 1999 compared to 1998 primarily due to customer growth, which resulted from increases in affiliations with financial institutions. The increase in affiliations with financial institutions was attributable principally to international expansion, while the Adjusted EBITDA increase was due to improved profitability in international markets as well as a \$25 million expense decrease related to longer amortization periods for certain customer acquisition costs as a result of a change in accounting estimate. International revenues and Adjusted EBITDA increased \$28 million (23%) and \$15 million (164%), respectively, primarily due to a 37% increase in customers. The Adjusted EBITDA margin increased to 31% in 1999 from 25% in 1998. The Adjusted EBITDA margin for domestic operations was 37% in 1999, versus 31% in 1998. The Adjusted EBITDA margin for international operations was 16% for 1999, versus 7% in 1998. Domestic operations, which represented 74% of segment revenues in 1999, generated higher Adjusted EBITDA margins than international operations as a result of continued expansion costs incurred internationally to penetrate new markets. International operations, however, have become increasingly profitable as they have expanded over the last two years.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased \$115 million (25%) and \$75 million (21%), respectively, in 1999 compared to 1998. Royalty fees for the CENTURY 21 (Registered Trademark), COLDWELL BANKER (Registered Trademark) and ERA (Registered Trademark) franchise brands collectively increased by \$67 million (17%) primarily as a result of a 5% increase in home sale transactions by franchisees and an 8% increase in the average price of homes sold. Home sales by franchisees benefited from strong existing domestic home sales for the majority of 1999, as well as from expansion of our franchise system. Existing domestic home sales are expected to decline compared to 1999 as a result of increases in interest rates. Declining home sales will impact royalty income since royalty income is based on gross commission income earned by agents and brokers on the sale of homes. These declines are expected to be partially offset by increases in other areas of our business, such as real estate franchise sales and higher home resale prices. Beginning in the second quarter of 1999, the financial results of the advertising funds for the COLDWELL BANKER and ERA brands were consolidated into the results of the real estate franchise segment, increasing revenues by \$31 million and expenses by a like amount, with no impact on Adjusted EBITDA. Revenues in 1999 benefited from \$20 million generated from the sale of portions of our preferred stock investment in NRT Incorporated ("NRT"), the independent company we helped form in 1997 to serve as a consolidator of residential real estate brokerages. Since most costs associated with the real estate franchise business do not vary significantly with revenues, the increases in revenues, exclusive of the aforementioned consolidation of the advertising funds, contributed to an improvement of the Adjusted EBITDA margin to 79% in 1999 from 77% in 1998.

RELOCATION

Revenues and Adjusted EBITDA decreased \$29 million (7%) and \$3 million (2%), respectively, in 1999 compared with 1998 and the Adjusted EBITDA margin increased to 29% in 1999 from 28% in 1998. Operating results in 1999 benefited from a \$13 million increase in referral fees and international relocation service revenue, offset by a comparable decline in home sales revenue. Total expenses decreased \$26 million (8%), which included \$15 million in cost savings from regional operations, technology and telecommunications, and \$11 million in reduced expenses resulting from reduced government home sales and the sale of an asset management company in the third quarter of 1998. The asset management company contributed 1998 revenues and Adjusted EBITDA of \$21 million and \$16 million, respectively. In 1999, revenues and Adjusted EBITDA benefited from the sale of a minority interest in an insurance subsidiary, which resulted in \$7 million of additional revenue and Adjusted EBITDA. In 1998, revenues and Adjusted EBITDA also benefited from an improvement in receivable collections, which permitted an \$8 million reduction in billing reserve requirements.

MORTGAGE

Revenues increased \$44 million (12%) and Adjusted EBITDA decreased \$6 million (3%), respectively, in 1999 compared with 1998. The increase in revenues resulted from a \$32 million increase in loan servicing revenues and a \$12 million increase in loan closing revenues. The average servicing portfolio increased \$10 billion (29%), with the average servicing fee increasing approximately seven basis points because of a reduction in the rate of amortization on servicing assets. The reduced rate of amortization was caused by higher mortgage interest rates in 1999. Total mortgage closing volume in 1999 was \$25.6 billion, a decline of \$400 million from 1998. However, purchase mortgage volume (mortgages for home buyers) increased \$3.7 billion (24%) to \$19.1 billion, offset by a \$4.2 billion decline in mortgage refinancing volume. Moreover, purchase mortgage volume from the teleservices business (Phone In -- Move In) and Internet business (Log In -- Move In) increased \$4.7 billion (63%), primarily because of increased purchase volume from our real estate franchisees. Industry origination volume is expected to be lower in 2000 compared to 1999 as a result of recent increases in interest rates and reduced refinancing volume. We expect to offset lower refinancing volume with increased purchase mortgage volume in 2000. The Adjusted EBITDA margin decreased from 53% in 1998 to 46% in 1999. Adjusted EBITDA decreased in 1999 because of a \$17 million increase in expenses incurred within servicing operations for the larger of the increase in the average servicing portfolio and other expense increases for technology, infrastructure and teleservices to support capacity for volume anticipated in future periods. We anticipate that increased costs to support future volume will negatively impact Adjusted EBITDA through the first six months of 2000.

MOVE.COM GROUP

Move.com Group provides a broad range of quality relocation, real estate, and home-related products and services through its flagship portal site, move.com, and the move.com network. Revenues increased \$8 million (80%) to \$18 million, while Adjusted EBITDA decreased \$23 million to a loss of \$22 million in 1999 compared to 1998. These results reflect our increased investment in marketing and development of the portal and retention bonus paid to Move.com Group employees.

DIVERSIFIED SERVICES

Revenues decreased \$8 million (1%) and Adjusted EBITDA increased \$107 million (81%), in 1999 compared to 1998. The April 1998 acquisition of National Car Park ("NCP") subsidiary, contributed incremental revenues and Adjusted EBITDA of \$103 million and \$48 million, respectively, in 1999 over 1998. Also contributing to an increase in revenues and Adjusted EBITDA in 1999 was \$39 million of incremental income from investments and \$13 million of revenues recognized in connection with a litigation settlement. The aforementioned revenue increases were partially offset by the impact of disposed operations, including Essex Corporation ("Essex") in January 1999, National Leisure Group and National Library of Poetry ("NLP") in May 1999, Spark Services, Inc. and Global Refund Group in August 1999, Central Credit, Inc. in September 1999 and Entertainment Publications, Inc. ("EPub") and

Green Flag Group ("Green Flag") in November 1999. The operating results of disposed businesses were included through their respective disposition dates in 1999 versus being included for the full year in 1998 (except for Green Flag which was acquired in April 1998). Accordingly, revenues from divested businesses were incrementally less in 1999 by \$138 million while Adjusted EBITDA improved \$15 million. The increase in Adjusted EBITDA in 1999 over 1998 also reflects offsetting reductions in preferred alliance revenues and corporate expenses.

FLEET

On June 30, 1999, we completed the disposition of our fleet business segment (see "Liquidity and Capital Resources -- Divestiture Program -- Fleet"). Revenues and Adjusted EBITDA were \$207 million and \$81 million, respectively, in the first six months of 1999 and \$387 million and \$174 million, respectively, for the full year in 1998.

CONSOLIDATED OPERATIONS -- 1998 VS. 1997

REVENUES

Revenues increased \$1.0 billion (25%) 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.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense increased \$85 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.

OTHER CHARGES

We recorded a \$351 million charge in connection with an agreement to settle a class action lawsuit that was brought on behalf of the holders of our Income and Growth FELINE PRIDES securities who purchased their securities on or prior to April 15, 1998. In addition, we recorded a \$433 million charge related to the termination of proposed acquisitions, a \$53 million charge related to the termination of certain of our former executives, and charges of \$33 million and \$35 million, respectively, of investigation-related costs and investigation-related financing costs. In addition, we recorded merger-related and other unusual charges (credits) of (\$67) million and \$704 million during 1998 and 1997, respectively. For a more detailed discussion of such charges (credits) see "Merger-Related Costs and Other Unusual Charges (Credits)" and Note 5 to the Consolidated Financial Statements.

INTEREST EXPENSE AND MINORITY INTEREST

Interest expense, net increased \$63 million (124%) 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 \$51 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.

PROVISION FOR INCOME TAXES

Our effective tax rate was reduced to 33.2% in 1998 from 74.3% in 1997 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

Pursuant to our program to divest non-strategic businesses and assets, we committed to discontinue our consumer software and classified advertising businesses in August 1998 and subsequently sold such businesses in January 1999 and December 1998, respectively. We recorded a \$405 million gain, net of tax on the disposition of such businesses in 1998. Loss from discontinued operations, net of tax was \$25 million in 1998 compared to \$26 million in 1997.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

In August 1998, we changed our accounting policy with respect to revenue and expense recognition for our membership businesses, effective January 1, 1997, and recorded a non-cash after-tax charge of \$283 million to account for the cumulative effect of an accounting change.

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	\$ 971	9%	\$ 542	\$ 467	16%	51%	48%
Individual Membership	920	773	19%	(59)	6	*	(6%)	1%
Insurance/Wholesale	544	483	13%	138	111	24%	25%	23%
Real Estate Franchise	456	335	36%	349	227	54%	77%	68%
Relocation	444	402	10%	125	93	34%	28%	23%
Mortgage	353	179	97%	188	75	151%	53%	42%
Move.com Group	10	6	67%	1	(1)	200%	10%	(17%)
Diversified Services	1,107	767	44%	132	151	(13%)	12%	20%
Fleet	387	324	19%	174	121	44%	45%	37%
Total	\$5,284	\$4,240	25%	\$1,590	\$1,250	27%	30%	29%

* Not meaningful.

(1) Excludes (i) a charge of \$351 million associated with the agreement to settle the PRIDES securities class action suit, (ii) charges of \$433 million for the costs of terminating the proposed acquisitions of American Bankers Insurance Group, Inc. and Provident Auto and Home Insurance Company, (iii) charges of \$121 million for investigation-related costs, including incremental financing costs, and executive terminations and (iv) a net credit of \$67 million associated with changes to the estimate of previously recorded merger-related costs and other unusual charges.

(2) Excludes unusual charges of \$704 million primarily associated with the Cendant Merger and the PHH Merger.

TRAVEL

Revenues and Adjusted EBITDA increased \$92 million (9%) and \$75 million (16%), respectively, in 1998 over 1997. Contributing to the revenue and Adjusted EBITDA increase was a \$35 million (7%) increase in franchise fees, consisting of increases of \$23 million (6%) and \$12 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 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 million of incremental fees received from preferred alliance partners seeking access to our franchisees and their customers, \$13 million of fees generated from the execution of international master license agreements and an \$18 million gain on our sale of one million shares of ARAC common stock in 1998. The aforementioned drivers supporting increases in revenues and Adjusted EBITDA were partially offset by a \$37 million reduction in the equity in earnings of our investment in the car rental operations of ARAC as a result of reductions in our ownership percentage in such investment during 1997 and 1998. A \$17 million (7%) increase in marketing and reservation costs resulted in the \$17 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 \$147 million (19%) in 1998 over 1997 while Adjusted EBITDA and Adjusted EBITDA margin decreased \$65 million and 7 percentage points, respectively, for the same period. The revenue growth was primarily attributable to an incremental \$28 million associated with an increase in the average price of a membership, \$26 million of increased billings as a result of incremental marketing arrangements, primarily with telephone and mortgage companies, and \$36 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 the Adjusted EBITDA margin is a direct result of a \$104 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 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 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 million (13%) and \$27 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 million (6%) and \$24 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 \$36 million (41%) and \$3 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 million (36%) and \$122 million (54%), respectively, in 1998 over 1997. Royalty fees collectively increased for our CENTURY 21, COLDWELL BANKER and ERA franchise brands by \$102 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 5 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 77%.

RELOCATION

Revenues and Adjusted EBITDA increased \$42 million (10%) and \$32 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 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 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 the Adjusted EBITDA margin.

MORTGAGE

Revenues and Adjusted EBITDA increased \$174 million (97%) and \$113 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 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 million, partially offset by a \$6 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.

MOVE.COM GROUP

Revenues and Adjusted EBITDA increased \$4 million (67%) and \$2 million (200%), respectively, in 1998 compared to 1997, primarily due to increases in listings, prices and the addition of new sponsors on the RentNet site. Offsetting the increase in revenue were increases in expenses primarily related to selling and marketing, product development and personnel costs. The revenues and expenses include only the operations of RentNet, which has been attributed to the Move.com Group. RentNet was previously included in our individual membership segment.

DIVERSIFIED SERVICES

Revenues increased \$340 million (44%), while Adjusted EBITDA decreased \$19 million (13%). Revenues increased primarily from acquired NCP, Green Flag and Jackson Hewitt Inc. operations, which contributed \$410 million and \$54 million to 1998 revenues and Adjusted EBITDA, respectively. The revenue increase attributable to 1998 acquisitions was partially offset by a \$140 million reduction in revenues associated with the operations of certain of our ancillary businesses which were sold during 1997, including Interval International, Inc. ("Interval"), which contributed \$121 million to 1997 revenues.

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 million of incremental operating costs associated with establishing a consolidated worldwide data center. We wrote-off \$37 million of impaired goodwill associated with NLP, and \$13 million of certain of our equity investments in interactive membership businesses. Adjusted EBITDA in 1997 associated with aforementioned

disposed ancillary operations included \$27 million from Interval and \$18 million related to services formerly provided to the casino industry. Our NCP, Green Flag and Jackson Hewitt Inc. subsidiaries contributed \$93 million and \$27 million to 1998 Adjusted EBITDA, respectively.

FLEET

On June 30, 1999, we completed the disposition of our fleet business segment for aggregate consideration of \$1.8 billion (see "Liquidity and Capital Resources -- Divestiture Program -- Fleet"). Fleet business segment revenues and Adjusted EBITDA increased \$63 million (19%) and \$53 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 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 \$32 million and \$21 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.

MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES (CREDITS)

1999. On September 15, 1999, Netmarket Group, Inc. began operations as an independent company that pursues the development of certain interactive businesses formerly within our direct marketing division. NGI owns, operates and develops the online membership businesses, including Netmarket.com, Travelers Advantage, Auto Vantage, Privacy Guard and Haggglezone.com, which collectively have approximately 1.4 million online members. Prior to September 15, 1999, our ownership of NGI was restructured into common stock and preferred stock interests. On September 15, 1999 (the "donation date"), we donated NGI's outstanding common stock to a charitable trust (the "Trust"), and NGI issued additional shares of its common stock to certain of its marketing partners. The structure allows NGI to use its equity to attract, retain and incent employees and permits NGI to pursue strategic alliances and acquisitions and to make operational and strategic decisions without the need to consider the impact of those decisions on Candent. In addition, the contribution establishes a charitable foundation that may enhance our image in the marketplace. Although no assurances can be given, we believe the donation of NGI to a separate autonomous entity will increase the likelihood that NGI will be successful and increase in value thereby increasing the value of our investment. Our shareholders should benefit from the potential increased value of NGI. The beneficiaries of the Trust include The Inner City Games Foundation, the Susan G. Komen Breast Cancer Foundation, Inc. and Community Funds, Inc. The fair market value of NGI common stock on the donation date was estimated to be approximately \$20 million. We retained the opportunity to participate in NGI's value through the ownership of convertible preferred stock of NGI, which is ultimately convertible, at our option, beginning September 14, 2001, into approximately 78% of NGI's diluted common shares. The convertible preferred stock is accounted for using the cost method of accounting. The convertible preferred stock has a \$5 million annual preferred dividend, which will be recorded in income if and when it becomes realizable. Accordingly, as a result of the change in ownership of NGI's common stock from us to independent third parties, prospective from the donation date, NGI's operating results are no longer included in our Consolidated Financial Statements. Subsequent to our contribution of NGI's common stock to the Trust, we provided a development advance of \$77 million to NGI, which is contingently repayable to us if certain financial targets related to NGI are achieved. The purpose of the development advance was to provide NGI with the funds necessary to develop Internet related products and systems, that if successful, would significantly increase the value of NGI. Without these funds, NGI would not have sufficient funds for development activities contemplated in its business plans. Repayment of the advance is therefore solely dependent on the success of the development efforts. We recorded a charge, inclusive of transaction costs, of \$85 million in connection with the donation of NGI shares to the charitable trust and the subsequent development advance.

Additionally in 1999, we incurred \$23 million of additional charges to fund an irrevocable contribution to an independent technology trust responsible for completing the transition of our lodging franchisees to a Company sponsored property management system and \$2 million of costs (included as a component of the table below) primarily resulting from further consolidation of European call centers in Cork, Ireland.

1997. We incurred merger-related costs and other unusual charges ("Unusual Charges") in 1997 related to continuing operations of \$704 million primarily associated with the Cendant Merger ("the Fourth Quarter 1997 Charge") and the merger with PHH Corporation ("PHH") in April 1997 (the "PHH Merger" or the "Second Quarter 1997 Charge").

	UNUSUAL CHARGES	ACTIVITY			DECEMBER 31, 1999
		1997	1998	1999	
(In millions)					
Fourth Quarter 1997 Charge	\$ 455	\$ (258)	\$ (130)	\$ (6)	\$61
Second Quarter 1997 Charge	283	(207)	(60)	(5)	11
Total	738	(465)	(190)	(11)	72
Reclassification for discontinued operations	(34)	34	--	--	--
Total Unusual Charges related to continuing operations	\$ 704	\$ (431)	\$ (190)	\$ (11)	\$72

Fourth Quarter 1997 Charge. We incurred Unusual Charges in the fourth quarter of 1997 totaling \$455 million substantially associated with the Cendant Merger and our merger in October 1997 with Hebdo Mag International, Inc., 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 million of professional fees, primarily consisting of investment banking, legal, and accounting fees incurred in connection with the mergers. Personnel related costs of \$171 million included \$73 million of retirement and employee benefit plan costs, \$24 million of restricted stock compensation, \$61 million of severance resulting from consolidations of European call centers and certain corporate functions and \$13 million of other personnel related costs. We provided for 474 employees to be terminated, the majority of which were severed. Business termination costs of \$78 million consisted of a \$48 million impairment write down of hotel franchise agreement assets associated with a quality upgrade program and \$30 million of costs incurred to terminate a contract which may have restricted us from maximizing opportunities afforded by the Cendant Merger. Facility related and other unusual charges of \$113 million included \$70 million of irrevocable contributions to independent technology trusts for the direct benefit of lodging and real estate franchisees, \$16 million of building lease termination costs and a \$22 million reduction in intangible assets associated with our wholesale annuity business for which impairment was determined in 1997. During 1999 and 1998, we recorded a net adjustment of \$2 million and (\$27) million, respectively, to Unusual Charges with a corresponding increase (decrease) in liabilities primarily as a result of a change in the original estimate of costs to be incurred. We made cash payments of \$8 million, \$103 million and \$152 million during 1999, 1998 and 1997, respectively, related to the Fourth Quarter 1997 Charge. Liabilities of \$61 million remained at December 31, 1999, which were primarily attributable to future severance costs and executive termination benefits, which we anticipate that such liabilities will be settled upon resolution of related contingencies.

Second Quarter 1997 Charge. We incurred \$295 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 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 corre-

sponding 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 \$30 million of professional fees, primarily comprised of investment banking, accounting and legal fees incurred in connection with the PHH Merger. Personnel related costs of \$154 million were associated with employee reductions necessitated by the planned and announced consolidation of our 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. Business termination charges of \$56 million, which were comprised of \$39 million of costs to exit certain activities primarily within our fleet management business (including \$36 million of asset write-offs associated with exiting certain activities), a \$7 million termination fee associated with a joint venture that competed with the PHH Mortgage Services business (presently Cendant Mortgage Corporation) and \$10 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 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. During the year ended December 31, 1998, we recorded a net credit of \$40 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 \$5 million, \$28 million and \$150 million during 1999, 1998 and 1997, respectively, related to the Second Quarter 1997 Charge. Liabilities of \$11 million remained at December 31, 1999, which are attributable to future severance and lease termination payments. We anticipate that severance will be paid in installments through April 2003 and lease terminations will be paid in installments through August 2002.

LIQUIDITY AND CAPITAL RESOURCES

STRATEGIC ALLIANCE

On December 15, 1999, we entered into a strategic alliance with Liberty Media Corporation ("Liberty Media") to develop Internet and related opportunities associated with our travel, mortgage, real estate and direct marketing businesses. Such efforts may include the creation of joint ventures with Liberty Media and others as well as additional equity investments in each others businesses.

We will also assist Liberty Media in creating, and will receive an equity participation in, a new venture that will seek to provide broadband video, voice and data content to our hotels and their guests on a worldwide basis. We will also pursue opportunities within the cable industry with Liberty Media to leverage our direct marketing resources and capabilities.

On February 7, 2000, Liberty Media invested \$400 million in cash to purchase 18 million shares of our common stock and a two-year warrant to purchase approximately 29 million shares of our common stock at an exercise price of \$23.00 per share. The common stock, together with the common stock underlying the warrant, represents approximately 6.3% of our outstanding shares after giving effect to the aforementioned transaction. Liberty Media's Chairman, John C. Malone, Ph.D., will join our Board of Directors and has also committed to purchase one million shares of our common stock for approximately \$17 million in cash.

PENDING ISSUANCE OF TRACKING STOCK

Our shareholders are scheduled to vote on March 21, 2000 for a proposal to authorize the issuance of a new series of our common stock ("tracking stock"). The tracking stock is intended to track the

performance of the Move.com Group. There is currently no common stock outstanding related to the Move.com Group. We filed a proxy statement with the SEC, which contains detailed financial information as well as more specific plans concerning the transaction. Although the Move.com Group stock is intended to track the performance of the Move.com Group, holders, if any, will be subject to all of the risks associated with an investment in the Company and all of its businesses, assets and liabilities. The tracking stock offering, if approved by the shareholders, will enable us to sell all or part of the Move.com Group stock in one or more private or public financings and perhaps create a public trading market for the Move.com Group stock. The use of proceeds from future offerings are at the discretion of the Company's Board of Directors. In the third quarter of 1999, the Company began reporting the results of the Move.com Group as a separate business segment. See Note 24 -- Segment Information -- Move.com Group for a description of the services provided.

OTHER

In September 1999, we entered into an agreement with Chatham Street Holdings, LLC ("Chatham") pursuant to which Chatham was granted the right, until September 30, 2001, to purchase up to 1.6 million shares of Move.com Group stock for approximately \$16.02 per share. In addition, for every two shares of Move.com Group stock purchased by Chatham pursuant to the agreement, Chatham will be entitled to receive a warrant to purchase one share of Move.com Group stock at a price equal to \$64.08 per share and a warrant to purchase one share of Move.com Group stock at a price equal to \$128.16 per share. The shareholders of Chatham are also shareholders of NRT. See Note 21 to the Consolidated Financial Statements for a detailed discussion of NRT.

DIVESTITURE PROGRAM

In 1999, we completed our program to divest non-strategic businesses and assets, which began in the third quarter of 1998. Proceeds have been primarily used to repurchase our common stock and reduce our indebtedness. As a result of the divestiture program, we divested former CUC businesses representing 45% of CUC's revenues in 1997, the year in which CUC merged with HFS.

ENTERTAINMENT PUBLICATIONS, INC. On November 30, 1999, we completed the sale of approximately 85% of our EPub unit for \$281 million in cash. We retained approximately 15% of EPub's common equity in connection with the transaction. In addition, we will have a designee on EPub's Board of Directors. We account for our investment in EPub using the equity method. We realized a net gain of approximately \$156 million (\$78 million, after tax).

GREEN FLAG. On November 26, 1999, we completed the sale of our Green Flag business unit for approximately \$401 million in cash, including dividends of \$37 million. We realized a net gain of approximately \$27 million (\$8 million, after tax).

FLEET. On June 30, 1999, we completed the disposition of our fleet business segment ("fleet segment" or "fleet businesses") to ARAC. Pursuant to the agreement, ARAC acquired the net assets of the fleet businesses through the assumption and subsequent repayment of \$1.44 billion of intercompany debt and the issuance to us of \$360 million of convertible preferred stock of Avis Fleet Leasing and Management Corporation ("Avis Fleet"), a wholly-owned subsidiary of ARAC. Coincident to the closing of the transaction, ARAC refinanced the assumed debt under management programs which was payable to us. Accordingly, we received additional consideration from ARAC comprised of \$3.0 billion of cash proceeds and a \$30 million receivable. We realized a net gain on the disposition of the fleet business segment of \$881 million (\$866 million, after tax) of which \$715 million (\$702 million, after tax) was recognized at the time of closing and \$166 million (\$164 million, after tax) was deferred at the date of disposition. The fleet segment disposition was structured as a tax-free reorganization and, accordingly, no tax provision has been recorded on a majority of the gain. However, pursuant to a recent interpretive ruling, the Internal Revenue Service ("IRS") has taken the position that similarly structured transactions do not qualify as tax-free reorganizations under Internal Revenue Code Section 368(a)(1)(A). If the transaction is not considered a tax-free reorganization, the resultant incremental liability could range between \$10 million and \$170 million depending upon certain factors including utilization of tax attributes and contractual

indemnification provisions. Notwithstanding the IRS interpretive ruling, we believe that, based upon analysis of current tax law, our position would prevail, if challenged.

OTHER BUSINESSES. During 1999, we completed the dispositions of certain businesses, including NAOG, Central Credit, Inc., Global Refund Group, Spark Services, Inc., Match.com, National Leisure Group and NLP. Aggregate consideration received on the dispositions of such businesses was comprised of approximately \$407 million in cash, including dividends of \$21 million and \$43 million in marketable securities. The Company realized a net gain of \$202 million (\$81 million, after tax) on the dispositions of these businesses.

FINANCING (EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAM FINANCING)

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 \$750 million term loan facility with a syndicate of financial institutions. In addition, we also have committed back-up facilities totaling \$1.8 billion, which are currently undrawn and available, with the exception of \$5 million of letters of credit. Furthermore, we also had \$2.55 billion of availability under existing shelf registration statements at December 31, 1999 which was subsequently reduced by \$400 million in connection with the Liberty Media transaction. Our long-term debt, including current portion, was \$2.8 billion at December 31, 1999 and consisted of (i) approximately \$2.1 billion of publicly issued fixed rate debt comprised of \$400 million of 7 1/2% senior notes, \$1,148 million of 7 3/4% senior notes and \$547 million of 3% convertible subordinated notes and (ii) \$750 million of borrowings under a term loan facility. On January 21, 2000, we redeemed all outstanding 7 1/2% senior notes at a redemption price of 100.695% of par, plus accrued interest, using available cash. Our credit facilities contain certain restrictive covenants, including restrictions on indebtedness of material subsidiaries, mergers, limitations on liens, liquidations and sale and leaseback transactions, and require the maintenance of certain financial ratios.

FINANCING RELATED TO MANAGEMENT AND MORTGAGE PROGRAMS

Our PHH subsidiary operates our mortgage and relocation services businesses as a separate public reporting entity and supports the origination of mortgages and advances under relocation contracts primarily by issuing commercial paper and medium term notes and maintaining secured 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 revolving sales agreement, under which an unaffiliated buyer (the "Buyer"), Bishops Gate Residential Mortgage Trust, a special purpose entity, committed to purchase, at our option, mortgage loans originated by us on a daily basis, up to the Buyer's asset limit of \$2.1 billion. Under the terms of this sale agreement, we retain the servicing rights on the mortgage loans sold to the Buyer and arrange for the sale or securitization of the mortgage loans into the secondary market. The Buyer retains the right to select alternative sale or securitization arrangements. At December 31, 1999 and 1998, we were servicing approximately \$813 million and \$2.0 billion, respectively, of mortgage loans owned by the Buyer.

PHH debt is issued without recourse to the parent company. Our 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. 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. Depending upon asset growth and financial market conditions, our PHH subsidiary utilizes the United States commercial paper markets, public and private debt markets, as well as other cost-effective short-term instruments. 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. At December 31, 1999, aggregate borrowings were comprised of commercial paper, medium-term notes, secured obligations and other borrowings of \$0.6 billion, \$1.3 billion, \$0.3 billion, and \$0.1 billion, respectively.

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. As of December 31, 1999, PHH had approximately \$375 million of availability remaining under this shelf registration statement. Proceeds from future offerings will continue to be used to finance assets PHH manages for its clients and for general corporate purposes.

SECURED OBLIGATIONS

In December 1999, our PHH subsidiary renewed its 364 day financing agreement to sell mortgage loans under an agreement to repurchase 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 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, 1999 and 1998 totaled \$345 million and \$378 million, respectively.

We are currently in the process of creating a new securitization facility to purchase interests in the rights to payment related to our relocation receivables. Although no assurances can be given, we expect that such facility will be in place by the end of the first quarter of 2000.

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. As of December 31, 1999, PHH maintained \$2.5 billion of unsecured committed credit facilities, which were provided by domestic and foreign banks. On February 28, 2000, PHH reduced these facilities to \$1.5 billion to reflect reduced borrowing needs of PHH after the disposition of its fleet businesses. The facilities consist of a \$750 million revolving credit maturing in February 2001 and a \$750 million revolving credit maturing in February 2005. Our 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, 1999 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 revolving credit facilities.

On July 10, 1998, PHH entered into a Supplemental Indenture No. 1 (the "Supplemental Indenture") with a bank, 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

Since the April 15, 1998 announcement of the discovery of accounting irregularities in the former business units of CUC, approximately 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and several individual lawsuits and arbitration proceedings have been commenced in various courts and other forums against us and other defendants by or on behalf of persons claiming to have purchased or otherwise acquired securities or options issued by CUC or us between May 1995 and August 1998. The Court has ordered consolidation of many of the actions.

In addition, in October 1998, an action claiming to be a class action was filed against us and four of our former officers and directors by persons claiming to have purchased American Bankers' stock between January and October 1998. The complaint claimed 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 Sections 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. On April 30, 1999, the United States District Court for New Jersey found that the class action failed to state a claim upon which relief could be granted and, accordingly, dismissed the complaint. The plaintiff has appealed the District Court's findings to the U.S. Court of Appeals for the Third Circuit as such appeal is pending.

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. As a result of the findings from our internal investigations, we made all adjustments considered necessary which are reflected in our previously filed restated financial statements for the years ended 1997, 1996 and 1995 and for the six months ended June 30, 1998. Although we can provide no assurances that additional adjustments will not be necessary as a result of these government investigations, we do not expect that additional adjustments will be necessary.

As previously disclosed, we reached a final 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 Notes 5 and 13 to the Consolidated Financial Statements for a more detailed description of the settlement.

On December 7, 1999, we announced that we reached a preliminary agreement to settle the principal securities class action pending against us in the U.S. District Court in Newark, New Jersey relating to the common stock class action lawsuits. Under the agreement, we would pay the class members approximately \$2.85 billion in cash, an increase from approximately \$2.83 billion previously reported. The increase is a result of continued negotiation toward definitive documents relating to additional costs to be paid to the plaintiff class. The settlement remains subject to execution of a definitive settlement agreement and approval by the U.S. District Court. If the preliminary settlement is not approved by the U.S. District Court, we can make no assurances that the final outcome or settlement of such proceedings will not be for an amount greater than that set forth in the preliminary agreement.

The proposed settlements do not encompass all litigation asserting claims associated with the accounting irregularities. We do not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be material with respect to earnings in any given reporting period. However, we do not believe that the impact of such unresolved proceedings should result in a material liability to our consolidated financial position or liquidity.

Our plan to finance the settlement reflects the existence of a range of financing alternatives which we have considered to be potentially available. At a minimum, these alternatives entail using various combinations of (i) available cash, (ii) debt securities and/or (iii) equity securities. The choice among alternatives will depend on numerous factors, including the timing of the actual settlement payment, the relative costs of various securities, our cash balance, our projected post-settlement cash flows and market conditions.

CREDIT RATINGS

Our long-term debt credit ratings are BBB with Standard & Poor's Corporations ("Standard & Poor's"), Baa1 with Moody's Investors Service Inc. ("Moody's"), and BBB+ with Duff & Phelps Credit Rating Co. ("Duff & Phelps"). Our short-term debt ratings are P2 with Moody's, and D2 with Duff & Phelps.

Following the execution of our agreement to dispose of our fleet segment, Fitch IBCA lowered PHH's long-term debt rating from A+ to A and affirmed PHH's short-term debt rating at F1, and Standard & Poor's affirmed PHH's long-term and short-term debt ratings at A-/A2. Also, in connection with the

closing of the transaction, Duff & Phelps lowered PHH's long-term debt rating from A+ to A and PHH's short-term debt rating was reaffirmed at D1. Moody's lowered PHH's long-term debt rating from A3 to Baa1 and affirmed PHH's short-term debt rating at P2. (A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time.).

COMMON SHARE REPURCHASES

During 1999, our Board of Directors authorized an additional \$1.8 billion of our common stock to be repurchased under our common share repurchase program, increasing the total authorized amount that can be repurchased under the program to \$2.8 billion. As of December 31, 1999, we repurchased a total of \$2.0 billion (104 million shares) of our common stock under the program.

Subsequent to December 31, 1999, we repurchased an additional \$132 million (6 million shares) of our common stock under the repurchase program as of February 24, 2000.

In July 1999, pursuant to a Dutch Auction self-tender offer to our shareholders, we purchased 50 million shares of our common stock at a price of \$22.25 per share.

CASH FLOWS (1999 VS. 1998)

We generated \$3.0 billion of cash flows from operations in 1999 representing a \$2.2 billion increase from 1998. The increase in cash flows from operations was primarily due to a \$1.2 billion increase in net income as adjusted for discontinued operations activity, net gain on dispositions of businesses and non-cash charges. Additionally, the increase in cash flows from operations was due to a \$2.1 billion net reduction in mortgage loans held for sale, which reflects larger loan sales to the secondary markets in proportion to loan originations.

We generated \$1.9 billion in cash flows from investing activities in 1999 representing a \$6.2 billion increase from 1998. The incremental cash flows in 1999 from investing activities was primarily attributable to a \$3.2 billion increase in net proceeds from the sale of subsidiaries, primarily related to the fleet businesses, and a \$2.6 billion decrease in cash used in acquisition-related activity (acquisitions in 1998 included NCP, Green Flag and Jackson Hewitt). Additionally, we invested \$227 million less cash in management and mortgage programs primarily due to the disposition of the fleet businesses.

We used net cash of \$4.8 billion in financing activities in 1999 compared to providing net cash of \$4.7 billion from such activities in 1998. The increase of \$9.5 billion of cash flows used in financing activities during 1999 included \$2.6 billion incremental repurchases of common stock in 1999 and a \$3.1 billion decrease in proceeds from borrowings in 1999 over 1998. Additionally, we issued the FELINES PRIDES in 1998 for proceeds of approximately \$1.5 billion. Net cash used in the financing of management and mortgage programs increased \$2.7 billion primarily due to repayments of borrowings.

CAPITAL EXPENDITURES

In 1999, \$277 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 1999 included the development of integrated business systems and other investments in information systems within several of our segments as well as additions to car park properties for NCP.

OTHER INITIATIVES

We continue to explore ways to increase efficiencies and productivity and to reduce the cost structures of our respective businesses. Such actions could include downsizing, consolidating, restructuring or other related efforts, which we anticipate would be funded through current operations. No assurances may be given that any plan of action will be undertaken or completed.

YEAR 2000

The following disclosure is a Year 2000 readiness disclosure statement pursuant to the Year 2000 Readiness and Disclosure Act:

In order to minimize or eliminate the effect of the Year 2000 risk on our business systems and applications, we identified, evaluated, implemented and tested changes to our computer systems, applications and software necessary to achieve Year 2000 compliance. Our computer systems and equipment successfully transitioned to the Year 2000 with no significant issues. We continue to keep our Year 2000 project management in place to monitor latent problems that could surface at key dates or events in the future. We do not anticipate any significant problems related to these events. The total cost of our Year 2000 compliance plan was approximately \$54 million. We expensed and capitalized the costs to complete the compliance plan in accordance with appropriate accounting policies.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 137 "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", issued in June 1998, to fiscal years commencing after June 15, 2000. SFAS No. 133 requires that all derivatives be recorded in the Consolidated Balance Sheets as assets or liabilities and measured at fair value. If the derivative does not qualify as a hedging instrument, changes in fair value are to be recognized in net income. If the derivative does qualify as a hedging instrument, changes in fair value are to be recognized either in net income or other comprehensive income consistent with the asset or liability being hedged. We have developed an implementation plan to adopt SFAS No. 133. Completion of the implementation plan and determination of the impact of adopting SFAS No. 133 is expected to be completed by the fourth quarter of 2000. We will adopt SFAS No. 133 on January 1, 2001, as required.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition in Financial Statements." SAB No. 101 draws upon the existing accounting rules and explains those rules, by analogy, to other transactions that the existing rules do not specifically address. In accordance with SAB No. 101, we will revise certain revenue recognition policies regarding the recognition of non-refundable one-time fees and the recognition of pro rata refundable subscription revenues. We will adopt SAB No. 101 on January 1, 2000, as required, and will record a non-cash after-tax charge of approximately \$56 million to account for the cumulative effect of the accounting change.

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 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:

- o the resolution or outcome of the pending litigation and government investigations relating to the previously announced accounting irregularities;
- o uncertainty as to our future profitability and our ability to integrate and operate successfully acquired businesses and the risks associated with such businesses;
- o our ability to successfully implement our plan to create a tracking stock for our new real estate portal;
- o our ability to develop and implement operational and financial systems to manage rapidly growing operations;
- o competition in our existing and potential future lines of business;
- o 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
- o the effect of changes in current interest rates.

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

The Company uses various financial instruments, particularly interest rate and currency swaps, forward delivery commitments, futures and options contracts and currency forwards, to manage and reduce the interest rate risk related specifically to its committed mortgage pipeline, mortgage loan inventory, mortgage servicing rights, mortgage-backed securities, and debt. Such financial instruments are also used to manage and reduce the foreign currency exchange rate risk related to its foreign currency denominated translational and transactional exposures. The Company is exclusively an end user of these instruments, which are commonly referred to as derivatives. The Company does not engage in trading, market-making, or other speculative activities in the derivatives markets. The Company's derivative financial instruments are designated as hedges of underlying exposures, as those instruments demonstrate high correlation in relation to the asset or transaction being hedged. More detailed information about these financial instruments is provided in Notes 15 and 16 to the Consolidated Financial Statements.

Interest and currency rate risks are the principal market exposures of the Company.

- o Interest rate movements in one country as well as relative interest rate movements between countries can materially impact the Company's profitability. The Company's primary interest rate exposure is to interest rate fluctuations in the United States, specifically long-term U.S. Treasury and mortgage interest rates due to their impact on mortgagor prepayments, mortgage loans held for sale, and anticipated mortgage production arising from commitments issued and LIBOR and commercial paper interest rates due to their impact on variable rate borrowings. The Company anticipates that such interest rates will remain a primary market exposure of the Company for the foreseeable future.

- o The Company's primary foreign currency rate exposure is to exchange rate fluctuations of the British pound sterling. The Company anticipates that such foreign currency exchange rate will remain a primary market exposure of the Company for the foreseeable future.

The Company assesses its market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values, and cash flows based on a hypothetical 10% change (increase and decrease) in interest and currency rates.

The Company uses a discounted cash flow model in determining the fair market value of investment in leases and leased vehicles, relocation receivables, equity advances on homes, mortgages, commitments to fund mortgages, mortgage servicing rights and mortgage-backed securities. The primary assumptions used in these models are prepayment speeds and discount rates. In determining the fair market value of mortgage servicing rights and mortgage-backed securities, the models also utilize credit losses and mortgage servicing revenues and expenses as primary assumptions. In addition, for commitments to fund mortgages, the borrowers propensity to close their mortgage loan under the commitment is used as a primary assumption. For mortgages and commitments to fund mortgages forward delivery contracts and options, the Company uses an option-adjusted spread ("OAS") model in determining the impact of interest rate shifts. The Company also utilizes the OAS model to determine the impact of interest rate shifts on mortgage servicing rights and mortgage-backed securities. The primary assumption in an OAS model is the implied market volatility of interest rates and prepayment speeds and the same primary assumptions used in determining fair market value.

The Company uses a duration-based model in determining the impact of interest rate shifts on its debt portfolio and interest rate derivatives portfolios. The primary assumption used in these models is that a 10% increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

The Company uses a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated derivatives and monetary assets and liabilities. The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all currency exposures of the Company at December 31, 1999 and 1998.

The Company's total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. While probably the most meaningful analysis permitted, these "shock tests" are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

The Company used December 31, 1999 and 1998 market rates on its instruments to perform the sensitivity analyses separately for each of the Company's market risk exposures -- interest and currency rate instruments. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves and exchange rates.

The Company has determined that the impact of a 10% change in interest and foreign currency exchange rates and prices on its earnings, fair values and cash flows would not be material.

While these results may be used as benchmarks, they should not be viewed as forecasts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Financial Statements and Financial Statement 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 Special Proxy Statement under the section "Executive Officers" and the information contained in the Annual Proxy Statement under the Sections titled "Election of Directors", "Executive Officers" and "Compliance with Section 16(a) of the Exchange Act" are incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Company's Special Proxy Statement under the section titled "Executive Compensation and Other Information" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Company's Special 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 Annual 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 8-K

On October 5, 1999, we filed a current report on Form 8-K to report under Item 5 a plan to create a tracking stock to track the performance of Move.com Group.

On October 21, 1999, we filed a current report on Form 8-K to report under Item 5 third quarter 1999 financial results.

On December 2, 1999, we filed a current report on Form 8-K to report under Item 5 the completion of our divestiture program.

On December 7, 1999, we filed a current report on Form 8-K to report under Item 5 a preliminary settlement of the common stock class action litigation.

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: February 29, 2000

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 -----	TITLE -----	DATE ----
/s/ Henry R. Silverman ----- (Henry R. Silverman)	Chairman of the Board, President, Chief Executive Officer and Director	February 29, 2000
/s/ James E. Buckman ----- (James E. Buckman)	Vice Chairman, General Counsel and Director	February 29, 2000
/s/ Stephen P. Holmes ----- (Stephen P. Holmes)	Vice Chairman and Director	February 29, 2000
/s/ Michael P. Monaco ----- (Michael P. Monaco)	Vice Chairman and Director	February 29, 2000
/s/ David M. Johnson ----- (David M. Johnson)	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2000
/s/ Jon F. Danski ----- (Jon F. Danski)	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 29, 2000
/s/ Robert D. Kunisch ----- (Robert D. Kunisch)	Director	February 29, 2000
----- (John D. Snodgrass)	Director	February 29, 2000
/s/ Leonard S. Coleman ----- (Leonard S. Coleman)	Director	February 29, 2000
----- (Martin L. Edelman)	Director	February 29, 2000
/s/ Dr. Carole G. Hankin ----- (Dr. Carole G. Hankin)	Director	February 29, 2000

SIGNATURE	TITLE	DATE
----- ----- (The Rt. Hon. Brian Mulroney, P.C., L.L.D)	Director	February 29, 2000
----- (Robert W. Pittman)	Director	February 29, 2000
/s/ Leonard Schutzman ----- (Leonard Schutzman)	Director	February 29, 2000
/s/ Robert F. Smith ----- (Robert F. Smith)	Director	February 29, 2000
/s/ Robert E. Nederlander ----- (Robert E. Nederlander)	Director	February 29, 2000

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 Post Effective 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 Nova 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 Nova 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)*

EXHIBIT NO.

DESCRIPTION

- 4.11 Purchase Agreement (including as Exhibit A the form of the Warrant for the Purchase of Shares of Common Stock), dated December 15, 1999, between Cendant Corporation and Liberty Media Corporation.
Material Contracts, Management Contracts, Compensatory Plans and Arrangements (filed as an Exhibit to the Company's Form 10-K/A for the year ended December 31, 1998).*
- 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 (filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 1998).*
- 10.1 (c) Amendment to Agreement with Henry R. Silverman, dated August 2, 1999.
- 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 (filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 1998).*
- 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 (filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 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 (filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 1998).*
- 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)*

EXHIBIT NO.

DESCRIPTION

- 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)*
- 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 (filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 1998).*
- 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)*

EXHIBIT NO.

DESCRIPTION

- 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)*
- 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 February 28, 2000.
- 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 February 28, 2000.
- 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)*
- 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)*

EXHIBIT NO.

DESCRIPTION

- 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)*
- 10.38 Term Loan Agreement, dated as of February 9, 1999, among Candant 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 Candant Corporation's Form 8-K dated February 16, 1999 (File No. 110308)).*

EXHIBIT NO.

DESCRIPTION

EXHIBIT NO.	DESCRIPTION
10.39	Internet Cooperation Agreement, dated October 1, 1999, between CompleteHome Operations, Inc. and Century 21 Real Estate Corporation. (incorporated by reference to Cendant Corporation Form 10-K/A dated February 4, 2000)*
10.40	Internet Cooperation Agreement, dated October 1, 1999, between CompleteHome Operations, Inc. and Coldwell Banker Real Estate Corporation. (incorporated by reference to Cendant Corporation Form 10-K/A dated February 4, 2000)*
10.41	Internet Cooperation Agreement, dated October 1, 1999, between CompleteHome Operations, Inc. and ERA Franchise Systems, Inc. (incorporated by reference to Cendant Corporation Form 10-K/A dated February 4, 2000)*
10.42	Internet Cooperation Agreement dated September 30, 1999 between CompleteHome.com, Inc. and Getko Group, Inc. (incorporated by reference to Cendant Corporation Form 10-K/A dated February 4, 2000)*
10.43	Move.com, Inc. 1999 Stock Option Plan (Incorporated by reference to Company's Definitive Proxy Statement dated February 10, 2000)*
10.44	Cendant Corporation 1999 Non-Employee Directors Deferred Compensation Plan
10.45	Agreement with Samuel L. Katz, dated April 1, 1999.
12	Statement Re: Computation of Consolidated Ratio to Earnings to Fixed Charges
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	Consent of Deloitte & Touche LLP
27	Financial data schedule

- - - - -
* Incorporated by reference.

INDEX TO FINANCIAL STATEMENTS

	PAGE

Independent Auditors' Report	F-2
Consolidated Statements of Operations for the years ended December 31, 1999, 1998 and 1997	F-3
Consolidated Balance Sheets as of December 31, 1999 and 1998	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997	F-5
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1999, 1998 and 1997	F-7
Notes to Consolidated Financial Statements	F-9

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Cendant Corporation

We have audited the accompanying consolidated balance sheets of Cendant Corporation and subsidiaries (the "Company") as of December 31, 1999 and 1998 and the related consolidated statements of operations, cash flows and shareholders' equity for each of the three years in the period ended December 31, 1999. 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 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 1999 and 1998 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, 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
New York, New York
February 28, 2000

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
REVENUES			
Membership and service fees, net	\$ 5,183	\$ 5,081	\$ 4,083
Fleet leasing (net of depreciation and interest costs of \$670, \$1,279 and \$1,205)	30	89	60
Other	189	114	97
Net revenues	5,402	5,284	4,240
EXPENSES			
Operating	1,795	1,870	1,322
Marketing and reservation	1,017	1,158	1,032
General and administrative	671	666	636
Depreciation and amortization	371	323	238
Other charges:			
Litigation settlement and related costs	2,894	351	--
Termination of proposed acquisitions	7	433	--
Executive terminations	--	53	--
Investigation-related costs	21	33	--
Merger-related costs and other unusual charges (credits)	110	(67)	704
Investigation-related financing costs	--	35	--
Interest, net	199	114	51
Total expenses	7,085	4,969	3,983
Net gain on dispositions of businesses	1,109	--	--
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(574)	315	257
Provision (benefit) for income taxes	(406)	104	191
Minority interest, net of tax	61	51	--
INCOME (LOSS) FROM CONTINUING OPERATIONS	(229)	160	66
Discontinued operations:			
Loss from discontinued operations, net of tax	--	(25)	(26)
Gain on sale of discontinued operations, net of tax	174	405	--
INCOME (LOSS) BEFORE EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(55)	540	40
Extraordinary gain, net of tax	--	--	26
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(55)	540	66
Cumulative effect of accounting change, net of tax	--	--	(283)
NET INCOME (LOSS)	\$ (55)	\$ 540	\$ (217)
INCOME (LOSS) PER SHARE			
BASIC			
Income (loss) from continuing operations	\$ (0.30)	\$ 0.19	\$ 0.08
Loss from discontinued operations	--	(0.03)	(0.03)
Gain on sale of discontinued operations	0.23	0.48	--
Extraordinary gain	--	--	0.03
Cumulative effect of accounting change	--	--	(0.35)
NET INCOME (LOSS)	\$ (0.07)	\$ 0.64	\$ (0.27)
DILUTED			
Income (loss) from continuing operations	\$ (0.30)	\$ 0.18	\$ 0.08
Loss from discontinued operations	--	(0.03)	(0.03)
Gain on sale of discontinued operations	0.23	0.46	--
Extraordinary gain	--	--	0.03
Cumulative effect of accounting change	--	--	(0.35)
NET INCOME (LOSS)	\$ (0.07)	\$ 0.61	\$ (0.27)

See Notes to Consolidated Financial Statements.

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

	DECEMBER 31,	
	1999	1998
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,164	\$ 1,009
Receivables (net of allowance for doubtful accounts of \$68 and \$123)	1,026	1,535
Deferred income taxes	1,427	467
Deferred membership commission costs	193	253
Other current assets	782	909
Net assets of discontinued operations	--	374
	-----	-----
Total current assets	4,592	4,547
	-----	-----
Property and equipment (net of accumulated depreciation of \$390 and \$491)	1,347	1,433
Franchise agreements (net of accumulated amortization of \$216 and \$169)	1,410	1,363
Goodwill (net of accumulated amortization of \$297 and \$248)	3,271	3,923
Other intangibles (net of accumulated amortization of \$143 and \$117)	662	757
Other assets	1,141	682
	-----	-----
Total assets exclusive of assets under programs	12,423	12,705
	-----	-----
Assets under management and mortgage programs		
Relocation receivables	530	659
Mortgage loans held for sale	1,112	2,416
Mortgage servicing rights	1,084	636
Net investment in leases and leased vehicles	--	3,801
	-----	-----
	2,726	7,512
	-----	-----
TOTAL ASSETS	\$ 15,149	\$20,217
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	\$ 1,279	\$ 1,518
Current portion of debt	400	--
Shareholder litigation settlement and related costs	2,892	--
Deferred income	1,039	1,354
	-----	-----
Total current liabilities	5,610	2,872
	-----	-----
Deferred income	413	234
Long-term debt	2,445	3,363
Other noncurrent liabilities	373	202
	-----	-----
Total liabilities exclusive of liabilities under programs	8,841	6,671
	-----	-----
Liabilities under management and mortgage programs		
Debt	2,314	6,897
Deferred income taxes	310	341
	-----	-----
	2,624	7,238
	-----	-----
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,478	1,472
	-----	-----
Commitments and contingencies (Note 17)		
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 870,399,635 and 860,551,783 shares	9	9
Additional paid-in capital	4,102	3,863
Retained earnings	1,425	1,480
Accumulated other comprehensive loss	(42)	(49)
Treasury stock, at cost, 163,818,148 and 27,270,708 shares	(3,288)	(467)
	-----	-----
Total shareholders' equity	2,206	4,836
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 15,149	\$20,217
	=====	=====

See Notes to Consolidated Financial Statements.

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
OPERATING ACTIVITIES			
Net income (loss)	\$ (55)	\$ 540	\$ (217)
Adjustments to reconcile net income (loss) to net cash provided by operating activities from continuing operations:			
Loss from discontinued operations, net of tax	--	25	26
Gain on sale of discontinued operations, net of tax	(174)	(405)	--
Extraordinary gain on sale of subsidiary, net of tax	--	--	(26)
Cumulative effect of accounting change, net of tax	--	--	283
Asset impairments and termination benefits	--	63	--
Net gain on dispositions of businesses	(1,109)	--	--
Litigation settlement and related costs	2,894	351	--
Merger-related costs and other unusual charges (credits)	110	(67)	704
Payments of merger-related costs and other unusual charges	(135)	(158)	(318)
Depreciation and amortization	371	323	238
Proceeds from sales of trading securities	180	136	--
Purchases of trading securities	(146)	(182)	--
Deferred income taxes	252	(111)	(24)
Net change in assets and liabilities from continuing operations:			
Receivables	(193)	(126)	(96)
Deferred membership commission costs	60	(87)	--
Income taxes receivable	(133)	(98)	(84)
Accounts payable and other current liabilities	(500)	96	(87)
Deferred income	(88)	82	135
Other, net	(303)	(54)	(55)
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	1,031	328	479
	-----	-----	-----
Management and mortgage programs:			
Depreciation and amortization	698	1,260	1,122
Origination of mortgage loans	(25,025)	(26,572)	(12,217)
Proceeds on sale and payments from mortgage loans held for sale	26,328	25,792	11,829
	-----	-----	-----
	2,001	480	734
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	3,032	808	1,213
	-----	-----	-----
INVESTING ACTIVITIES			
Property and equipment additions	(277)	(355)	(155)
Proceeds from sales of marketable securities	741	--	506
Purchases of marketable securities	(672)	--	(458)
Investments	(18)	(24)	(273)
Net assets acquired (net of cash acquired) and acquisition-related payments	(205)	(2,852)	(567)
Net proceeds from dispositions of businesses	3,509	314	224
Other, net	47	107	(109)
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	3,125	(2,810)	(832)
	-----	-----	-----

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Management and mortgage programs:			
Investment in leases and leased vehicles	\$ (2,378)	\$ (2,447)	\$(2,069)
Payments received on investment in leases and leased vehicles	1,529	987	589
Proceeds from sales and transfers of leases and leased vehicles to third parties	75	183	186
Equity advances on homes under management	(7,608)	(6,484)	(6,845)
Repayment on advances on homes under management	7,688	6,624	6,863
Additions to mortgage servicing rights	(727)	(524)	(270)
Proceeds from sales of mortgage servicing rights	156	119	49
	-----	-----	-----
	(1,265)	(1,542)	(1,497)
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	1,860	(4,352)	(2,329)
	-----	-----	-----
FINANCING ACTIVITIES			
Proceeds from borrowings	1,719	4,809	67
Principal payments on borrowings	(2,213)	(2,596)	(174)
Issuance of convertible debt	--	--	544
Issuance of common stock	127	171	132
Repurchases of common stock	(2,863)	(258)	(171)
Proceeds from mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	--	1,447	--
Other, net	--	--	(7)
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	(3,230)	3,573	391
	-----	-----	-----
Management and mortgage programs:			
Proceeds received for debt repayment in connection with disposal of fleet segment	3,017	--	--
Proceeds from debt issuance or borrowings	5,263	4,300	2,816
Principal payments on borrowings	(7,838)	(3,090)	(1,693)
Net change in short-term borrowings	(2,000)	(93)	(613)
	-----	-----	-----
	(1,558)	1,117	510
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	(4,788)	4,690	901
	-----	-----	-----
Effect of changes in exchange rates on cash and cash equivalents	51	(16)	15
	-----	-----	-----
Net cash used in discontinued operations	--	(188)	(181)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	155	942	(381)
Cash and cash equivalents, beginning of period	1,009	67	448
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,164	\$ 1,009	\$ 67
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest payments	\$ 451	\$ 543	\$ 375
	=====	=====	=====
Income tax payments (refunds), net	\$ (46)	\$ (23)	\$ 265
	=====	=====	=====

See Notes to Consolidated Financial Statements.

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
BALANCE AT JANUARY 1, 1997	808	\$ 8	\$2,843	\$1,186	\$ (6)	\$ (75)	\$3,956
COMPREHENSIVE LOSS:							
Net loss	--	--	--	(217)	--	--	
Currency translation adjustment	--	--	--	--	(28)	--	
Unrealized loss on marketable securities, net of tax of \$2	--	--	--	--	(4)	--	
TOTAL COMPREHENSIVE LOSS	--	--	--	--	--	--	(249)
Issuance of common stock	6	--	46	--	--	--	46
Exercise of stock options	11	--	133	--	--	(18)	115
Tax benefit from exercise of stock options	--	--	94	--	--	--	94
Amortization of restricted stock	--	--	28	--	--	--	28
Cash dividends declared	--	--	--	(7)	--	--	(7)
Adjustment to reflect change in fiscal year from Cendant Merger	--	--	--	(22)	--	--	(22)
Conversion of convertible notes	20	--	151	--	--	--	151
Repurchase of common stock	--	--	--	--	--	(171)	(171)
Retirement of treasury stock	(7)	--	(190)	--	--	190	--
Other	--	--	(20)	--	--	--	(20)
	---	---	---	---	---	---	---
BALANCE AT DECEMBER 31, 1997	838	8	3,085	940	(38)	(74)	3,921
COMPREHENSIVE INCOME:							
Net income	--	--	--	540	--	--	--
Currency translation adjustment	--	--	--	--	(11)	--	--
TOTAL COMPREHENSIVE INCOME	--	--	--	--	--	--	529
Exercise of stock options	17	1	168	--	--	--	169
Tax benefit from exercise of stock options	--	--	147	--	--	--	147
Conversion of convertible notes	6	--	114	--	--	--	114
Repurchase of common stock	--	--	--	--	--	(258)	(258)
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	--	--	(66)	--	--	--	(66)
Common stock received as consideration in sale of discontinued operations	--	--	--	--	--	(135)	(135)
Rights issuable	--	--	350	--	--	--	350
Other	--	--	65	--	--	--	65
	---	---	---	---	---	---	---
BALANCE AT DECEMBER 31, 1998	861	\$ 9	\$3,863	\$1,480	\$ (49)	\$ (467)	\$4,836

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
BALANCE AT DECEMBER 31, 1998	861	\$ 9	\$3,863	\$1,480	\$ (49)	\$ (467)	\$ 4,836
COMPREHENSIVE LOSS:							
Net loss	--	--	--	(55)	--	--	
Currency translation adjustment	--	--	--	--	(69)	--	
Unrealized gain on marketable securities, net of tax of \$22	--	--	--	--	37	--	
Reclassification adjustments, net of tax of \$13	--	--	--	--	39	--	
TOTAL COMPREHENSIVE LOSS	--	--	--	--	--	--	(48)
Exercise of stock options	9	--	81	--	--	42	123
Tax benefit from exercise of stock options	--	--	52	--	--	--	52
Repurchase of common stock	--	--	--	--	--	(2,863)	(2,863)
Modifications of stock option plans due to dispositions of businesses	--	--	83	--	--	--	83
Rights issuable	--	--	22	--	--	--	22
Other	--	--	1	--	--	--	1
	---	---	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1999	870	\$ 9	\$4,102	\$1,425	\$ (42)	\$ (3,288)	\$ 2,206
	===	===	=====	=====	=====	=====	=====

See Notes to Consolidated Financial Statements.

CENDANT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Cendant Corporation is a global provider of a wide range of complementary consumer and business services. The Consolidated Financial Statements include the accounts of Cendant Corporation and its wholly-owned subsidiaries (collectively, "the Company" or "Cendant"). In presenting the Consolidated Financial Statements, management makes estimates and assumptions that affect reported amounts and related disclosures. Estimates, by their nature, are based on judgement and available information. As such, actual results could differ from those estimates. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Unless otherwise noted, all dollar amounts presented are in Millions, except per share amounts.

INVESTMENTS IN AFFILIATES

Investments in affiliates over which the Company has significant influence but not a controlling interest are carried on the equity basis of accounting.

CASH AND CASH EQUIVALENTS

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

DEPRECIATION AND AMORTIZATION

Property and equipment is depreciated based upon a straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is computed utilizing the straight-line method over the estimated useful lives of the related assets or the lease term, if shorter.

Franchise agreements for hotel, real estate brokerage, car rental and tax return preparation services are amortized on a straight-line basis over the estimated periods to be benefited, ranging from 12 to 40 years.

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 periods to be benefited, substantially ranging from 25 to 40 years.

Other intangibles are amortized on a straight-line method over the estimated periods to be benefited.

ASSET IMPAIRMENT

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 is evaluated on a separate basis for each acquisition and franchise brand, respectively. Any enterprise goodwill and franchise agreements are also evaluated using the undiscounted cash flow method.

Based on an evaluation of its intangible assets and in connection with the Company's regular forecasting processes during 1998, the Company determined that \$37 million of goodwill associated with a Company subsidiary, National Library of Poetry, was permanently impaired. In addition, the Company had equity investments in various 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 million of such investments in 1998. The aforementioned impairments impacted the Company's diversified 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 subscribing members. Subscription revenue represents the fees from subscribing members. There is no separate fee charged for the participation in the timeshare exchange network. 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 the subscribing members. Subscriptions are cancelable and refundable on a prorata basis. Subscription procurement costs are expensed as incurred. Such costs were \$31 million for each of the years ended December 31, 1999 and 1998 and \$27 million for the year ended December 31, 1997.

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. Certain memberships are subject to a pro rata refund. Revenues for such memberships are recognized ratably over the membership period.

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 share of the excess of premiums paid to insurance carriers less claims experience to date, claims incurred but not reported and carrier management expenses. Such profit commissions are accrued based on claims experience to date, including an estimate of claims incurred but not reported.

During 1999, the Company changed the amortization period for customer acquisition costs related to accidental death and dismemberment insurance products, which resulted in a reduction in expenses of \$16 million (\$10 million, after tax or \$0.01 per diluted share). The change was based upon new information becoming available to determine customer retention rates.

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 the home based on their ownership equity of the appraised home value. 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. 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 generally advances funds to cover a portion of such carrying costs.

Revenues and related costs associated with the purchase and resale of a transferee's residence are recognized as services are provided. Relocation services revenue is generally recorded net of costs reimbursed by client corporations and interest expense incurred to fund the purchase of a transferee's residence. Revenue for other fee-based programs, such as home marketing assistance, household goods moves, and destination services are recognized over the periods in which the services are provided and the related expenses are incurred.

Mortgage. Loan origination fees, commitment fees paid in connection with the sale of loans, and certain 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 9 -- Mortgage Loans Held For Sale.

Fees received for servicing loans owned by investors are credited to income when earned. Costs associated with loan servicing are charged to expense as incurred.

Mortgage servicing rights ("MSRs") are 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 net servicing revenue in the Consolidated Statements of Operations. 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. 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 10 -- Mortgage Servicing Rights.

Fleet. The Company primarily leased its vehicles under three standard arrangements: open-end operating leases, closed-end operating leases or open-end finance leases (direct financing leases). Each lease was either classified as an operating lease or a direct financing lease, as defined. Lease revenues were recognized based on rentals. Revenues from fleet management services other than leasing were recognized over the period in which services were provided and the related expenses were incurred. See Note 3 -- Dispositions and Acquisitions of Businesses.

ADVERTISING EXPENSES

Advertising costs, including direct response advertising related to membership programs, are generally expensed in the period incurred. Advertising expenses for the years ended December 31, 1999, 1998 and 1997 were \$589 million, \$685 million and \$574 million, respectively.

CHANGE IN ACCOUNTING POLICY

In August 1998, the Company changed its accounting policy with respect to revenue and expense recognition for its membership businesses, effective January 1, 1997. 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 Company concluded 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 Company 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 adopted such accounting policy effective January 1, 1997 and accordingly, recorded a non-cash charge of \$450 million (\$283 million, after tax) on such date to account for the cumulative effect of the accounting change.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 137 "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", issued in June 1998, to fiscal years commencing after June 15, 2000. SFAS No. 133 requires that all derivatives be recorded in the Consolidated Balance Sheets as assets or liabilities and measured at fair

value. If the derivative does not qualify as a hedging instrument, changes in fair value are to be recognized in net income. If the derivative does qualify as a hedging instrument, changes in fair value are to be recognized either in net income or other comprehensive income consistent with the asset or liability being hedged. The Company has developed an implementation plan to adopt SFAS No. 133. Completion of the implementation plan and determination of the impact of adopting SFAS No. 133 is expected to be completed by the fourth quarter of 2000. The Company will adopt SFAS No. 133 on January 1, 2001, as required.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition in Financial Statements." SAB No. 101 draws upon the existing accounting rules and explains those rules, by analogy, to other transactions that the existing rules do not specifically address. In accordance with SAB No. 101, the Company will revise certain revenue recognition policies regarding the recognition of non-refundable one-time fees and the recognition of pro rata refundable subscription revenues. The Company will adopt SAB No. 101 on January 1, 2000, as required, and will record a non-cash charge of approximately \$89 million (\$56 million, after tax) to account for the cumulative effect of the accounting change.

2. 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 further reflects all potential dilution of common stock, including the assumed exercise of stock options and warrants using the treasury method, and convertible debt. At December 31, 1999, 183 million stock options (with a weighted average exercise price of \$15.24 per option) and 2 million stock warrants (with a weighted average exercise price of \$16.77 per warrant) were outstanding and antidilutive. At December 31, 1998 and 1997, 38 million stock options (with a weighted average exercise price of \$29.58 per option) and 54 million stock options (with a weighted average exercise price of \$31.16 per option), respectively, were outstanding and antidilutive. Therefore, such options and warrants were excluded from the computation of diluted EPS. In addition, the Company's 3% convertible subordinated notes convertible into 18 million shares of Company common stock were antidilutive; therefore, such notes were excluded from the computation of diluted EPS at December 31, 1999, 1998 and 1997. Diluted weighted average shares were calculated as follows:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Weighted average shares for basic EPS	751	848	811
Stock options	--	32	41
Weighted average shares for diluted EPS	751	880	852

3. DISPOSITIONS AND ACQUISITIONS OF BUSINESSES

DISPOSITIONS

Entertainment Publications, Inc. On November 30, 1999, the Company completed the sale of approximately 85% of its Entertainment Publications, Inc. ("Epub") business unit for \$281 million in cash. The Company retained approximately 15% of Epub's common equity in connection with the transaction. In addition, the Company has a designee on Epub's Board of Directors. The Company accounts for its investment in Epub using the equity method. The Company realized a net gain of approximately \$156 million (\$78 million, after tax). Epub is a marketer and publisher of coupon books and discount programs which provides customers with unique products and services that are designed to enhance a customer's purchasing power.

Green Flag. On November 26, 1999, the Company completed the sale of its Green Flag business unit for approximately \$401 million in cash, including dividends of \$37 million. The Company realized a net gain of approximately \$27 million (\$8 million, after tax). Green Flag is a roadside assistance organization based in the UK, which provides a wide range of emergency support and rescue services.

Fleet. On June 30, 1999, the Company completed the disposition of the fleet business segment ("fleet segment" or "fleet businesses") pursuant to an agreement between PHH Corporation ("PHH"), a wholly-owned subsidiary of the Company, and Avis Rent A Car, Inc. ("ARAC"). Pursuant to the agreement, ARAC acquired the net assets of the fleet businesses through the assumption and subsequent repayment of \$1.44 billion of intercompany debt and the issuance of \$360 million of convertible preferred stock of Avis Fleet Leasing and Management Corporation ("Avis Fleet"), a wholly-owned subsidiary of ARAC. Coincident with the closing of the transaction, ARAC refinanced the assumed debt under management programs which was payable to the Company. Accordingly, the Company received additional consideration from ARAC comprised of \$3.0 billion of cash proceeds and a \$30 million receivable.

The convertible preferred stock of Avis Fleet is convertible into common stock of ARAC at the Company's option upon the satisfaction of certain conditions, including the per share price of ARAC Class A common stock equaling or exceeding \$50 per share and the fleet segment attaining certain EBITDA (earnings before interest, income taxes, depreciation and amortization) thresholds, as defined. There are additional circumstances upon which the shares of Avis Fleet convertible preferred stock are automatically or mandatorily convertible into ARAC common stock.

The Company realized a net gain on the disposition of the fleet business segment of \$881 million (\$866 million, after tax) of which \$715 million (\$702 million, after tax) was recognized at the time of closing and \$166 million (\$164 million, after tax) was deferred at the date of disposition. The realized gain is net of approximately \$90 million of transaction costs. The Company deferred the portion of the realized net gain, which was equivalent to its common equity ownership percentage in ARAC at the time of closing. The deferred gain is being recognized into income over forty years, which is consistent with the period ARAC is amortizing the goodwill generated from the transaction and is included within other revenue in the Consolidated Statements of Operations (\$2 million in 1999). During 1999, the Company recognized \$9 million of the deferred portion of the realized net gain due to the sale of a portion of the Company's ownership of ARAC. The deferred net gain is included in deferred income as presented in the Consolidated Balance Sheet at December 31, 1999. The fleet segment disposition was structured as a tax-free reorganization and, accordingly, no tax provision has been recorded on a majority of the gain. However, pursuant to a recent interpretive ruling, the Internal Revenue Service ("IRS") has taken the position that similarly structured transactions do not qualify as tax-free reorganizations under the Internal Revenue Code Section 368(a)(1)(A). If the transaction is not considered a tax-free reorganization, the resultant incremental liability could range between \$10 million and \$170 million depending upon certain factors including utilization of tax attributes and contractual indemnification provisions. Notwithstanding the IRS interpretive ruling, the Company believes that, based upon analysis of current tax law, its position would prevail, if challenged.

Other 1999 Dispositions. The Company completed the dispositions of certain businesses, including North American Outdoor Group, Central Credit, Inc., Global Refund Group, Spark Services, Inc., Match.com, National Leisure Group and National Library of Poetry. Aggregate consideration received on such dispositions was comprised of approximately \$407 million in cash, including dividends of \$21 million, and \$43 million in marketable securities. The Company realized a net gain of \$202 million (\$81 million, after tax) on the dispositions of these businesses.

Interval International Inc. On December 17, 1997, as directed by the Federal Trade Commission in connection with a merger, the Company sold all of the outstanding shares of its timeshare exchange businesses, Interval International Inc. ("Interval"), for net proceeds of \$240 million less transaction related costs amortized as services were provided. The Company recognized a gain on the sale of Interval of \$77 million (\$26 million, after tax) was reflected as an extraordinary gain in the Consolidated Statements of Operations.

ACQUISITIONS

During 1998, the Company completed the acquisitions of National Parking Corporation Limited ("NPC"), The Harpur Group Ltd. ("Harpur"), Jackson Hewitt Inc. ("Jackson Hewitt") and certain other entities, which were accounted for using the purchase method of accounting. Accordingly, assets

acquired and liabilities assumed were recorded at their fair values. The excess of purchase price over the fair value of the underlying net assets acquired was allocated to goodwill. During 1999 and 1998, the Company recorded additional goodwill of \$50 million and \$100 million, respectively, in satisfaction of a contingent purchase liability to the seller of Resort Condominiums International, Inc., a Company acquired in 1996. The operating results of such acquired entities are included in the Company's Consolidated Statements of Operations since the respective dates of acquisition. The following table presents information about the acquisitions.

	NPC	HARPUR	JACKSON HEWITT	OTHER
	-----	-----	-----	-----
Cash paid	\$1,638	\$206	\$476	\$564
Fair value of identifiable net assets acquired (1)	590	51	99	218
	-----	-----	-----	-----
Goodwill	\$1,048	\$155	\$377	\$346
	=====	=====	=====	=====
Goodwill benefit period (years)	40	40	40	25 to 40
	=====	=====	=====	=====

(1) Cash acquired in connection with these acquisitions was \$58 million.

4. DISCONTINUED OPERATIONS

On January 12, 1999, the Company completed the sale of Cendant Software Corporation ("CDS"), a developer, publisher and distributor of educational and entertainment software, for net cash proceeds of \$770 million. The Company realized a net gain of \$323 million (\$372 million, after tax) on the disposition of CDS, of which \$299 million (\$174 million, after tax) was recognized during 1999 and \$24 million (\$198 million, after tax) was recognized during 1998, substantially in the form of a tax benefit and corresponding deferred tax asset.

On December 15, 1998, the Company completed the sale of Hebdo Mag International, Inc. ("Hebdo Mag"), a publisher and distributor of classified advertising information. The Company received \$315 million in cash and 7 million shares of Company common stock valued at \$135 million (approximately \$19 per share market value) on the date of sale. The Company recognized a net gain of \$155 million (\$207 million, after tax) on the sale of Hebdo Mag partially in the form of a tax benefit.

Summarized financial data of discontinued operations for the years ended December 31, consisted of:

	CDS		HEBDO MAG	
	-----	-----	-----	-----
	1998	1997	1998	1997
	-----	-----	-----	-----
Net revenues	\$ 346	\$434	\$202	\$209
	=====	=====	=====	=====
Income (loss) before income taxes	\$ (57)	\$ (6)	\$ 17	\$ (4)
Provision (benefit) for income taxes	(23)	2	8	(1)
Extraordinary loss from early extinguishment of debt, net of \$5 million tax benefit	--	--	--	(15)
	-----	-----	-----	-----
Net income (loss)	\$ (34)	\$ (8)	\$ 9	\$(18)
	=====	=====	=====	=====

The Company allocated \$20 million of interest expense to discontinued operations for the year ended December 31, 1998. 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.

Net assets of CDS at December 31, 1998 were comprised of current assets of \$285 million, goodwill of \$106 million, other assets of \$88 million and total liabilities of \$105 million.

5. OTHER CHARGES

LITIGATION SETTLEMENTS

Common Stock Litigation Settlement. On December 7, 1999, the Company reached a preliminary agreement to settle the principal securities class action pending against the Company, other than certain claims relating to FELINE PRIDES securities discussed below. This settlement is subject to final documentation and court approval. See Note 17 -- Commitments and Contingencies.

FELINE PRIDES Litigation Settlement. On March 17, 1999, the Company reached a final agreement (the "FELINE PRIDES settlement") 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. See Note 13 -- Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary Holding Solely Senior Debentures Issued by the Company.

TERMINATION OF PROPOSED ACQUISITIONS

On February 4, 1999, the Company announced its intention not to 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 not to be commercially feasible and therefore unacceptable. In connection with such termination, the Company wrote off \$7 million of deferred acquisition costs.

On October 13, 1998, the Company and American Bankers Insurance Group, Inc. ("American Bankers") terminated an agreement which provided for the Company's acquisition of American Bankers. In connection with this agreement, the Company made a \$400 million cash payment to American Bankers and wrote-off \$32 million of costs, primarily professional fees, resulting in a total charge of \$432 million.

On October 5, 1998, the Company announced the termination of an agreement to acquire Providian Auto and Home Insurance Company. In connection with the termination of this agreement, the Company wrote off \$1 million of costs.

EXECUTIVE TERMINATIONS

The Company incurred \$53 million of costs on July 28, 1998 related to the termination of certain former executives, principally Walter A. Forbes, who resigned as Chairman and as a member of the Board of Directors. Aggregate benefits given to Mr. Forbes resulted in a charge of \$51 million, comprised of \$38 million in cash payments and approximately one million Company stock options, with a fair value of \$13 million, as calculated by the Black-Scholes model. Such options were immediately vested and expire on July 28, 2008. The main benefit to the Company from Mr. Forbes' termination was the resolution of the division of governance issues that existed at the time between the members of the Board of Directors formerly associated with CUC International, Inc. ("CUC") and the members of the Board of Directors formerly associated with HFS Incorporated ("HFS").

INVESTIGATION-RELATED COSTS

The Company incurred professional fees, public relations costs and other miscellaneous expenses of \$21 million and \$33 million during 1999 and 1998, respectively, in connection with accounting irregularities and resulting investigations into such matters.

INVESTIGATION-RELATED 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 \$28 million in fees associated with waivers and various financing arrangements. Additionally, during 1998, the Company exercised its option to redeem its 4 3/4% Convertible Senior Notes (the "4 3/4% 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 resulting in the Company redeeming such notes at a premium. Accordingly, the Company recorded a \$7 million loss on such redemption.

1999 MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES

On September 15, 1999, Netmarket Group, Inc. ("NGI") began operations as an independent company that pursues the development of certain interactive businesses formerly within the Company's direct marketing division. NGI owns, operates and develops the online membership businesses, which collectively have approximately 1.4 million online members. Prior to September 15, 1999, the Company's ownership of NGI was restructured into common stock and preferred stock interests. On September 15, 1999 (the "donation date"), the Company donated NGI's outstanding common stock to a charitable trust, and NGI issued additional shares of its common stock to certain of its marketing partners. The fair market value of the NGI common stock on the donation date was approximately \$20 million. Accordingly, as a result of the change in ownership of NGI's common stock from the Company to independent third parties, prospective from the donation date, NGI's operating results are no longer included in the Company's Consolidated Financial Statements. The Company retained an ownership interest in a convertible preferred stock of NGI, which is ultimately convertible, at the Company's option, beginning September 14, 2001, into approximately 78% of NGI's diluted common shares. The convertible preferred stock is accounted for using the cost method of accounting. The convertible preferred stock has a \$5 million annual preferred dividend, which will be recorded in income if and when it becomes realizable. Subsequent to the Company's contribution of NGI's common stock to the charitable trust, the Company provided a development advance of \$77 million to NGI, which is contingently repayable to the Company if certain financial targets related to NGI are achieved. The purpose of the development advance was to provide NGI with the funds necessary to develop Internet related products and systems, that if successful, would significantly increase the value of NGI. Without these funds, NGI would not have sufficient funds for development activities contemplated in its business plans. Repayment of the advance is therefore solely dependent on the success of the development efforts. The Company recorded a charge, inclusive of transaction costs, of \$85 million in connection with the donation of NGI shares to the charitable trust and the subsequent development advance.

During 1999, the Company incurred \$23 million of additional charges to fund an irrevocable contribution to the independent technology trust responsible for completing the transition of the Company's lodging franchisees to a Company sponsored property management system and \$2 million of costs primarily resulting from further consolidation of European call centers in Cork, Ireland which are included below as a component of the 1999 adjustment activity for the Fourth Quarter 1997 Charge.

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

Fourth Quarter 1997 Charge. The Company incurred unusual charges ("Unusual Charges") in the fourth quarter of 1997 totaling \$455 million substantially associated with the merger of HFS and CUC (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. 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 as follows:

	1997 UNUSUAL CHARGES	1997 REDUCTIONS	1998 REDUCTIONS	1998 ADJUSTMENTS
Professional fees	\$ 93	\$ (43)	\$ (38)	\$(10)
Personnel related	171	(45)	(61)	(4)
Business terminations	78	(78)	1	(1)
Facility related and other	113	(92)	(5)	(12)
Total Unusual Charges	455	(258)	(103)	(27)
Reclassification for discontinued operations	(18)	18	--	--
Total Unusual Charges related to continuing operations	\$ 437	\$ (240)	\$(103)	\$(27)

	BALANCE AT DECEMBER 31, 1998	1999 ACTIVITY		BALANCE AT DECEMBER 31, 1999
		CASH PAYMENTS	ADJUSTMENTS	
Professional fees	\$ 2	\$(1)	\$ --	\$ 1
Personnel related	61	(5)	3	59
Business terminations	---	---	---	---
Facility related and other	4	(2)	(1)	1
Total Unusual Charges	67	(8)	2	61
Reclassification for discontinued operations	--	--	--	--
Total Unusual Charges related to continuing operations	\$67	\$(8)	\$ 2	\$61

Professional fees primarily consisted of investment banking, legal and accounting fees incurred in connection with the mergers. Personnel related costs included \$73 million of retirement and employee benefit plan costs, \$24 million of restricted stock compensation, \$61 million of severance resulting from consolidations of European call centers and certain corporate functions and \$13 million of other personnel related costs. The Company provided for 474 employees to be terminated, substantially all of which have been severed. Business termination costs consisted of a \$48 million impairment write-down of hotel franchise agreement assets associated with a quality upgrade program and \$30 million of costs incurred to terminate a contract which may have restricted the Company from maximizing opportunities afforded by the Candant Merger. Facility related and other unusual charges included \$70 million of irrevocable contributions to independent technology trusts for the direct benefit of lodging and real estate franchisees, \$16 million of building lease termination costs, and a \$22 million reduction in intangible assets associated with the Company's wholesale annuity business for which impairment was determined in 1997. During 1999 and 1998, the Company recorded a net adjustment of \$2 million and (\$27) million, respectively, to Unusual Charges with a corresponding increase (decrease) to liabilities primarily as a result of a change in the original estimate of costs to be incurred. Such adjustments to original estimates were recorded in the periods in which events occurred or information became available requiring accounting recognition. Liabilities of \$61 million remained at December 31, 1999, which were primarily attributable to future severance costs and executive termination benefits, which the Company anticipates that such liabilities will be settled upon resolution of related contingencies.

Second Quarter 1997 Charge. The Company incurred \$295 million of Unusual Charges in the second quarter of 1997 primarily associated with the merger of HFS with PHH in April 1997 (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 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 headquarter 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. The reduction of liabilities from inception is summarized by category of expenditure as follows:

	1997 UNUSUAL CHARGES	1997 REDUCTIONS	1998 REDUCTIONS	1998 ADJUSTMENTS
Professional fees	\$ 30	\$ (29)	\$ --	\$ (1)
Personnel related	154	(112)	(13)	(19)
Business terminations	56	(52)	3	(6)
Facility related and other	43	(14)	(10)	(14)
	-----	-----	-----	-----
Total Unusual Charges	283	(207)	(20)	(40)
Reclassification for discontinued operations	(16)	16	--	--
	-----	-----	-----	-----
Total Unusual Charges related to continuing operations	\$ 267 =====	\$ (191) =====	\$ (20) =====	\$(40) =====

	BALANCE AT DECEMBER 31, 1998	1999 ACTIVITY		BALANCE AT DECEMBER 31, 1999
		CASH PAYMENTS	ADJUSTMENTS	
Professional fees	\$ --	\$ --	\$ --	\$ --
Personnel related	10	(2)	--	8
Business termination	1	(1)	--	--
Facility related a other	5	(2)	--	3
	-----	-----	-----	-----
Total Unusual Charges	16	(5)	--	11
Reclassification for discontinued operations	--	--	--	--
	-----	-----	-----	-----
Total Unusual Charges related to continuing operations	\$ 16 =====	\$(5) =====	\$ -- =====	\$ 11 =====

Professional fees were primarily comprised of investment banking, accounting, and legal fees incurred in connection with the PHH Merger. Personnel related costs were 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. Business terminations were comprised of \$39 million of costs to exit certain activities primarily within the Company's fleet management business (including \$36 million of asset write-offs associated with exiting certain activities), a \$7 million termination fee associated with a joint venture that competed with the PHH Mortgage Services business (now Cendant Mortgage Corporation) and \$10 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 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 second quarter 1997 restructuring activities at December 31, 1998. During the year ended December 31, 1998, the Company recorded a net adjustment of \$40 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. Such adjustments to original estimates were recorded in the periods in which events occurred or information became available requiring accounting recognition. Liabilities of \$11 million remained at December 31, 1999, which were attributable to future severance and lease termination payments. The Company anticipates that severance will be paid in installments through April 2003 and the lease terminations will be paid in installments through August 2002.

6. PROPERTY AND EQUIPMENT -- NET

Property and equipment -- net consisted of:

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1999	1998
Land	--	\$ 145	\$ 153
Building and leasehold improvements	5 - 50	703	752
Furniture, fixtures and equipment	3 - 10	889	1,019
		-----	-----
		1,737	1,924
Less accumulated depreciation and amortization		390	491
		-----	-----
		\$1,347	\$1,433
		=====	=====

7. OTHER INTANGIBLES -- NET

Other intangibles -- net consisted of:

	ESTIMATED BENEFIT PERIODS IN YEARS	DECEMBER 31,	
		1999	1998
Avis trademark	40	\$402	\$402
Other trademarks	40	161	171
Customer lists	3 - 10	154	163
Other	3 - 25	88	138
		----	----
		805	874
Less accumulated amortization		143	117
		----	----
		\$662	\$757
		====	====

8. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consisted of:

	DECEMBER 31,	
	1999	1998
Accounts payable	\$ 320	\$ 456
Merger and acquisition obligations	127	153
Accrued payroll and related	263	208
Advances from relocation clients	80	60
Other	489	641
	-----	-----
	\$1,279	\$1,518
	=====	=====

9. 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. At December 31, 1999 and 1998, mortgage loans sold with recourse amounted to approximately \$52 million and \$58 million, respectively. The Company believes adequate allowances are maintained to cover any potential losses.

The Company has a revolving sales agreement, under which an unaffiliated buyer, Bishops Gate Residential Mortgage Trust, a special purpose entity (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 \$2.1 billion. Under the terms of this sale agreement, the Company retains the servicing rights on the mortgage loans sold to the Buyer and arranges for the sale or securitization of the mortgage loans into the secondary market. The Buyer retains the right to select alternative sale or securitization arrangements. At December 31, 1999 and 1998, the Company was servicing approximately \$813 million and \$2.0 billion, respectively, of mortgage loans owned by the Buyer.

10. MORTGAGE SERVICING RIGHTS

Capitalized MSRs consisted of:

	MSRS	ALLOWANCE	TOTAL
	-----	-----	-----
BALANCE, JANUARY 1, 1997	\$ 290	\$(1)	\$ 289
Additions to MSRs	252	--	252
Amortization	(96)	--	(96)
Write-down/provision	--	(4)	(4)
Sales	(33)	--	(33)
Deferred hedge, net	19	--	19
Reclassification of mortgage-related securities	(54)	--	(54)
	-----	-----	-----
BALANCE, DECEMBER 31, 1997	378	(5)	373
Additions to MSRs	475	--	475
Additions to hedge	49	--	49
Amortization	(82)	--	(82)
Write-down/recovery	--	5	5
Sales	(99)	--	(99)
Deferred hedge, net	(85)	--	(85)
	-----	-----	-----
BALANCE, DECEMBER 31, 1998	636	--	636
Additions to MSRs	698	(5)	693
Additions to hedge	23	--	23
Amortization	(118)	--	(118)
Write-down/recovery	--	5	5
Sales	(161)	--	(161)
Deferred hedge, net	6	--	6
	-----	-----	-----
BALANCE, DECEMBER 31, 1999	\$1,084	\$--	\$1,084
	=====	===	=====

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. The Company uses 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 derivative 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 Consolidated Statement of Operations 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 revenue. Temporary impairment is recorded through a valuation allowance in the period of occurrence.

11. LONG-TERM DEBT

Long-term debt consisted of:

	DECEMBER 31,	
	1999	1998
Term Loan Facilities	\$ 750	\$1,250
7 1/2% Senior Notes	400	400
7 3/4% Senior Notes	1,148	1,148
3% Convertible Subordinated Notes	547	545
Other	--	20
	-----	-----
	2,845	3,363
Less current portion	400	--
	-----	-----
	\$2,445	\$3,363
	=====	=====

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 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 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 two year term loan facility (the "New Facility") which provided for borrowings of \$1.25 billion with a syndicate of financial institutions. The Company used \$1.25 billion of the proceeds from the New Facility to refinance the outstanding borrowings under the Term Loan Facility. At December 31, 1999, outstanding borrowings under the New Facility were \$750 million. The New Facility bears interest at a rate of LIBOR plus a margin of 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 discussed below. The weighted average interest rate on the New Facility was 6.2% at December 31, 1999.

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

In November 1998, the Company issued \$1.55 billion of Senior Notes (the "Notes") in two tranches consisting of \$400 million principal amount of 7 1/2% Senior Notes due December 1, 2000 (see Note 26 -- Subsequent Events -- Debt Redemption) and \$1.15 billion principal amount of 7 3/4% Senior Notes due December 1, 2003. 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 as defined in the indenture.

3% CONVERTIBLE SUBORDINATED NOTES

During 1997, the Company completed a public offering of \$550 million principal amount of 3% Convertible Subordinated Notes (the "3% Notes") due 2002. Each \$1,000 principal amount of 3% Notes is convertible into 32.65 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.

CREDIT FACILITIES

The Company's credit facilities consist of (i) a \$750 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 17, 2000, 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 \$5 million were outstanding under the Five Year Revolving Credit Facility at December 31, 1999. The Revolving Credit Facilities contain certain restrictive covenants including restrictions on indebtedness of material subsidiaries, mergers, limitations on liens, liquidations and sale and leaseback transactions, and requires the maintenance of certain financial ratios. There were no outstanding borrowings related to the above-mentioned credit facilities at December 31, 1999 and 1998.

DEBT MATURITIES

The aggregate maturities of debt are as follows: 2000, \$400 million; 2001, \$750 million; 2002, \$547 million; and 2003, \$1,148 million.

12. LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS

Borrowings to fund assets under management and mortgage programs, which are not classified based on contractual maturities since such debt corresponds directly with assets under management and mortgage programs, consisted of:

	DECEMBER 31,	
	1999	1998
Commercial paper	\$ 619	\$2,484
Medium-term notes	1,248	2,338
Secured obligations	345	1,902
Other	102	173
	-----	-----
	\$2,314	\$6,897
	=====	=====

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 6.7% and 6.1% at December 31, 1999 and 1998, respectively.

MEDIUM-TERM NOTES

Medium-term notes primarily represent unsecured loans, which mature through 2002. The weighted average interest rates on such medium-term notes were 6.4% and 5.6% at December 31, 1999 and 1998, respectively.

SECURED OBLIGATIONS

The Company maintains separate financing facilities, the outstanding borrowings under which are secured by corresponding assets under management and mortgage programs. The collective weighted average interest rates on such facilities were 7.0% and 5.8% at December 31, 1999 and 1998, respectively. Such secured obligations are described below.

Mortgage Facility. In December 1999, the Company renewed its 364 day financing agreement to sell mortgage loans under an agreement to repurchase such mortgages. This 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 million and is renewable on an annual basis at the discretion of the lender. Mortgage loans financed under this agreement at December 31, 1999 and 1998 totaled \$345 million and \$378 million, respectively, and are included in mortgage loans held for sale in the Consolidated Balance Sheets.

Relocation Facilities. The Company entered into a 364 day asset securitization agreement effective December 1998 under which an unaffiliated buyer committed to purchase an interest in the right to payments related to certain Company relocation receivables. The revolving purchase commitment provided for funding up to a limit of \$325 million and was 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 retained the servicing rights related to the relocation receivables. This facility matured and \$248 million was repaid on December 22, 1999. At December 31, 1998, the Company was servicing \$248 million of assets, which were funded under this agreement.

The Company also maintained an asset securitization agreement with a separate unaffiliated buyer, which had a purchase commitment up to a limit of \$350 million. The terms of this agreement were similar to the aforementioned facility with the Company retaining the servicing rights on the right of payment. This facility matured and \$85 million was repaid on October 5, 1999. At December 31, 1998, the Company was servicing \$171 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. Loans were funded by commercial paper conduits in the amounts of \$500 million and \$604 million and were secured by leased assets (specified beneficial interests in a trust which owned the leased vehicles and the leases) totaling \$600 million and \$725 million. In connection with the disposition of the fleet segment, all secured financing arrangements were repaid.

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 mature in 2000. The weighted average interest rates on such debt were 6.8% and 5.5% at December 31, 1999 and 1998, respectively.

Interest incurred on borrowings used to finance fleet leasing activities was \$89 million for the year ended December 31, 1999 and \$177 million for each of the years ended December 31, 1998 and 1997 and is included net within fleet leasing revenues in the Consolidated Statements of Operations. Interest related to equity advances on homes was \$24 million, \$27 million and \$32 million for the years ended December 31, 1999, 1998 and 1997, respectively. Interest related to origination and mortgage servicing activities was \$109 million, \$139 million and \$78 million for the years ended December 31, 1999, 1998 and 1997, 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.

As of December 31, 1999, the Company, through its PHH subsidiary, maintained \$2.5 billion in committed and unsecured credit facilities, which were backed by domestic and foreign banks. The facilities were 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 2002. Under such credit facilities, the Company paid annual commitment fees of \$4 million for the year ended December 31, 1999 and \$2 million for each of the years ended December 31, 1998 and 1997. The full amount of the Company's committed facility was undrawn and available at December 31, 1999 and 1998.

13. MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES ISSUED BY SUBSIDIARY HOLDING SOLELY SENIOR DEBENTURES ISSUED BY THE COMPANY

On March 2, 1998, Cendant Capital I (the "Trust"), a wholly-owned consolidated subsidiary of the Company, issued 30 million FELINE PRIDES and 2 million trust preferred securities and received approximately \$1.5 billion in gross proceeds in connection with such issuance. The Trust then

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 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 28 million Income PRIDES and 2 million Growth PRIDES (Income PRIDES and Growth PRIDES hereinafter referred to as "PRIDES"), each with a face amount of \$50 per PRIDES. 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 of \$96 million (\$60 million, after tax) and \$80 million (\$49 million, after tax) for the years ended December 31, 1999 and 1998, respectively, 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 1.04 shares and a maximum of 1.35 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.

Under the terms of the FELINE PRIDES settlement discussed in Note 5, 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 million. Accordingly, the Company recorded a non-cash charge of \$351 million in the fourth quarter of 1998 with an increase in additional paid-in capital and accrued liabilities of \$350 million and \$1 million, respectively, based on the prospective issuance of the Rights.

The FELINE PRIDES settlement also requires the Company to offer to sell 4 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. The offering of additional PRIDES will be made only pursuant to a prospectus filed with the SEC. 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, the Company also agreed to file a shelf registration statement for an additional 15 million special 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 their theoretical value. The special PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights. Based on an average market price of \$17.78 per share of Company common stock (calculated based on the average closing price per share of Company common stock for the consecutive five-day period ended February 18, 2000), the effect of the issuance of the New PRIDES will be to distribute approximately 18 million more shares of Company common stock when the mandatory purchase of Company common stock associated with the PRIDES occurs in February 2001.

14. SHAREHOLDERS' EQUITY

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The after-tax components of accumulated other comprehensive income (loss) are as follows:

	CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAINS/(LOSSES) ON MARKETABLE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)
	-----	-----	-----
Beginning balance, January 1, 1997	\$ (10)	\$ 4	\$ (6)
Current-period change	(28)	(4)	(32)
	----	---	----
Ending balance, December 31, 1997	(38)	--	(38)
Current-period change	(11)	--	(11)
	----	---	----
Ending balance, December 31, 1998	(49)	--	(49)
Current-period change	(9)	16	7
	-----	---	-----
Ending balance, December 31, 1999	\$(58)	\$16	\$ (42)
	=====	===	=====

The currency translation adjustments are not currently adjusted for income taxes since they relate to indefinite investments in foreign subsidiaries.

SHARE REPURCHASES

During 1999, the Company's Board of Directors authorized an additional \$1.8 billion of Company common stock to be repurchased under a common share repurchase program, increasing the total authorized amount to be repurchased under the program to \$2.8 billion. The Company executed this program through open market purchases or privately negotiated transactions, subject to bank credit facility covenants and certain rating agency constraints. As of December 31, 1999, the Company repurchased approximately \$2.0 billion (104 million shares) of Company common stock under the program.

In July 1999, pursuant to a Dutch Auction self-tender offer to the Company's shareholders, the Company purchased 50 million shares of its common stock at a price of \$22.25 per share.

1998 EMPLOYEE STOCK PURCHASE PLAN

On December 1, 1998, the Company's Board of Directors amended and restated the 1998 Employee Stock Purchase Plan (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 Company reserved 2.5 million shares of Company common stock in connection with the Plan.

PENDING ISSUANCE OF TRACKING STOCK

The shareholders of Cendant are scheduled to vote on March 21, 2000 for a proposal (the "Tracking Stock Proposal") to authorize the issuance of a new series of Cendant common stock ("tracking stock"). The tracking stock is intended to reflect the performance of the Move.com Group, a group of businesses owned by the Company offering a wide selection of quality relocation, real estate and home-related products and services through a network of Web sites. Before the tracking stock is first issued, the Company's existing common stock will be re-designated as CD Stock and that stock will be intended to reflect the performance of the Company's other businesses (the "Cendant Group"). The Tracking Stock Proposal will allow the Company to amend and restate its charter to increase the number of authorized shares of common stock from 2.0 billion to 2.5 billion initially comprised of

2.0 billion shares of CD Stock and 500 million shares of the Move.com Group stock. In connection with the announcement of the Tracking Stock Proposal, the Move.com Group results are reported as a separate business segment. See Note 24 -- Segment Information for a description of the services provided by the Move.com Group. Although the issuance of the Move.com Group stock is intended to track the performance of the Move.com Group, holders, if any, will still be subject to all the risks associated with an investment in the Company and all of its businesses, assets and liabilities.

The Company expects to issue shares of Move.com Group stock in one or more private or public financings. The specific terms of the financing, including whether they are private or public, the amount of the Move.com Group stock issued, and the timing of the financings, will depend upon the number of shares of the Move.com stock sold and whether the Company elects to contribute the net proceeds of such financings to the equity of the Move.com Group or the Company.

OTHER

In September 1999, the Company entered into an agreement with Chatham Street Holdings, LLC ("Chatham") pursuant to which Chatham was granted the right, until September 30, 2001, to purchase up to 1.6 million shares of Move.com Group stock for approximately \$16.02 per share. In addition, for every two shares of Move.com Group stock purchased by Chatham pursuant to the agreement, Chatham will be entitled to receive a warrant to purchase one share of Move.com Group stock at a price equal to \$64.08 per share and a warrant to purchase one share of Move.com Group stock at a price equal to \$128.16 per share. The shareholders of Chatham are also shareholders of NRT Incorporated ("NRT"). See Note 21 -- Related Party Transactions for a detailed discussion of NRT.

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, anticipated mortgage loan closings arising from commitments issued and changes in value of MSRs. The Company performs analyses on an on-going basis to determine that a high correlation exists between the characteristics of derivative instruments and the assets or transactions being hedged. As a matter of policy, 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 anticipate non-performance by any of the counterparties and no material loss would be expected from such non-performance.

INTEREST RATE SWAPS

The Company enters into interest rate swap agreements 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 as an adjustment to interest expense in the Consolidated Statements of Operations. The Company's hedging activities had an immaterial effect on interest expense and the Company's weighted average borrowing rate for the year ended December 31, 1999. For the years ended December 31, 1998 and 1997, the Company's hedging activities increased interest expense by \$2 million and \$4 million, respectively, but had an immaterial effect on its weighted average borrowing rate. The following table summarizes the maturity and weighted average rates of the Company's interest rate swaps relating to liabilities under management and mortgage programs at December 31:

	NOTIONAL AMOUNT	WEIGHTED AVERAGE RECEIVE RATE	WEIGHTED AVERAGE PAY RATE	SWAP MATURITIES (1)
1999				
Medium-term notes	\$ 610	5.57%	6.29%	2000
	=====			
1998				
Commercial paper	\$ 355	4.92%	5.84%	1999-2006
Medium-term notes	931	5.27%	5.04%	1999-2000
Canada commercial paper	90	5.52%	5.27%	1999-2002
Sterling liabilities	662	6.26%	6.62%	1999-2002
Deutsche mark liabilities	32	3.24%	4.28%	1999-2001

	\$2,070			
	=====			

(1) Interest rate swaps held during 1998, with maturities ranging from 1999 through 2006, were assumed by ARAC in 1999 in connection with the disposition of the Company's fleet segment.

FOREIGN EXCHANGE CONTRACTS

In order to manage its exposure to fluctuations in foreign currency exchange rates, the Company enters into foreign exchange contracts on a selective basis. 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 also hedges certain anticipated transactions denominated in foreign currencies. The principal currency hedged by the Company is the British pound sterling. Gains and losses on foreign currency hedges related to intercompany loans are deferred and recognized upon maturity of the underlying loan in the Consolidated Statements of Operations. Gains and losses on foreign currency hedges of anticipated transactions are recognized in the Consolidated Statements of Operations, on a mark-to-market basis, as exchange rates change.

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 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 at December 31, 1999 and 1998 was \$286 million and \$267 million, respectively, and is based upon quoted market prices or investment advisor estimates and approximates carrying value. Realized gains or losses on marketable securities are calculated on a specific identification basis. The Company reported realized gains in other revenues in the Consolidated Statements of Operations of \$65 million, \$27 million and \$18 million for the years ended December 31, 1999, 1998 and 1997, respectively (which included the change in net unrealized holding gains on trading securities of \$8 million and \$16 million in 1999 and 1998, respectively).

RELOCATION RECEIVABLES

Fair value approximates carrying value due to the short-term nature of the relocation receivables.

PREFERRED STOCK INVESTMENTS

Fair value approximates carrying value of the preferred stock investments.

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

Fair value of the Company's Senior Notes, Convertible Subordinated Notes and medium-term notes are estimated based on quoted market prices or market comparables.

MANDATORILY REDEEMABLE PREFERRED SECURITIES ISSUED BY SUBSIDIARY HOLDING SOLELY SENIOR DEBENTURES ISSUED BY THE COMPANY

Fair value is estimated based on quoted market prices and incorporates the settlement of the FELINE PRIDES litigation and the resulting modification of terms (see Note 5 -- Other Charges).

INTEREST RATE SWAPS, FOREIGN EXCHANGE CONTRACTS, AND OTHER FINANCIAL INSTRUMENTS

Fair value is 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 material financial instruments at December 31 are as follows:

	1999			1998		
	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Mortgage loans held for sale	--	1,112	1,124	--	2,416	2,463
Mortgage servicing rights	--	1,084	1,202	--	636	788
DEBT						
Current portion of debt	--	400	402	--	--	--
Long-term debt	--	2,445	2,443	--	3,363	3,351
OFF BALANCE SHEET DERIVATIVES RELATING TO LONG-TERM DEBT						
Foreign exchange forwards	--	--	--	1	--	--
OTHER OFF BALANCE SHEET DERIVATIVES						
Foreign exchange forwards	173	--	(1)	48	--	--
LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Debt	--	2,314	2,314	--	6,897	6,895
MANDATORILY REDEEMABLE PREFERRED SECURITIES ISSUED BY SUBSIDIARY HOLDING SOLELY SENIOR DEBENTURES ISSUED BY THE COMPANY						
	--	1,478	1,113	--	1,472	1,333
OFF BALANCE SHEET DERIVATIVES RELATING TO LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Interest rate swaps						
in a gain position	161	--	--	696	--	8
in a loss position	449	--	1	1,374	--	(12)
Foreign exchange forwards	21	--	--	349	--	--
MORTGAGE-RELATED POSITIONS						
Forward delivery commitments (a)	2,434	6	20	5,057	3	(4)
Option contracts to sell (a)	440	2	3	701	9	4
Option contracts to buy (a)	418	1	--	948	5	1
Commitments to fund mortgages	1,283	--	1	3,155	--	35
Commitments to complete securitizations (a)	813	--	(2)	2,031	--	14
Constant maturity treasury floors (b)	4,420	57	13	3,670	44	84
Interest rate swaps (b)						
in a gain position	100	--	--	575	--	35
in a loss position	250	--	(26)	200	--	(1)
Treasury futures (b)	152	--	(5)	151	--	(1)
Principal only swaps (b)	324	--	(15)	66	--	3

(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 commitments to complete securitizations on loans held by an unaffiliated buyer as described in Note 9 -- Mortgage Loans Held for Sale.

(b) Carrying amounts and gains (losses) 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. COMMITMENTS AND CONTINGENCIES

LEASES

The Company has noncancelable operating leases covering various facilities and equipment, which primarily expire through the year 2005. Rental expense for the years ended December 31, 1999, 1998 and 1997 was \$200 million, \$178 million and \$91 million, respectively. The Company incurred contingent rental expenses in 1999 and 1998 of \$49 million and \$44 million, respectively, which is included in total rental expense, principally based on rental volume or profitability at certain parking facilities. The Company has been granted rent abatements for varying periods on certain facilities. Deferred rent relating to those abatements is amortized on a straight-line basis over the applicable lease terms. Commitments under capital leases are not significant.

In 1998, the Company entered into an agreement with an independent third party to sell and leaseback vehicles subject to operating leases. Pursuant to the agreement, the net carrying value of the vehicles sold was \$101 million. Since the net carrying value of these vehicles was equal to their sales price, no gain or loss was recognized on the sale. The lease agreement was for a minimum lease term of 12 months with three one-year renewal options. For the years ended December 31, 1999 and 1998, the total rental expense incurred by the Company under this lease was \$13 million and \$18 million, respectively. In connection with the disposition of the fleet businesses, the Company elected not to execute its renewal option thereby terminating the lease agreement.

Future minimum lease payments required under noncancelable operating leases as of December 31, 1999 are as follows:

YEAR	AMOUNT
-----	-----
2000	\$103
2001	89
2002	74
2003	62
2004	56
Thereafter	112

	\$496
	====

LITIGATION

Class Action Litigation and Government Investigations. Since the April 15, 1998 announcement of the discovery of accounting irregularities in former CUC International Inc., approximately 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on the Company's behalf and several individual lawsuits and arbitration proceedings have been commenced in various courts and other forums against the Company and other defendants by or on behalf of persons claiming to have purchased or otherwise acquired securities or options issued by CUC or the Company between May 1995 and August 1998. The Court has ordered consolidation of many of the actions.

The SEC and the United States Attorney for the District of New Jersey are also 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. As a result of the findings from the Company's internal investigations, the Company made all adjustments considered necessary by the Company which are reflected in its previously filed restated financial statements for the years ended 1995, 1996 and 1997 and for the six months ended June 30, 1998. Although the Company can provide no assurances that additional adjustments will not be necessary as a result of these government investigations, the Company does not expect that additional adjustments will be necessary.

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 Notes 5 and 13 for a more detailed description of the settlement).

On December 7, 1999, the Company announced that it reached a preliminary agreement to settle the principal securities class action pending against the Company in the U.S. District Court in Newark, New Jersey relating to the common stock class action lawsuits. Under the agreement, the Company would pay the class members approximately \$2.85 billion in cash, an increase from approximately \$2.83 billion previously reported. The increase is a result of continued negotiation toward definitive documents relating to additional costs to be paid to the plaintiff class. The settlement remains subject to execution of a definitive settlement agreement and approval by the U.S. District Court. If the preliminary settlement is not approved by the U.S. District Court, the Company can make no assurances that the final outcome or settlement of such proceedings will not be for an amount greater than that set forth in the preliminary agreement.

The proposed settlements do not encompass all litigation asserting claims associated with the accounting irregularities. The Company does not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be material with respect to earnings in any given reporting period. However, the Company does not believe that the impact of such unresolved proceedings should result in a material liability to the Company in relation to its consolidated financial position or liquidity.

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.

18. INCOME TAXES

The income tax provision (benefit) consists of:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Current			
Federal	\$ 306	\$ (159)	\$155
State	9	1	24
Foreign	44	56	29
	-----	-----	-----
	359	(102)	208
	-----	-----	-----
Deferred			
Federal	(748)	176	(17)
State	(24)	29	(3)
Foreign	7	1	3
	-----	-----	-----
	(765)	206	(17)
	-----	-----	-----
Provision (benefit) for income taxes	\$ (406)	\$ 104	\$191
	=====	=====	=====

Pre-tax income (loss) for domestic and foreign operations consisted of the following:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Domestic	\$ (793)	\$ 78	\$184
Foreign	219	237	73
	-----	-----	-----
Pre-tax income (loss)	\$ (574)	\$315	\$257
	=====	=====	=====

Deferred income tax assets and liabilities are comprised of:

	DECEMBER 31,	
	1999	1998
CURRENT DEFERRED INCOME TAX ASSETS		
Merger and acquisition-related liabilities	\$ 17	\$ 53
Accrued liabilities and deferred income	348	323
Excess tax basis on assets held for sale	--	190
Provision for doubtful accounts	23	14
Deferred membership acquisition costs	--	3
Shareholder litigation settlement and related costs	1,058	--
Net operating loss carryforward	75	--
	-----	-----
Current deferred income tax assets	1,521	583
	-----	-----
CURRENT DEFERRED INCOME TAX LIABILITIES		
Insurance retention refund	18	21
Franchise acquisition costs	10	7
Other	66	88
	-----	-----
Current deferred income tax liabilities	94	116
	-----	-----
CURRENT NET DEFERRED INCOME TAX ASSET	\$1,427	\$467
	=====	=====

	DECEMBER 31,	
	1999	1998
NONCURRENT DEFERRED INCOME TAX ASSETS		
Deductible goodwill -- taxable poolings	\$ --	\$ 49
Merger and acquisition-related liabilities	29	26
Accrued liabilities and deferred income	29	64
Net operating loss carryforward	84	84
State net operating loss carryforward	151	44
Foreign tax credit carryforward	10	--
Other	28	--
Valuation allowance	(161)	(44)
	-----	-----
Noncurrent deferred income tax assets	170	223
	-----	-----
NONCURRENT DEFERRED INCOME TAX LIABILITIES		
Depreciation and amortization	476	297
Other	--	3
	-----	-----
Noncurrent deferred income tax liabilities	476	300
	-----	-----
NONCURRENT NET DEFERRED INCOME TAX LIABILITY	\$ 306	\$ 77
	=====	=====

	DECEMBER 31,	
	1999	1998
MANAGEMENT AND MORTGAGE PROGRAM DEFERRED INCOME TAX ASSETS		
Depreciation	\$ 7	\$ --
Accrued liabilities	11	26
Alternative minimum tax carryforwards	--	2
Management and mortgage program deferred income tax assets	18	28
MANAGEMENT AND MORTGAGE PROGRAM DEFERRED INCOME TAX LIABILITIES		
Depreciation	--	121
Unamortized mortgage servicing rights	328	248
Management and mortgage program deferred income tax liabilities	328	369
Net deferred income tax liability under management and mortgage programs	\$310	\$341

Net operating loss carryforwards at December 31, 1999 expire as follows: 2001, \$8 million; 2002, \$90 million; 2005, \$7 million; 2009, \$18 million; 2010, \$116 million; and 2018, \$215 million. The Company also has alternative minimum tax credit carryforwards of \$28 million.

The valuation allowance at December 31, 1999 relates to deferred tax assets for state net operating loss carryforwards of \$151 million and foreign tax credit carryforwards of \$10 million. The valuation allowance will be reduced when and if the Company determines that the deferred income tax assets are likely to be realized.

No provision has been made for U.S. federal deferred income taxes on approximately \$225 million of accumulated and undistributed earnings of foreign subsidiaries at December 31, 1999 since it is the present intention of management to reinvest the undistributed earnings indefinitely in foreign operations. In addition, the determination of the amount of unrecognized U.S. federal deferred income tax liability for unremitted earnings is not practicable.

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Federal statutory rate	(35.0%)	35.0%	35.0%
State and local income taxes, net of federal tax benefits	(1.8)	6.2	5.3
Non-deductible merger-related costs	--	--	29.1
Amortization of non-deductible goodwill	2.9	5.9	4.3
Taxes on foreign operations at rates different than statutory U.S. federal rate	(5.3)	(8.0)	0.3
Nontaxable gain on disposal	(31.0)	--	--
Recognition of excess tax basis on assets held for sale	--	(2.7)	--
Other	(0.5)	(3.2)	0.3
	(70.7%)	33.2%	74.3%

19. STOCK PLANS

Cendant Plans

The 1999 Broad-Based Employee Stock Option Plan (the "Broad-Based Plan"), as amended, authorizes the granting of up to 60 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). Employees (other than executive officers) and independent contractors of the Company and its affiliates are eligible to receive awards under the Broad-Based Plan. Options granted under the plan generally have a ten year term and have vesting periods ranging from 20% to 33% per year.

The 1997 Stock 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 or are immediately vested. The Company also maintains two other stock plans adopted in 1997: 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 have vesting periods ranging from 20% to 33% per year.

The Company also grants options to employees pursuant to two additional stock option plans under which the Company may grant options to purchase in the aggregate up to 80 million shares of Company common stock. Annual vesting periods under these plans are 20% commencing one year from the respective grant dates.

At December 31, 1999 there were 56 million shares available for grant under the Company's stock option plans discussed above.

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 during December 1997 and the first quarter of 1998. Such options, with exercise prices ranging from \$31.38 to \$37.50, were effectively repriced on October 14, 1998 at \$9.81 per share (the "New Price"), which was the fair market value (as defined in the option plans) on the date of such repricing. 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 a revocation of 13 million existing options. Additionally, a management equity ownership program was adopted requiring 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, with exercise prices ranging from \$16.78 to \$34.31, and issuing a lesser amount of options at the New Price and, with respect to certain options of executive officers and senior managers, at prices above the New Price, specifically \$12.27 and \$20.00. Additionally, certain options replacing options that were fully vested provide for vesting ratably over four years beginning January 1, 1999.

Move.com Group Plan

On October 29, 1999, the Board of Directors of Move.com, Inc. (a company included within the Move.com Group) adopted the Move.com, Inc. 1999 Stock Option Plan (the "Move.com Plan"), as amended January 13, 2000, which authorizes the granting of up to 6 million shares of Move.com, Inc. common stock. All active employees of Move.com Group and its affiliates are eligible to be granted options under the Move.com Plan. Options under the Move.com Plan generally have a 10 year term and are exercisable at 33% per year commencing one year from the grant date. On October 29, 1999, approximately 2.5 million options to purchase shares of common stock of Move.com, Inc. were granted to employees of Move.com, Inc. under the Move.com Plan (the "Existing Grants") at a

weighted average exercise price of \$11.56. Such options were all outstanding and not vested at December 31, 1999. Subject to the approval of the stockholders of the Company (i) the Move.com Plan and Existing Grants will be ratified and assumed by the Company, (ii) all Existing Grants will be equitably adjusted to become options of Move.com Group stock (see Note 14 -- Shareholders' Equity -- Pending Issuance of Tracking Stock for a description of the Move.com Group stock proposal) and (iii) the remaining shares available to be issued in connection with the grant of options under the Move.com Plan will be equitably adjusted to become shares of Move.com Group stock.

The annual activity of Cendant's stock option plans consisted of:

	1999		1998		1997	
	OPTIONS	WEIGHTED AVG. EXERCISE PRICE	OPTIONS	WEIGHTED AVG. EXERCISE PRICE	OPTIONS	WEIGHTED AVG. EXERCISE PRICE
(Shares in millions)						
Balance at beginning of year	178	\$ 14.64	172	\$ 18.66	118	\$ 11.68
Granted						
Equal to fair market value	30	18.09	84	19.16	78	27.94
Greater than fair market value	1	16.04	21	17.13	--	--
Canceled	(13)	19.91	(82)	29.36	(6)	27.29
Exercised	(13)	9.30	(17)	10.01	(14)	7.20
PHH Conversion (1)	--	--	--	--	(4)	--
	---		---		---	
Balance at end of year	183	15.24	178	14.64	172	18.66
	===		===		===	

(1) In connection with the PHH Merger, all unexercised PHH stock options were canceled and converted into 2 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 to employees. 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 and measure compensation expense for its stock option plans to employees 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) and per share data would have been as follows:

	1999		1998		1997	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Net income (loss)	\$ (55)	\$ (213)	\$ 540	\$ 393	\$ (217)(1)	\$ (664)(1)
Basic income (loss) per share	(0.07)	(0.28)	0.64	0.46	(0.27)	(0.82)
Diluted income (loss) per share	(0.07)	(0.28)	0.61	0.46	(0.27)	(0.82)

(1) Includes incremental compensation expense of \$335 million (\$205 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 1999, 1998 and 1997:

	CENDANT			MOVE.COM GROUP
	1999	1998	1997	1999
Dividend yield	--	--	--	--
Expected volatility	60.0%	55.0%	32.5%	60.0%
Risk-free interest rate	6.4%	4.9%	5.6%	6.4%
Expected holding period	6.2 years	6.3 years	7.8 years	6.2 years

The weighted average grant date fair value of Company and Move.com stock options granted during the year ended December 31, 1999 were \$11.36 and \$7.28, respectively. The weighted average grant date fair value of Company stock options granted during the year ended December 31, 1998, which were repriced with exercise prices equal to and higher than the underlying stock price at the date of repricing, were \$19.69 and \$18.10, respectively. The weighted average grant date fair value of the stock options granted during the year ended December 31, 1998 which were not repriced was \$10.16. The weighted average grant date fair value of Company stock options granted during the year ended December 31, 1997 was \$13.71.

The table below summarizes information regarding Company stock options outstanding and exercisable as of December 31, 1999:

(Shares in millions) RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	SHARES	WEIGHTED AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
\$.01 to \$10.00	79	5.9	\$ 7.36	53	\$ 6.20
\$10.01 to \$20.00	60	8.0	16.83	21	15.89
\$20.01 to \$30.00	23	7.2	22.93	19	23.14
\$30.01 to \$40.00	21	7.8	32.00	16	31.88
	--	--	--	--	--
	183	7.0	15.24	109	14.77
	===			===	

20. EMPLOYEE BENEFIT PLANS

The Company sponsors several defined contribution pension 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 specified in the plans. The Company's cost for contributions to these plans was \$31 million, \$24 million and \$16 million for the years ended December 31, 1999, 1998 and 1997, respectively.

The Company's PHH subsidiary maintains a domestic non-contributory defined benefit pension plan covering eligible employees of PHH and its subsidiaries employed prior to July 1, 1997. Additionally, the Company sponsors 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 plans were \$145 million and \$196 million and plan assets, at fair value, were \$147 million and \$162 million at December 31, 1999 and 1998, respectively. The net pension cost and recorded liability were not material to the accompanying Consolidated Financial Statements.

During 1999, the Company recognized a net curtailment gain of \$10 million as a result of the disposition of its fleet business segment and the freezing of pension benefits related to the Company's PHH subsidiary defined benefit pension plan.

21. RELATED PARTY TRANSACTIONS

NRT INCORPORATED

The Company maintains a relationship with NRT, a corporation created to acquire residential real estate brokerage firms. 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. NRT is party to other agreements and arrangements with the Company and its subsidiaries. Under these agreements, the Company acquired \$182 million of NRT preferred stock (and may be required to acquire up to an additional \$81 million of NRT preferred stock). Certain officers of the Company serve on the Board of Directors of NRT. The Company recognized preferred dividend income of \$16 million, \$15 million and \$5 million during the years ended December 31, 1999, 1998 and 1997, respectively, which are included in other revenue in the Consolidated Statements of Operations. During 1999, approximately \$8 million of the preferred dividend income increased the basis of the underlying preferred stock investment. Additionally, the Company sold preferred shares and recognized a gain of \$20 million during 1999, which is also included in other revenue in the Consolidated Statements of Operations. During 1999, 1998 and 1997, total franchise royalties earned by the Company from NRT and its predecessors were \$172 million, \$122 million and \$61 million, respectively.

The Company, at its election, will participate in NRT's acquisitions by acquiring up to an aggregate \$946 million (plus an additional \$500 million if certain conditions are met) of intangible assets, and in some cases mortgage operations of real estate brokerage firms acquired by NRT. As of December 31, 1999, the Company acquired \$537 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 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 RENT A CAR INC.

The Company continues to maintain an equity interest in ARAC. During 1999 and 1998, the Company sold approximately two million and one million shares, respectively, of Avis Rent A Car Inc. common stock and recognized a pre-tax gain of approximately \$11 million and \$18 million, respectively, which is included in other revenue in the Consolidated Statements of Operations. The Company recorded its equity in the earnings of ARAC, which amounted to \$18 million, \$14 million and \$51 million for the years ended December 31, 1999, 1998 and 1997, respectively, as a component of other revenue in the Consolidated Statements of Operations. On June 30, 1999, in connection with the Company's disposition of its fleet segment, the Company received, as part of the total consideration, \$360 million of preferred stock in a subsidiary of ARAC and additional consideration of a \$30 million receivable (see Note 3 -- Dispositions and Acquisitions of Businesses). The Company received dividends of \$9 million, which increased the basis of the underlying preferred stock investment. Such amount is included as a component of other revenue in the Consolidated Statements of Operations. At December 31, 1999, the Company's interest in ARAC was approximately 18%.

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 1999, 1998 and 1997, total franchise royalties earned by the Company from ARAC were \$102 million, \$92 million and \$82 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. As of December 31, 1999 and 1998, the Company had accounts receivable of \$34 million and \$26 million, respectively, due from ARAC. Certain officers of the Company serve on the Board of Directors of ARAC.

22. FRANCHISING AND MARKETING/RESERVATION ACTIVITIES

Revenues from franchising activities include royalty revenues and initial franchise fees charged to lodging properties, car rental locations, tax preparation offices and real estate brokerage offices upon execution of a franchise contract.

Franchised outlet revenues are as follows:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Royalty revenues	\$839	\$703	\$574
Initial franchise fees	37	45	26

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 fees revenues included marketing and reservation fees of \$280 million, \$228 million and \$215 million for the years ended December 31, 1999, 1998 and 1997, respectively.

Franchised outlet information is as follows:

	DECEMBER 31,		
	1999	1998 (1)	1997
Franchised units in operation	22,719	22,471	18,876
Backlog (franchised units sold but not yet opened)	1,478	2,063	1,547

(1) Approximately 2,000 franchised units were acquired in connection with the acquisition of Jackson Hewitt Inc.

23. NET INVESTMENT IN LEASES AND LEASED VEHICLES

Net investment in leases and leased vehicles were disposed of during 1999 in connection with the disposition of the Company's fleet business segment (see Note 3 -- Dispositions and Acquisitions of Businesses). In 1998, vehicles were 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 were amortized using the straight-line method over the expected lease term. The Company's experience indicated that the full term of the leases varied considerably due to extensions beyond the minimum lease term.

The Company had two types of operating leases. Under one type, open-end operating leases, resale of the vehicles upon termination of the lease was generally for the account of the lessee except for a minimum residual value which the Company had guaranteed. The Company's experience had been that vehicles under this type of lease agreement were sold for amounts exceeding the residual value guarantees. Maintenance and repairs of vehicles under these agreements were 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.

Under the second type of operating lease, closed-end operating leases, resale of the vehicles on termination of the lease was for the account of the Company. The lessee generally paid for or

provided maintenance, vehicle licenses and servicing. The original cost and accumulated depreciation of vehicles under these agreements were \$1.0 billion and \$191 million, respectively, at December 31, 1998. The Company, based on historical experience and an assessment of the used vehicle market, established an allowance in the amount of \$14 million for potential losses on residual values on vehicles under these leases at December 31, 1998.

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

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

Gross leasing revenues, which were included in fleet leasing revenues in the Consolidated Statements of Operations, consisted of:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Operating leases	\$683	\$1,330	\$1,223
Direct financing leases, primarily interest	17	38	42
	\$700	\$1,368	\$1,265
	====	=====	=====

Net investment in leases and leased vehicles consisted of:

	DECEMBER 31, 1998
Vehicles under open-end operating leases	\$2,726
Vehicles under closed-end operating leases	822
Direct financing leases	252
Accrued interest on leases	1
	\$3,801
	=====

24. SEGMENT INFORMATION

Management evaluates each segment's performance on a stand-alone basis based on a modification of earnings before interest, income taxes, depreciation, amortization, and minority interest. For this purpose, Adjusted EBITDA is defined as earnings before non-operating interest, income taxes, depreciation, amortization and minority interest, adjusted to exclude net gains on dispositions of businesses and certain other charges which are of a non-recurring or unusual nature and not measured in assessing segment performance or are not segment specific. The Company determined its 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. The Company disposed of its fleet segment on June 30, 1999, and the Company added Move.com Group as a reportable operating segment, thereby maintaining the eight reportable operating segments which collectively comprise the Company's continuing operations. Included in the Move.com Group are RentNet, Inc., ("RentNet"), acquired during January 1996, National Home Connections, LLC, acquired in May 1999, and the assets of MetroRent, acquired in December 1999. Prior to the formation of the Move.com Group, RentNet's historical financial information was included in the Company's individual membership segment. The Company reclassified the financial results of RentNet for the years ended December 31, 1998 and 1997. Inter-segment net revenues were not significant to the net revenues of any one segment. 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, and credit information. 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.

INSURANCE/WHOLESALE

Insurance/wholesale 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.

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.

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.

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.

Mortgage services 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.

MOVE.COM GROUP

Move.com Group provides a broad range of quality relocation, real estate, and home-related products and services through its flagship portal site, move.com, and the move.com network. The Move.com Group integrates and enhances the online efforts of the Company's residential real estate brand names and those of the Company's other real estate business units.

DIVERSIFIED 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, welcoming packages to new homeowners, and other consumer-related services.

FLEET

The fleet segment provided fleet and fuel card related products and services to corporate clients and government agencies. These services included management and leasing of vehicles, fuel card payment and reporting and other fee-based services for clients' vehicle fleets. The Company leased vehicles primarily to corporate fleet users under operating and direct financing lease arrangements.

SEGMENT INFORMATION

YEAR ENDED DECEMBER 31, 1999

	TOTAL	TRAVEL (1)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	REAL ESTATE FRANCHISE
Net revenues	\$ 5,402	\$1,148	\$972	\$575	\$ 571
Adjusted EBITDA	1,919	586	127	180	424
Depreciation and amortization	371	97	26	19	59
Segment assets	15,149	3,186	662	393	2,102
Capital expenditures	277	53	25	19	--

	RELOCATION	MORTGAGE	MOVE.COM GROUP	DIVERSIFIED SERVICES (2)	FLEET
Net revenues	\$ 415	\$ 397	\$ 18	\$1,099	\$207
Adjusted EBITDA	122	182	(22)	239	81
Depreciation and amortization	17	19	2	117	15
Segment assets	1,033	2,817	22	4,934	--
Capital expenditures	21	48	2	86	23

YEAR ENDED DECEMBER 31, 1998

	TOTAL	TRAVEL (1)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	REAL ESTATE FRANCHISE
Net revenues	\$ 5,284	\$1,063	\$ 920	\$544	\$ 456
Adjusted EBITDA	1,590	542	(59)	138	349
Depreciation and amortization	323	88	22	14	53
Segment assets	19,843	2,762	830	372	2,014
Capital expenditures	355	78	27	17	6

	RELOCATION	MORTGAGE	MOVE.COM GROUP	DIVERSIFIED SERVICES	FLEET
Net revenues	\$ 444	\$ 353	\$10	\$1,107	\$ 387
Adjusted EBITDA	125	188	1	132	174
Depreciation and amortization	17	9	2	96	22
Segment assets	1,130	3,504	9	4,525	4,697
Capital expenditures	70	36	1	62	58

YEAR ENDED DECEMBER 31, 1997

	TOTAL	TRAVEL(1)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	REAL ESTATE FRANCHISE
	-----	-----	-----	-----	-----
Net revenues	\$ 4,240	\$ 971	\$773	\$483	\$ 335
Adjusted EBITDA	1,250	467	6	111	227
Depreciation and amortization	238	82	17	11	44
Segment assets	13,800	2,602	833	357	1,827
Capital expenditures	155	37	11	6	13

	RELOCATION	MORTGAGE	MOVE.COM GROUP	DIVERSIFIED SERVICES	FLEET
	-----	-----	-----	-----	-----
Net revenues	\$ 402	\$ 179	\$ 6	\$767	\$ 324
Adjusted EBITDA	93	75	(1)	151	121
Depreciation and amortization	8	5	1	54	16
Segment assets	1,009	2,233	7	806	4,126
Capital expenditures	23	16	1	24	24

(1) Net revenues and Adjusted EBITDA include the equity in earnings from the Company's investment in ARAC of \$18 million, \$14 million and \$51 million in 1999, 1998 and 1997, respectively. Net revenues and Adjusted EBITDA for 1999 and 1998 include a pre-tax gain of \$11 million and \$18 million, respectively, as a result of the 1999 and 1998 sale of a portion of the Company's equity interest. Segment assets include such equity method investment in the amount of \$118 million, \$139 million and \$124 million at December 31, 1999, 1998 and 1997, respectively.

(2) Net revenues include a \$23 million gain on the sales of car park facilities. Segment assets include the Company's equity investment of \$17 million in Epub.

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	-----	-----	-----
Adjusted EBITDA for reportable segments	\$ 1,919	\$ 1,590	\$ 1,250
Other charges:			
Litigation settlement and related costs	2,894	351	--
Termination of proposed acquisitions	7	433	--
Executive terminations	--	53	--
Investigation-related costs	21	33	--
Merger-related costs and other unusual charges (credits)	110	(67)	704
Investigation-related financing costs	--	35	--
Depreciation and amortization	371	323	238
Interest, net	199	114	51
Net gain on dispositions of businesses	1,109	--	--
	-----	-----	-----
Consolidated income (loss) before income taxes and minority interest	\$ (574)	\$ 315	\$ 257
	=====	=====	=====

	1999	1998	1997
	-----	-----	-----
Total assets for reportable segments	\$15,149	\$19,843	\$13,800
Net assets of discontinued operations	--	374	273
	-----	-----	-----
Consolidated total assets	\$15,149	\$20,217	\$14,073

=====

=====

=====

GEOGRAPHIC SEGMENT INFORMATION

	TOTAL	UNITED STATES	UNITED KINGDOM	ALL OTHER COUNTRIES
1999				
Net revenues	\$ 5,402	\$ 4,363	\$ 748	\$ 291
Assets	15,149	11,722	3,215	212
Long-lived assets	1,347	590	723	34
1998				
Net revenues	\$ 5,284	\$ 4,277	\$ 696	\$ 311
Assets	20,217	16,251	3,707	259
Long-lived assets	1,433	646	768 (1)	19
1997				
Net revenues	\$ 4,240	\$ 3,669	\$ 232	\$ 339
Assets	14,073	12,749	1,015	309
Long-lived assets	545	478	49	18

(1) Includes \$691 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.

25. SELECTED QUARTERLY FINANCIAL DATA -- (UNAUDITED)

Provided below is the selected unaudited quarterly financial data for 1999 and 1998. The underlying per share information is calculated from the weighted average shares outstanding during each quarter, which may fluctuate based on quarterly income levels, market prices, and share repurchases. Therefore, the sum of the quarters per share information may not equal the total year amounts.

	1999			
	FIRST (2)	SECOND (3)	THIRD (4)	FOURTH (5)
Net revenues	\$ 1,318	\$1,391	\$1,410	\$ 1,283
Income (loss) from continuing operations (1)	\$ 169	\$ 874	\$ 209	\$ (1,481)
Gain (loss) on sale of discontinued operations, net of tax (6)	193	(12)	(7)	--
Net income (loss)	\$ 362	\$ 862	\$ 202	\$ (1,481)
Per share information:				
Basic				
Income (loss) from continuing operations	\$ 0.21	\$ 1.14	\$ 0.29	\$ (2.08)
Net income (loss)	\$ 0.45	\$ 1.12	\$ 0.28	\$ (2.08)
Weighted average shares (in millions)	800	770	726	711
Diluted				
Income (loss) from continuing operations	\$ 0.20	\$ 1.06	\$ 0.27	\$ (2.08)
Net income (loss)	\$ 0.43	\$ 1.05	\$ 0.26	\$ (2.08)
Weighted average shares (in millions)	854	824	780	711
Common Stock Market Prices:				
High	\$22 7/16	\$20 3/4	\$22 5/8	\$ 26 9/16
Low	\$15 5/16	\$15 1/2	\$17	\$ 14 9/16

1998

	FIRST (7)	SECOND (8)	THIRD (9)	FOURTH (10)
Net revenues	\$ 1,129	\$1,278	\$ 1,458	\$ 1,419
Income (loss) from continuing operations	\$ 184	\$ 155	\$ 123	\$ (302)
Loss from discontinued operations, net of tax	(11)	(2)	(12)	--
Gain on sale of discontinued operations, net of tax (6)	--	--	--	405
Net income	\$ 173	\$ 153	\$ 111	\$ 103
Per share information:				
Basic				
Income (loss) from continuing operations	\$ 0.22	\$ 0.18	\$ 0.14	\$ (0.36)
Net income	\$ 0.21	\$ 0.18	\$ 0.13	\$ 0.12
Weighted average shares (in millions)	839	851	851	850
Diluted				
Income (loss) from continuing operations	\$ 0.21	\$ 0.18	\$ 0.14	\$ (0.36)
Net income	\$ 0.20	\$ 0.18	\$ 0.13	\$ 0.12
Weighted average shares (in millions)	909	901	877	850
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

- (1) Includes net gains associated with the dispositions of businesses of \$750 million, \$75 million and \$284 million for the second, third, and fourth quarters, respectively (see Note 3 -- Dispositions and Acquisitions of Businesses).
- (2) Includes charges of \$7 million (\$4 million, after tax or \$0.01 per diluted share) in connection with the termination of the proposed acquisition of RACMS and \$2 million (\$1 million, after tax) for investigation -- related costs.
- (3) Includes charges of \$23 million (\$15 million, after tax or \$0.02 per diluted share) of additional charges to fund an irrevocable contribution to an independent technology trust responsible for completing the transition of the Company's lodging franchisees to a Company sponsored property management system and \$6 million (\$4 million, after tax) for investigation-related costs.
- (4) Includes charges of \$87 million (\$49 million, after tax or \$0.07 per diluted share) incurred primarily in conjunction with the NGI transaction and \$5 million (\$3 million, after tax) for investigation-related costs.
- (5) Includes charges of \$2,894 million (\$1,839 million, after tax or \$2.59 per diluted share) associated with the preliminary agreement to settle the principal shareholder securities class action suit and \$8 million (\$5 million, after tax or \$0.01 per diluted share) of investigation-related costs. Such charges were partially offset by a \$2 million (\$1 million, after tax) credit associated with changes to the estimate of previously recorded merger-related costs and other unusual charges.
- (6) Represents gains associated with the sales of Hebdo Mag and CDS (see Note 4 -- Discontinued Operations).
- (7) Includes a charge of \$3 million (\$2 million, after tax) for investigation-related costs, including incremental financing costs, and executive terminations.
- (8) Includes a charge of \$32 million (\$20 million, after tax or \$0.02 per diluted share) for investigation-related costs, including incremental financing costs, and executive terminations. Such charge was partially offset by a credit of \$27 million (\$19 million, after tax or \$0.02 per diluted share) associated with changes to the estimate of previously recorded merger-related costs and other unusual charges.
- (9) Includes a charge of \$76 million (\$49 million, after tax or \$0.06 per share) for investigation-related costs, including incremental financing costs, and executive terminations.
- (10) Includes charges of (i) \$433 million (\$282 million, after tax or \$0.33 per diluted share) for the costs of terminating the proposed acquisitions of American Bankers and Providian, (ii) \$351 million (\$228 million, after tax or \$0.27 per diluted share) associated with the agreement to settle the PRIDES securities class action suit and (iii) \$13 million (\$10 million, after tax or \$0.01 per diluted share) for investigation-related costs, including incremental financing costs, and executive terminations. Such charges were partially offset

by a credit of \$43 million (\$27 million, after tax or \$0.03 per diluted share) associated with changes to the estimate of previously recorded merger-related costs and other unusual charges.

26. SUBSEQUENT EVENTS

PHH CREDIT FACILITIES

On February 28, 2000, PHH reduced the availability of its unsecured committed credit facilities from \$2.5 billion to \$1.5 billion to reflect the reduced borrowing needs of PHH as a result of the disposition of its fleet businesses.

DEBT REDEMPTION

On January 21, 2000, the Company redeemed all outstanding 7-1/2% Senior Notes at a redemption price of 100.695% of par plus accrued interest.

SHARE REPURCHASES

Subsequent to December 31, 1999, the Company repurchased an additional \$132 million (6 million shares) of its common stock under its repurchase program as of February 24, 2000.

STRATEGIC ALLIANCE

On December 15, 1999, the Company entered into a strategic alliance with Liberty Media Corporation ("Liberty Media") to develop Internet and related opportunities associated with the Company's travel, mortgage, real estate and direct marketing businesses. Such efforts may include the creation of joint ventures with Liberty Media and others as well as additional equity investments in each others businesses.

The Company will also assist Liberty Media in creating, and will receive an equity participation in, a new venture that will seek to provide broadband video, voice and data content to the Company's hotels and their guests on a worldwide basis. The Company will also pursue opportunities within the cable industry with Liberty Media to leverage the Company's direct marketing resources and capabilities.

On February 7, 2000, Liberty Media invested \$400 million in cash to purchase 18 million shares of Company common stock and a two-year warrant to purchase approximately 29 million shares of Company common stock at an exercise price of \$23.00 per share. The common stock, together with the common stock underlying the warrant, represents, approximately 6.3% of our outstanding shares after giving effect to the aforementioned transaction. Liberty Media's Chairman, John C. Malone, Ph.D., will join the Company's Board of Directors and has also committed to purchase one million shares of the Company's common stock for approximately \$17 million in cash.

AMENDMENT TO EMPLOYMENT AGREEMENT

August 2, 1999

Mr. Henry R. Silverman
Cendant Corporation
9 West 57th Street, 37th Floor
New York, New York 10019

Dear Mr. Silverman:

Reference is hereby made to that certain employment agreement, dated as of June 30, 1996, as amended to date, by and between Cendant Corporation (formerly HFS Incorporated) (the "Company") and you (the "Agreement"). Capitalized terms used in this letter shall have the meanings assigned to them in the Agreement unless otherwise defined herein. For good and valid consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and you therefore agree that the Agreement is hereby amended as follows, effective as of August 2, 1999.

1. A new Section 4(h) is hereby added to the Agreement, to read as follows:

"(h) Life Insurance Benefits. The Company shall acquire, and throughout the period ending August 31, 2009 (or, if earlier, the date of Executive's death) shall cause to remain in effect (notwithstanding the previous termination or expiration of this Agreement), one or more term life insurance policies on the life of the Executive in the aggregate face amount of \$100 million. Payment of all premiums under such policies shall be the sole responsibility of the Company. Executive shall have the right to designate the beneficiary or beneficiaries under such policies."

2. A new Section 6(a)(v) is hereby added to the Agreement, to read as follows:

"(v) Certain Lifetime Benefits and Obligations. If the Executive's employment is terminated by the Company, other than as set forth in paragraphs (i) or (iii) of this Section 6(a), or if the Executive voluntarily resigns his employment under this Agreement in connection with a breach of this Agreement by the Company or at the expiration of the term of this Agreement, then (1) the Company shall provide to the Executive, for the remainder of his life on a basis no less favorable than was provided to him during his employment, the facilities, services and other perquisites provided to Executive by the Company (including, but not limited to, office and clerical support, executive transportation services (including use of the corporate owned or leased aircraft or charter equivalent thereof on identical terms as those in effect during Executive's employment by the Company), security services, continued access to other general facilities and services and reimbursement for any properly documented business expenses incurred on behalf of the Company), and (2) for the remainder of his life, the Executive shall keep himself reasonably available to render such advice and perform such consulting services on behalf of the Company as may be reasonably requested by the chief executive officer of the Company (provided that the Executive shall not be required to render such advice or perform such services on more than thirty (30) days in any calendar year), in consideration for which the Executive shall receive monthly payments from the Company in the amount of

Mr. Henry R. Silverman
August 2, 1999
Page 3

\$30,000 (which amount shall be adjusted annually to reflect the increase in the Consumer Price Index for the preceding calendar year)."

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 and return the enclosed copy of this letter, which shall constitute a binding agreement between us.

CENDANT CORPORATION

By: _____
Name:
Title:

Accepted and Agreed to as
of the date first above
written:

Henry R. Silverman

364-DAY COMPETITIVE ADVANCE AND
REVOLVING CREDIT AGREEMENT

Dated as of March 4, 1997, as amended
and restated through February 28, 2000

among

PHH CORPORATION

as Borrower

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

=====

CHASE SECURITIES INC., Arranger and Book Manager

TABLE OF CONTENTS

Page

1. DEFINITIONS.....1

2. THE LOANS.....15

SECTION 2.1. Commitments.....15

SECTION 2.2. Loans.....16

SECTION 2.3. Use of Proceeds.....17

SECTION 2.4. Competitive Bid Procedure.....17

SECTION 2.5. Revolving Credit Borrowing Procedure.....20

SECTION 2.6. Refinancings.....20

SECTION 2.7. Fees.....21

SECTION 2.8. Repayment of Loans; Evidence of Debt.....22

SECTION 2.9. Interest on Loans.....23

SECTION 2.10. Interest on Overdue Amounts.....23

SECTION 2.11. Alternate Rate of Interest.....24

SECTION 2.12. Termination and Reduction of Commitments.....24

SECTION 2.13. Prepayment of Loans.....25

SECTION 2.14. Eurocurrency Reserve Costs.....25

SECTION 2.15. Reserve Requirements; Change in Circumstances.....26

SECTION 2.16. Change in Legality.....28

SECTION 2.17. Reimbursement of Lenders.....28

SECTION 2.18. Pro Rata Treatment.....29

SECTION 2.19. Right of Setoff.....30

SECTION 2.20. Manner of Payments.....30

SECTION 2.21. Withholding Taxes.....31

SECTION 2.22. Certain Pricing Adjustments.....32

SECTION 2.23. [Intentionally Deleted.].....33

SECTION 2.24. Extension of Maturity Date.....33

3. REPRESENTATIONS AND WARRANTIES OF BORROWER.....34

SECTION 3.1. Corporate Existence and Power.....35

SECTION 3.2. Corporate Authority and No Violation.....35

SECTION 3.3. Governmental and Other Approval and Consents.....35

SECTION 3.4. Financial Statements of Borrower.....35

SECTION 3.5. No Material Adverse Change.....36

SECTION 3.7. Copyrights, Patents and Other Rights.....36

SECTION 3.8. Title to Properties.....36

SECTION 3.9.	Litigation.....	36
SECTION 3.10.	Federal Reserve Regulations.....	36
SECTION 3.11.	Investment Company Act.....	37
SECTION 3.12.	Enforceability.....	37
SECTION 3.13.	Taxes.....	37
SECTION 3.14.	Compliance with ERISA.....	37
SECTION 3.15.	Disclosure.....	38
SECTION 3.16.	Environmental Liabilities.....	38
SECTION 3.17.	Year 2000 Matters.....	38
4.	CONDITIONS OF LENDING.....	38
SECTION 4.1.	Conditions Precedent to Effectiveness.....	38
(a)	Loan Documents.....	38
(b)	Corporate Documents for the	38
(c)	Financial Statements.....	39
(d)	Opinions of Counsel.....	39
(e)	No Material Adverse Change.....	39
(f)	Payment of Fees.....	39
(g)	Closing Date Payments.....	39
(h)	Litigation.....	39
(i)	Officer's Certificate.....	39
SECTION 4.2.	Conditions Precedent to Each Loan.....	40
(a)	Notice.....	40
(b)	Representations and Warranties.....	40
(c)	No Event of Default.....	40
5.	AFFIRMATIVE COVENANTS.....	40
SECTION 5.1.	Financial Statements, Reports, etc.	40
SECTION 5.2.	Corporate Existence; Compliance with Statutes.....	42
SECTION 5.3.	Insurance.....	42
SECTION 5.4.	Taxes and Charges.....	42
SECTION 5.5.	ERISA Compliance and Reports.....	43
SECTION 5.6.	Maintenance of and Access to Books and Records; Examinations.....	43
SECTION 5.7.	Maintenance of Properties.....	43
6.	NEGATIVE COVENANTS.....	44
SECTION 6.1.	Limitation on Material Subsidiary Indebtedness.....	44
SECTION 6.2.	[Intentionally deleted].....	45
SECTION 6.3.	Limitation on Transactions with Affiliates.....	45
SECTION 6.4.	Consolidation, Merger, Sale of Assets.....	45
SECTION 6.5.	Limitations on Liens.....	46
SECTION 6.6.	Sale and Leaseback.....	47

SECTION 6.7.	Consolidated Net Worth.....	47
SECTION 6.8.	Ratio of Indebtedness To Consolidated Net Worth.....	48
SECTION 6.9.	Accounting Practices.....	48
SECTION 6.10.	Restrictions Affecting Subsidiaries.....	48
Section 6.11.	[Intentionally Deleted].....	48
SECTION 6.12.	Limitation on Mortgage Repurchase Indebtedness.....	48
7.	EVENTS OF DEFAULT.....	48
8.	THE ADMINISTRATIVE AGENT.....	51
SECTION 8.1.	Administration by Administrative Agent.....	51
SECTION 8.2.	Advances and Payments.....	51
SECTION 8.3.	Sharing of Setoffs and Cash Collateral.....	52
SECTION 8.4.	Notice to the Lenders.....	52
SECTION 8.5.	Liability of the Administrative Agent.....	52
SECTION 8.6.	Reimbursement and Indemnification.....	53
SECTION 8.7.	Rights of Administrative Agent.....	54
SECTION 8.8.	Independent Investigation by Lenders.....	54
SECTION 8.9.	Notice of Transfer.....	54
SECTION 8.10.	Successor Administrative Agent.....	54
9.	MISCELLANEOUS.....	55
SECTION 9.1.	Notices.....	55
SECTION 9.2.	Survival of Agreement, Representations and Warranties, etc.	55
SECTION 9.3.	Successors and Assigns; Syndications; Loan Sales; Participations.....	55
SECTION 9.4.	Expenses; Documentary Taxes.....	59
SECTION 9.5.	Indemnity.....	59
SECTION 9.6.	CHOICE OF LAW.....	60
SECTION 9.7.	No Waiver.....	60
SECTION 9.8.	Extension of Maturity.....	60
SECTION 9.9.	Amendments, etc.	60
SECTION 9.10.	Severability.....	61
SECTION 9.11.	SERVICE OF PROCESS; WAIVER OF JURY TRIAL.....	61
SECTION 9.12.	Headings.....	62
SECTION 9.13.	Execution in Counterparts.....	62
SECTION 9.14.	Entire Agreement.....	62
SECTION 9.15.	Foreign Currency Judgments.....	63
SECTION 9.16.	[Intentionally Deleted].....	63
SECTION 9.17.	Language.....	63
SECTION 9.18.	[Intentionally Deleted].....	63
SECTION 9.19.	European Economic And Monetary Union.....	63

SCHEDULES

1.1A	Lenders, Addresses and Commitments
1.1B	Available Foreign Currencies
6.1	Existing Material Subsidiary Indebtedness
6.5	Existing Liens

EXHIBITS

A-1	Form of Revolving Credit Note
A-2	Form of Competitive Note
B-1	Opinion of In-house Counsel
B-2	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP
C	Form of Assignment and Acceptance
D	Form of Compliance Certificate
E-1	Form of Competitive Bid Request
E-2	Form of Competitive Bid Invitation
E-3	Form of Competitive Bid
E-4	Form of Competitive Bid Accept/Reject Letter
F	Form of Revolving Credit Borrowing Request
G	Form of Extension Request
H	Form of Replacement Bank Agreement

364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT

AGREEMENT (the "Agreement"), dated as of March 4, 1997, as amended and restated through February 28, 2000, among PHH CORPORATION, a Maryland corporation (the "Borrower"), the Lenders referred to herein and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent (the "Administrative Agent") for the Lenders.

INTRODUCTORY STATEMENT

The Borrower, certain of the Lenders and the Administrative Agent are parties to the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended to the date prior to 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 (as defined below) may be made to the Borrower. In addition, pursuant to the Existing Credit Agreement, the Lenders provided to the Borrower (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.

The Borrower has requested that the Maturity Date (as defined below) be extended to February 26, 2001 and the amount committed under the revolving credit facility be reduced to \$750,000,000 and has requested certain other amendments to the Existing Credit Agreement.

The Borrower, the Lenders and the Administrative 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.

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

"Alternate Base Rate" shall mean for any day, a rate per annum (rounded upwards to the nearest 1/16 of 1% if not already an integral multiple of 1/16 of 1%) equal to the 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 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 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.

"Basis Point" shall mean 1/100th of 1%.

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

"Borrowing" shall mean a group of Loans of a single Interest Rate Type made by 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.

"Business Day" shall mean, with respect to any 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).

"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 capital, surplus and undivided profits aggregating at least \$500,000,000, and rated A or better by S&P or Moody's.

"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 Closing Date), 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) if at any time, individuals who at the Closing Date constituted the Board of Directors of Cendant Corporation (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 Closing Date 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.

"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 February 28, 2000.

"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, with respect to each Lender, its Commitment to make 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 "Commitment" on Schedule 1.1A.

"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.

"Commitment Utilization Percentage" shall mean on any day the percentage equivalent of a fraction (a) the numerator of which is the sum of the aggregate outstanding principal amount of Revolving Credit Loans and the Dollar Equivalent Amount of the aggregate outstanding principal amount of Competitive Loans and (b) the denominator of which is the Total Commitment (or, on any day after termination of the Commitments, the Total Commitment in effect immediately preceding such termination).

"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.

"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.

"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.

"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.

"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. (Section) 1251 et seq., the Clean Air Act, 42 U.S.C. (Section) 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. (Section) 136 et seq., the Surface Mining Control and Reclamation Act, 30 U.S.C. (Section) 1201 et seq., the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (Section) 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. (Section) 11001 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. (Section) 6901 et seq., the Occupational Safety and Health Act as amended, 29 U.S.C. (Section) 655 and (Section) 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.

"Excess Utilization Day" shall mean each day on which the Commitment Utilization Percentage exceeds 33%.

"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 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, and any other ancillary documentation which is required to be, or is otherwise, executed by the Borrower and delivered to the Administrative Agent in connection with this Agreement.

"GAAP" shall mean generally accepted accounting principles consistently applied (except for accounting changes in response to FASB releases or other authoritative pronouncements) provided, however, that all calculations made pursuant to Sections 6.7 and 6.8 and the related definitions shall have been computed based on such generally accepted accounting principles as are in effect on the 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 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 its 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, and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than 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.

"Lender and "Lenders" shall mean the financial institutions whose names appear on the signature pages hereof and any assignee of a Lender pursuant to Section 9.3(b).

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

"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.

"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.

"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 February 26, 2001 or such later date as shall be determined pursuant to the provisions of Section 2.24 with respect to non-Objecting Lenders.

"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.

"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 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, the Utilization Fee 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.

"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.

"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 Total Commitment, except that (i) for purposes of determining the Lenders entitled to declare the principal of and the interest on the Loans and the Notes and all other amounts payable hereunder or thereunder to be forthwith due and payable pursuant to Article 7 and (ii) at all times after the termination of the Total Commitment in its entirety, "Required Lenders" shall mean Lenders holding 51% 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 Lenders.

"Revolving Credit Borrowing Request" shall mean a request made pursuant to Section 2.5 in the form of Exhibit F.

"Revolving Credit Loans" shall mean the Loans made by the Lenders to the Borrower pursuant to a notice given by the Borrower under Section 2.5(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.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies.

"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 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.

"Utilization Fee" shall have the meaning given such term in Section 2.7.

"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 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 Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Lender's Commitment 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 Lenders plus the outstanding aggregate principal Dollar Equivalent Amount of all Competitive Loans made by the Lenders exceed (ii) the Total Commitment. During the Commitment Period, the Borrower may use the Commitments of the Lenders by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) [Intentionally Deleted].

(c) [Intentionally Deleted].

(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 Loan, shall be made as part of a Borrowing from the Lenders ratably in accordance with their respective applicable Commitments; provided that the failure of any Lender, to make any Loan, shall not in itself relieve any other Lender, of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.4. The 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).

(b) Each Competitive Borrowing shall be comprised entirely of LIBOR Competitive Loans or Fixed Rate Loans, each Borrowing shall be comprised entirely of LIBOR Revolving Credit Loans or ABR Loans, as the Borrower may request pursuant to Section 2.4 or 2.5, as applicable. Each Lender may at its option make any LIBOR Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement and the applicable Note. Borrowings of more than one Interest Rate Type may be outstanding at the same time; provided that the Borrower 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 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 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 Loans shall be made by all the Lenders pro rata in accordance with Section 2.1 and this Section 2.2.

(ii) [Intentionally Deleted].

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

SECTION 2.3. Use of Proceeds.

The proceeds of the Loans shall be used for working capital and general corporate purposes.

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 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 the Dollar Equivalent Amount of 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.

(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 and (c) if such Borrowing is to be a Borrowing of LIBOR Revolving Credit Loans, the Interest Period with respect thereto. If no election as to the Interest Rate Type of a Revolving Credit Borrowing is specified in any such notice, then the requested Revolving Credit Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any 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. The Administrative Agent shall promptly advise the Lenders, of any notice given pursuant to this Section 2.5 and of each such Lender's portion of the requested Revolving Credit Borrowing.

(b) [Intentionally Deleted].

SECTION 2.6. Refinancings.

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

SECTION 2.7. Fees.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee") at the rate per annum from time to time in effect in accordance with Section 2.22, on the amount of the Commitment of such Lender, whether used or unused, during the preceding quarter (or shorter period commencing with the Closing Date, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on

the 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 Commitment of such Lender as provided herein.

(b) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a utilization fee (a "Utilization Fee") at a rate per annum equal to .125% for each day on which the Commitment Utilization Percentage exceeds 33%, which fee shall accrue on the daily amount of the Commitment of such Lender (whether used or unused) for each Excess Utilization Day during the period from and including the Closing Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any outstanding Loans after its Commitment terminates, then such Utilization Fee shall continue to accrue on the daily aggregate principal amount of such Lender's Loans for each Excess Utilization Day from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any outstanding Loans. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days and shall be payable in arrears.

(c) The Borrower agrees to pay the Administrative Agent, for its own account, the fees at the times and in the amounts provided for in the letter agreement dated February 25, 2000 among the Borrower, Chase and Chase Securities Inc.

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

SECTION 2.8. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Credit Loan of such Lender on the Maturity Date (or such earlier date on which the Revolving Credit Loans become due and payable pursuant to Article 7); 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.

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

(c) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each 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, 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 hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

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

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

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

SECTION 2.9. Interest on Loans.

(a) Subject to the provisions of Section 2.10, the Loans comprising each LIBOR Borrowing shall bear interest 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.

(b) Subject to the provisions of Section 2.10, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be when determined by reference to the Prime Rate and over a

year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the applicable margin 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 shall be payable in arrears on each Interest Payment Date applicable to such Loan. The LIBOR or the Alternate Base Rate for each Interest Period or day within an Interest Period shall be determined by the Administrative Agent and such determination shall be conclusive absent manifest error.

SECTION 2.10. Interest on Overdue Amounts.

If the Borrower shall default in the payment of the principal of, or interest on, any Loan or any other amount becoming due hereunder, the Borrower shall on demand from time to time pay interest, to the extent permitted by Applicable Law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable, in the case of amounts bearing interest determined by reference to the Prime Rate and a year of 360 days in all other cases, equal to (a) in the case of the remainder of the then current Interest Period for any LIBOR Loan or Fixed Rate Loan, the rate applicable to such Loan under Section 2.9 plus 2% per annum and (b) in the case of any other amount, the rate that would at the time be applicable to an ABR Loan under Section 2.9 plus 2% per annum plus the applicable margin for ABR Loans in effect from time to time in accordance with Section 2.22.

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) The Commitments of all of the Lenders shall be automatically terminated on the Maturity Date.

(b) Subject to Section 2.13(b), upon at least three Business Days' prior irrevocable written or teletype 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 and the Utilization 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) 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 teletype 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.

(b) 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 up to the full amount thereof before they are applied to outstanding LIBOR 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 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. 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 Borrower shall pay such additional amount or amounts as will compensate such Lender for such increase or reduction to such Lender upon demand by such Lender.

(b) If, after the date of this Agreement, any Lender shall have determined in good faith that the adoption after the date hereof of 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 shall not constitute a waiver of such Lender's rights to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to such Interest Period or any other Interest Period. The protection of this Section 2.15 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 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, Utilization 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 to give effect to its obligations as contemplated hereby, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

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

Revolving Credit Loans from such Lender hereunder unless such declaration is subsequently withdrawn; and

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

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

SECTION 2.17. Reimbursement of Lenders.

(a) The Borrower shall reimburse each Lender on demand for any loss incurred or to be incurred by it in the reemployment of the funds released (i) by any prepayment (for any reason, including any refinancing) of any LIBOR or Fixed Rate Loan if such Loan is repaid other than on the last day of the applicable Interest Period for such Loan or (ii) in the event that after the Borrower delivers a notice of borrowing under Section 2.5 in respect of LIBOR Revolving Credit Loans or a Competitive Bid Accept/Reject Letter under Section 2.4(d), pursuant to which it has accepted 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 for any reason other than (I) a suspension or limitation under Section 2.16 of the right of the Borrower to select a LIBOR Loan or (II) a breach by a Lender of its obligations hereunder. In the case of such failure to borrow, such loss shall be the amount as reasonably determined by such Lender as the excess, if any, of (A) the amount of interest which would have accrued to such Lender on the amount not borrowed, at a rate of interest equal to the interest rate applicable to such Loan pursuant to Section 2.9, for the period from the date of such failure to borrow to the last day of the Interest Period for such Loan which would have commenced on the date of such failure to borrow, over (B) the amount realized by such Lender in reemploying the funds not advanced during the period referred to above. In the case of a payment other than on the last day of the Interest Period for a Loan, such loss shall be the amount of 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 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 (at such date of determination) with maturities approximately equal to the remaining Interest Period for such Loan times (z) the number of days remaining in the Interest Period for such Loan. Each Lender shall deliver to the Borrower from time to time one or more certificates setting forth the amount of such loss (and in reasonable detail the manner of computation thereof) as determined by such Lender, which certificates shall be conclusive absent manifest error. The Borrower shall pay to the Administrative

Agent for the account of each Lender the amount shown as due on any certificate within thirty (30) days after its receipt of the same.

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

SECTION 2.18. Pro Rata Treatment.

Except as permitted under Sections 2.14, 2.15(c), 2.15(f), 2.16, 2.17, 2.24 and 4.1(g), each Borrowing, each reduction of the aggregate Commitments shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amount of their Loans) and each payment or prepayment of principal of any Borrowing and each payment of interest on the Loans shall be allocated pro rata in accordance with the respective principal amount of the Loans then held by the 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 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.

All payments by the Borrower hereunder and under the Notes shall be made in Dollars or other applicable Currency in immediately available funds, without setoffs, deductions or counterclaims, 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.

SECTION 2.21. Withholding Taxes.

(a) Prior to the date of the initial Loans hereunder, and from time to time thereafter if requested by the Borrower or the Administrative Agent or required because, as a result of a change in Applicable Law or a change in circumstances or otherwise, a previously delivered form or statement becomes incomplete or incorrect in any material respect, each Lender organized under the laws of a jurisdiction outside the United States shall provide, if applicable, the Administrative Agent and the Borrower with complete, accurate and duly executed forms or other statements prescribed by 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 Borrower and the Administrative Agent shall be entitled to deduct and withhold any and all present or future taxes or withholdings, and all liabilities with respect thereto, from payments hereunder or under the Notes, if and to the extent that the Borrower or the Administrative Agent in good faith determines that such deduction or withholding is required by Applicable Law, including, without limitation, any applicable treaty. In the event the Borrower or the Administrative Agent shall so determine that deduction or withholding of taxes is required, it shall advise the affected Lender as to the basis of such determination prior to actually deducting and withholding such taxes. In the event the Borrower or the Administrative Agent shall so deduct or withhold taxes from amounts

payable hereunder, it (i) shall pay to or deposit with the appropriate taxing authority in a timely manner the full amount of taxes it has deducted or withheld; (ii) shall provide evidence of payment of such taxes to, or the deposit thereof with, the appropriate taxing authority and a statement setting forth the amount of taxes deducted or withheld, the applicable rate, and any other information or documentation reasonably requested by the Lenders from whom the taxes were deducted or withheld; and (iii) shall forward to such Lenders any receipt for such payment or deposit of the deducted or withheld taxes as may be issued from time to time by the appropriate taxing authority. Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under the Notes are not subject to withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrower or the Administrative Agent may withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender.

(c) Each Lender agrees (i) that as between it and the Borrower or the Administrative Agent, it shall be the Person to deduct and withhold taxes, and to the extent required by law it shall deduct and withhold taxes, on amounts that such Lender may remit to any other Person(s) by reason of any undisclosed transfer or assignment of an interest in this Agreement to such other Person(s) pursuant to paragraph (g) of Section 9.3 and (ii) to indemnify the Borrower and the Administrative Agent and any 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 the Administrative Agent (i) the sum payable by the Borrower shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.21) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower, the Lender or the Administrative Agent (as the case may be) shall make such deductions and (iii) the Borrower, the Lender or the Administrative Agent (as the case may be) shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with Applicable Law. For purposes of this Section 2.21, the term "Initial Date" shall mean (i) in the case of the Administrative Agent, the date hereof, (ii) in the case of each Lender as of the date hereof, the date hereof and (iii) in the case of any other Lender, the effective date of the Assignment and Acceptance pursuant to which it became a Lender.

SECTION 2.22. Certain Pricing Adjustments.

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

S&P/Moody's Rating Equivalent of the Borrower's senior unsecured long-term debt	Facility Fee (in Basis Points)	Applicable LIBOR 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 higher rating will determine the Facility Fee and applicable LIBOR Spread, unless the S&P and Moody's ratings are more than one level apart, in which case the rating one level below the higher rating will be determinative. 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 the applicable 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 rating agency not to rate its senior unsecured long-term debt or on the date either of such rating agencies announces it shall no longer rate the Borrower's senior unsecured long-term debt. Any decrease in the Facility Fee or applicable LIBOR Spread shall be effective on the date of announcement or publication by either of such rating agencies of an increase in rating or in the absence

of announcement or publication on the effective date of such increase in rating. The applicable margin for ABR Loans shall be 1% less than the applicable LIBOR Spread (but not less than 0%).

SECTION 2.23. [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 G, 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, any accrued and unpaid Facility Fee and any accrued and unpaid Utilization 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, the Utilization 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.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

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

SECTION 3.1. Corporate Existence and Power.

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

SECTION 3.2. Corporate Authority 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 Borrower, (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 Borrower of this Agreement or the other Fundamental Documents.

SECTION 3.4. Financial Statements of Borrower.

The (a) audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1997 and December 31, 1998, and (b) unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 1999, 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, 1998 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.

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

SECTION 3.12. Enforceability.

This Agreement and the other Fundamental Documents when executed will constitute legal, valid and enforceable obligations (as applicable) of the Borrower (subject, as to enforcement, to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity).

SECTION 3.13. Taxes.

The Borrower and each of its Subsidiaries 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 January 2000, at the time it was furnished, contained any untrue statement of a material fact or omitted to state a material fact, under the circumstances under which it was made, necessary in order to make the statements contained herein or therein not misleading. At the Closing Date, there is no fact known to the Borrower which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

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.

SECTION 3.17. Year 2000 Matters

To the Borrower's knowledge, the disclosures relating to Year 2000 matters contained in (i) the Borrower's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and (ii) the Borrower's Annual Report on Form 10-K for the year ended December 31, 1998], accurately present, in all material respects, the status of the Borrower's efforts to address Year 2000 compliance issues as of September 30, 1999 and December 31, 1998 respectively.

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 the Borrower.

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

(c) Financial Statements. The Lenders shall have received the (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, 1999.

(d) Opinions of Counsel. The Administrative Agent shall have received the favorable written opinions, dated the date hereof and addressed to the Administrative Agent and the Lenders, of internal counsel of PHH Corporation and of Skadden, Arps, Slate, Meagher & Flom LLP, substantially in the form of Exhibits B-1 and B-2 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, 1998.

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

(g) 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 if any, shall be held by the Lenders pro rata in accordance with their respective Commitments. The Borrower 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 Borrower 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 the Borrower 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 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 Borrower shall be in material compliance with all of the terms and provisions set forth herein to be observed or performed and no Event of Default or Default shall have occurred and be continuing; provided 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 Borrower 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 100 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 such fiscal quarter, 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) [Intentionally Deleted];

(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 and (b) 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) [Intentionally Deleted];

(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 Closing date 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 or any of its Subsidiaries 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) \$700,000,000 plus (ii) 25% of Consolidated Net Income, if positive, for each fiscal quarter after September 30, 1999.

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 five (5) 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 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. [Intentionally Deleted].

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 the Borrower in this Agreement or any other Fundamental Document or in connection with this Agreement or with the execution and delivery of the Notes or the Borrowings hereunder, or any statement or representation made in any report, financial statement, certificate or other document furnished by or on behalf of the Borrower or any of its Subsidiaries to the Administrative Agent or any

Lender under or in connection with this Agreement, shall prove to have been false or misleading in any material respect when made or delivered;

(b) default shall be made in the payment of any principal of or interest on the Notes or of any fees or other amounts payable by the Borrower hereunder, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, and in the case of payments of interest, such default shall continue unremedied for five 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(c) (with respect to notice of Default or Events of Default) or Article 6;

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

(e) (i) default in payment shall be made with respect to any Indebtedness or Interest Rate 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; or

(j) a Reportable Event relating to a failure to meet minimum funding standards or an inability to pay benefits when due shall have occurred with respect to any Plan under the control of the Borrower or any of its Subsidiaries and shall not have been remedied within 45 days after the occurrence of such Reportable Event, if the occurrence thereof could reasonably be expected to have a Material Adverse Effect;

then, in every such event and at any time thereafter during the continuance of such event, the Administrative Agent may or, 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 ADMINISTRATIVE AGENT

SECTION 8.1. Administration by Administrative Agent.

The general administration of the Fundamental Documents and any other documents contemplated by this Agreement shall be by the Administrative Agent or 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. The Administrative Agent 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 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 hereby authorizes and requests the Administrative Agent to advance for its account, pursuant to the terms hereof, the amount of the Loan to be made by it, unless with respect to any Lender, such Lender has theretofore specifically notified the Administrative Agent that such Lender does not intend to fund that particular Loan. Each of the Lenders agrees forthwith to reimburse the Administrative Agent in immediately available funds for the amount so advanced on its behalf by the Administrative Agent pursuant to the immediately preceding sentence. If any such reimbursement is not made in immediately available funds on the same day on which the Administrative Agent shall have made any such amount available on behalf of any Lender in accordance with this Section 8.2, such Lender shall pay interest to the Administrative Agent at a rate

per annum equal to the Administrative Agent's cost of obtaining overnight funds in the New York Federal Funds Market. Notwithstanding the preceding sentence, if such reimbursement is not made by the second Business Day following the day on which the Administrative Agent shall have made any such amount available on behalf of any Lender or such Lender has indicated that it does not intend to reimburse the Administrative Agent, the Borrower shall immediately pay such unreimbursed advance amount (plus any accrued, but unpaid interest at the rate per annum equal to the interest rate applicable to such Loan) to the Administrative Agent.

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

SECTION 8.3. Sharing of Setoffs and Cash Collateral.

Each of the Lenders agrees that if it shall, through the operation of Section 2.19 or the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, including, but not limited to, a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim and received by such Lender under any applicable bankruptcy, insolvency or other similar law, or otherwise (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 from the Borrower of any communication calling for an action on the part of the Lenders, or upon notice to the Administrative Agent of any Event of Default, the Administrative Agent will in turn immediately inform the other Lenders in writing (which

shall include telegraphic communications) of the nature of such communication or of the Event of Default, as the case may be.

SECTION 8.5. Liability of the Administrative Agent.

(a) The Administrative Agent, when acting on behalf of the Lenders may execute any of its duties under this Agreement by or through its officers, agents, or employees and neither the Administrative Agent nor its 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 Administrative Agent nor its 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 Administrative Agent nor any of its 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 of any of the terms, conditions, covenants, or agreements of this Agreement or any related agreement or document.

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

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

SECTION 8.6. Reimbursement and Indemnification.

Each of the Lenders severally and not jointly agrees (i) to reimburse the Administrative Agent 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 Borrower or one of its Subsidiaries; and (ii) to indemnify and hold harmless the Administrative Agent 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 Borrower or one of its Subsidiaries (except such as shall result from the gross negligence or willful misconduct of the Person seeking indemnification).

SECTION 8.7. Rights of Administrative Agent.

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

SECTION 8.8. Independent Investigation by Lenders.

Each of the Lenders acknowledges that it has decided to enter into this Agreement and to make the Loans hereunder based on its own analysis of the transactions contemplated hereby and of the creditworthiness of the Borrower and agrees that the Administrative Agent shall not bear responsibility therefor.

SECTION 8.9. Notice of Transfer.

The Administrative Agent 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 Administrative Agent.

The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent from among the Lenders, with the consent of the Borrower, which will not be unreasonably withheld. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which with the consent of the

Borrower, which will not be unreasonably withheld, shall be a commercial bank organized or licensed under the laws of the United States or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

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, if to the Borrower, to it at 307 International Circle, Hunt Valley, Maryland 21030-1337, 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 the Borrower herein or in any certificate or other instrument delivered by it or on its behalf in connection with this Agreement shall be considered to have been relied upon by the Administrative Agent and the Lenders and shall survive the making of the Loans herein contemplated and the issuance and delivery to the Administrative Agent of the Notes regardless of any investigation made by the Administrative Agent or the Lenders or on their behalf and shall continue in full force and effect so long as any amount due or to become due hereunder is outstanding and unpaid and so long as the Commitments have not been terminated. All statements in any such certificate or other instrument shall constitute representations and warranties by the Borrower hereunder.

SECTION 9.3. Successors and Assigns; Syndications; Loan Sales; Participations.

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

(b) Each of the Lenders may (but only with the prior written consent of the Administrative Agent 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, but shall continue to be entitled to the indemnity and expense reimbursement provisions for the period prior to such Assignment and Acceptance).

(c) [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 Borrower or the performance or observance by the Borrower of any of its obligations under the Fundamental Documents; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Sections 5.1(a) and 5.1(b) (or if none of such financial statements shall have then been delivered, then copies of the financial statements referred to in Section 3.4) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the assigning Lender, the Administrative Agent, or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent, to take such action as agent on its behalf and to exercise such powers under the Fundamental Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will be bound by the provisions of this Agreement and will perform in accordance with its terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(e) The Administrative Agent, on behalf of the Borrower, shall maintain at its address at which notices are to be given to it pursuant to Section 9.1, a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders and the 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, and A-2 hereto, as the case may be.

(g) Each of the Lenders may without the consent of the Borrower 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 Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(h) The Lenders may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.3, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to the Administrative Agent by or on behalf of the Borrower.

(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) The Borrower consents that any Lender may at any time and from time to time pledge, or otherwise grant a security interest in, any Loan or any Note evidencing such Loan (or any part thereof), including any such pledge or grant to any Federal Reserve Bank, and 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, the Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative 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, 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. The Borrower agrees that it shall indemnify the Administrative 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 Borrower 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, the Borrower agrees to indemnify and hold harmless the Administrative 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 Borrower shall not be liable for the fees and expenses of more than one separate firm for all such Indemnified Parties in connection with any one such action or any separate but substantially similar or related actions in the same jurisdiction, nor shall the Borrower be liable for any settlement of any proceeding effected without the Borrower's written consent, and provided, further, 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 the Borrower 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.

SECTION 9.7. No Waiver.

No failure on the part of the Administrative 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 the Borrower herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed or consented to in writing by the

Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given; provided 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 or Utilization 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. No such amendment or modification may adversely affect the rights and obligations of the Administrative Agent hereunder without its prior written consent. No notice to or demand on the Borrower shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Each holder of a Note shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not a Note shall have been marked to indicate such amendment, modification, waiver or consent and any consent by any holder of a Note shall bind any Person subsequently acquiring a Note, whether or not a Note is so marked.

SECTION 9.10. Severability.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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

(a) THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF NEW YORK LOCATED IN NEW YORK COUNTY AND TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF BROUGHT BY THE ADMINISTRATIVE AGENT OR A LENDER. THE BORROWER TO THE EXTENT PERMITTED BY APPLICABLE LAW (A) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS, ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF THE ABOVE-NAMED COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS AGREEMENT OR THE SUBJECT MATTER HEREOF MAY NOT BE ENFORCED

IN OR BY SUCH COURT, AND (B) HEREBY WAIVES THE RIGHT TO ASSERT IN ANY SUCH ACTION, SUIT OR PROCEEDING ANY OFFSETS OR COUNTERCLAIMS EXCEPT COUNTERCLAIMS THAT ARE COMPULSORY OR OTHERWISE ARISE FROM THE SAME SUBJECT MATTER. THE BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS BY MAIL AT ITS ADDRESS TO WHICH NOTICES ARE TO BE GIVEN PURSUANT TO SECTION 9.1. THE BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF THE ADMINISTRATIVE AGENT AND THE LENDERS. FINAL JUDGMENT AGAINST THE BORROWER IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION (A) BY SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, A CERTIFIED OR TRUE COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND THE AMOUNT OF INDEBTEDNESS OR LIABILITY OF THE SUBMITTING PARTY THEREIN DESCRIBED OR (B) IN ANY OTHER MANNER PROVIDED BY, OR PURSUANT TO, THE LAWS OF SUCH OTHER JURISDICTION, PROVIDED THAT THE ADMINISTRATIVE AGENT OR A LENDER MAY AT ITS OPTION BRING SUIT, OR INSTITUTE OTHER JUDICIAL PROCEEDINGS AGAINST THE BORROWER OR ANY OF ITS ASSETS IN ANY STATE OR FEDERAL COURT OF THE UNITED STATES OR OF ANY COUNTRY OR PLACE WHERE THE BORROWER OR SUCH ASSETS MAY BE FOUND.

(b) TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING OR WHETHER IN CONTRACT OR TORT OR OTHERWISE. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED THAT THE PROVISIONS OF THIS SECTION 9.11(b) CONSTITUTE A MATERIAL INDUCEMENT UPON WHICH THE OTHER PARTIES HAVE RELIED, ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. THE PARTIES HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 9.11(b) WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF SUCH OTHER PARTY TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY.

SECTION 9.12. Headings.

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

SECTION 9.13. Execution in Counterparts.

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

SECTION 9.14. Entire Agreement.

This Agreement represents the entire agreement of the parties with regard to the subject matter hereof and the terms of any letters and other documentation entered into among the Borrower, the Administrative Agent or any Lender (other than the provisions of the letter agreement dated February 25, 2000, 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. (a) 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, the Borrower 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 the Borrower 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, the Borrower 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 Borrower. The obligations of the Borrower 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. [Intentionally Deleted].

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.

SECTION 9.18. [Intentionally Deleted].

SECTION 9.19. European Economic And Monetary Union.

(a) 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 the 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 Borrower to the Lenders and the Lenders to the Borrower 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: _____
Title:
Name:

THE CHASE MANHATTAN BANK, individually and as Administrative Agent

By: _____
Title:
Name:

CREDIT SUISSE FIRST BOSTON

By:

Title:
Name:

BANK OF AMERICA N.A.

By:

Title:

Name:

BANK OF MONTREAL

By:

Title:

Name:

THE BANK OF NEW YORK

By:

Title:

Name:

THE BANK OF NOVA SCOTIA

By:

Title:

Name:

THE BANK OF TOKYO-MITSUBISHI,
LIMITED, NEW YORK BRANCH

By: _____
Title:
Name:

CREDIT LYONNAIS NEW YORK BRANCH

By:

Title:

Name:

BANK ONE, NA

By:

Title:

Name:

FUJI BANK LTD.

By:

Title:

Name:

ALLFIRST BANK

By:

Title:

Name:

FIRST UNION NATIONAL BANK

By:

Title:

Name:

FLEET BANK

By:

Title:

Name:

THE INDUSTRIAL BANK OF JAPAN, LIMITED
NEW YORK BRANCH

By: _____
Title:
Name:

MELLON BANK, N.A.

By:

Title:

Name:

NATIONAL WESTMINSTER BANK PLC

By:

Title:

Name:

NORTHERN TRUST COMPANY

By:

Title:
Name:

ROYAL BANK OF CANADA

By:

Title:

Name:

THE SUMITOMO BANK, LIMITED

By:

Title:

Name:

WELLS FARGO BANK, N.A.

By:

Title:

Name:

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: _____
Title:
Name:

By: _____
Title:
Name:

Schedule 1.1A

Commitments

Lender -----	Commitment -----
The Chase Manhattan Bank	\$97,500,000.00
Bank of America N.A.	\$80,000,000.00
Bank One, NA	\$55,000,000.00
The Bank of Nova Scotia	\$55,000,000.00
Bank of Montreal	\$37,500,000.00
Credit Lyonnais	\$37,500,000.00
First Union National Bank	\$37,500,000.00
Mellon Bank, N.A.	\$37,500,000.00
The Bank of New York	\$37,500,000.00
Royal Bank of Canada	\$37,500,000.00
Allfirst Bank	\$25,000,000.00
Bank of Tokyo-Mitsubishi	\$25,000,000.00
Credit Suisse First Boston	\$25,000,000.00
Fleet Bank	\$25,000,000.00
The Industrial Bank of Japan	\$25,000,000.00
Sumitomo Bank, Limited	\$25,000,000.00
Wells Fargo Bank, N.A.	\$25,000,000.00
Westdeutsche Landesbank	\$25,000,000.00
Fuji Bank Ltd.	\$12,500,000.00
National Westminster Bank PLC	\$12,500,000.00
Northern Trust Company	\$12,500,000.00
TOTAL	\$750,000,000.00

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

Existing Indebtedness and Guaranties

None.

Existing Liens

None.

FIVE YEAR COMPETITIVE ADVANCE AND
REVOLVING CREDIT AGREEMENT

Dated as of March 4, 1997, as amended
and restated through February 28, 2000

among

PHH CORPORATION

as Borrower

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

=====
CHASE SECURITIES INC., Arranger and Book Manager

TABLE OF CONTENTS

Page

1. DEFINITIONS.....	1
2. THE LOANS.....	16
SECTION 2.1. Commitments.....	16
SECTION 2.2. Loans.....	16
SECTION 2.3. Use of Proceeds.....	17
SECTION 2.4. Competitive Bid Procedure.....	17
SECTION 2.5. Revolving Credit Borrowing Procedure.....	20
SECTION 2.6. Refinancings.....	20
SECTION 2.7. Fees.....	21
SECTION 2.8. Repayment of Loans; Evidence of Debt.....	22
SECTION 2.9. Interest on Loans.....	23
SECTION 2.10. Interest on Overdue Amounts.....	23
SECTION 2.11. Alternate Rate of Interest.....	24
SECTION 2.12. Termination and Reduction of Commitments.....	24
SECTION 2.13. Prepayment of Loans.....	25
SECTION 2.14. Eurocurrency Reserve Costs.....	25
SECTION 2.15. Reserve Requirements; Change in Circumstances.....	26
SECTION 2.16. Change in Legality.....	28
SECTION 2.17. Reimbursement of Lenders.....	28
SECTION 2.18. Pro Rata Treatment.....	29
SECTION 2.19. Right of Setoff.....	30
SECTION 2.20. Manner of Payments.....	30
SECTION 2.21. Withholding Taxes.....	30
SECTION 2.22. Certain Pricing Adjustments.....	32
SECTION 2.23. [Intentionally Deleted.].....	33
SECTION 2.24. Letters of Credit.....	33
SECTION 2.25. Extension of Maturity Date.....	37
3. REPRESENTATIONS AND WARRANTIES OF BORROWER.....	39
SECTION 3.1. Corporate Existence and Power.....	39
SECTION 3.2. Corporate Authority and No Violation.....	39
SECTION 3.3. Governmental and Other Approval and Consents.....	39
SECTION 3.4. Financial Statements of Borrower.....	40
SECTION 3.5. No Material Adverse Change.....	40
SECTION 3.7. Copyrights, Patents and Other Rights.....	40

SECTION 3.8.	Title to Properties.....	40
SECTION 3.9.	Litigation.....	40
SECTION 3.10.	Federal Reserve Regulations.....	41
SECTION 3.11.	Investment Company Act.....	41
SECTION 3.12.	Enforceability.....	41
SECTION 3.13.	Taxes.....	41
SECTION 3.14.	Compliance with ERISA.....	41
SECTION 3.15.	Disclosure.....	42
SECTION 3.16.	Environmental Liabilities.....	42
SECTION 3.17.	Year 2000 Matters.....	42
4.	CONDITIONS OF LENDING.....	42
SECTION 4.1.	Conditions Precedent to Effectiveness.....	42
(a)	Loan Documents.....	42
(b)	Corporate Documents for the Borrower.....	42
(c)	Financial Statements.....	43
(d)	Opinions of Counsel.....	43
(e)	No Material Adverse Change.....	43
(f)	Payment of Fees.....	43
(h)	Litigation.....	43
(i)	Officer's Certificate.....	44
SECTION 4.2.	Conditions Precedent to Each Loan and Letter of Credit..	44
(a)	Notice.....	44
(b)	Representations and Warranties.....	44
(c)	No Event of Default.....	44
5.	AFFIRMATIVE COVENANTS.....	44
SECTION 5.1.	Financial Statements, Reports, etc.	45
SECTION 5.2.	Corporate Existence; Compliance with Statutes.....	46
SECTION 5.3.	Insurance.....	46
SECTION 5.4.	Taxes and Charges.....	46
SECTION 5.5.	ERISA Compliance and Reports.....	47
SECTION 5.6.	Maintenance of and Access to Books and Records; Examinations.....	47
SECTION 5.7.	Maintenance of Properties.....	48
6.	NEGATIVE COVENANTS.....	48
SECTION 6.1.	Limitation on Material Subsidiary Indebtedness.....	48
SECTION 6.2.	[Intentionally deleted].....	49
SECTION 6.3.	Limitation on Transactions with Affiliates.....	49
SECTION 6.4.	Consolidation, Merger, Sale of Assets.....	49
SECTION 6.5.	Limitations on Liens.....	50
SECTION 6.6.	Sale and Leaseback.....	51

SECTION 6.7.	Consolidated Net Worth.....	52
SECTION 6.8.	Ratio of Indebtedness To Consolidated Net Worth.....	52
SECTION 6.9.	Accounting Practices.....	52
SECTION 6.10.	Restrictions Affecting Subsidiaries.....	52
SECTION 6.11.	[Intentionally Deleted].....	52
SECTION 6.12.	Limitation on Mortgage Repurchase Indebtedness.....	52
7.	EVENTS OF DEFAULT.....	52
8.	THE ADMINISTRATIVE AGENT AND EACH ISSUING LENDER.....	55
SECTION 8.1.	Administration by Administrative Agent.....	55
SECTION 8.2.	Advances and Payments.....	55
SECTION 8.3.	Sharing of Setoffs and Cash Collateral.....	56
SECTION 8.4.	Notice to the Lenders.....	56
SECTION 8.5.	Liability of Administrative Agent and Each Issuing Lender.....	56
SECTION 8.6.	Reimbursement and Indemnification.....	57
SECTION 8.7.	Rights of Administrative Agent.....	58
SECTION 8.8.	Independent Investigation by Lenders.....	58
SECTION 8.9.	Notice of Transfer.....	58
SECTION 8.10.	Successor Administrative Agent.....	58
SECTION 8.11.	Resignation of an Issuing Lender.....	59
9.	MISCELLANEOUS.....	59
SECTION 9.1.	Notices.....	59
SECTION 9.2.	Survival of Agreement, Representations and Warranties, etc.	60
SECTION 9.3.	Successors and Assigns; Syndications; Loan Sales; Participations.....	60
SECTION 9.4.	Expenses; Documentary Taxes.....	63
SECTION 9.5.	Indemnity.....	64
SECTION 9.6.	CHOICE OF LAW.....	64
SECTION 9.7.	No Waiver.....	64
SECTION 9.8.	Extension of Maturity.....	65
SECTION 9.9.	Amendments, etc.	65
SECTION 9.10.	Severability.....	65
SECTION 9.11.	SERVICE OF PROCESS; WAIVER OF JURY TRIAL.....	66
SECTION 9.12.	Headings.....	67
SECTION 9.13.	Execution in Counterparts.....	67
SECTION 9.14.	Entire Agreement.....	67

SCHEDULES

1.1A	Lenders, Addresses and Commitments
1.1B	Available Foreign Currencies
3.6	Material Subsidiaries
3.9	Litigation
6.1	Existing Material Subsidiary Indebtedness
6.5	Existing Liens

EXHIBITS

A-1	Form of Revolving Credit Note
A-2	Form of Competitive Note
B-1	Opinion of In-house Counsel
B-2	Opinion of Skadden Arps
C	Form of Assignment and Acceptance
D	Form of Compliance Certificate
E-1	Form of Competitive Bid Request
E-2	Form of Competitive Bid Invitation
E-3	Form of Competitive Bid
E-4	Form of Competitive Bid Accept/Reject Letter
F	Form of Revolving Credit Borrowing Request
G	Form of Extension Request
H	Form of Replacement Bank Agreement

FIVE YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT (the "Agreement"), dated as of March 4, 1997, as amended and restated through February 28, 2000 among PHH CORPORATION, a Maryland corporation (the "Borrower"), the Lenders referred to herein and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent (the "Administrative Agent") for the Lenders.

INTRODUCTORY STATEMENT

The Borrower, certain of the Lenders and the Administrative Agent are parties to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended to the date prior to 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 (as defined below) may be made to the Borrower and Letters of Credit issued for the account of the Borrower (of which not more than the amounts described herein at any time shall consist of Letters of Credit). In addition, under the Existing Credit Agreement, the Lenders provide a procedure pursuant to which Lenders may bid on an uncommitted basis on short-term borrowings by the Borrower.

The Borrower has requested that the Maturity Date (as defined below) be extended to February 28, 2005 and the amount committed under the revolving credit facility reduced to \$750,000,000 and has requested certain other amendments to the Existing Credit Agreement.

The Borrower, the Lenders and the Administrative 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.

"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 mortgages, relocation assets and related assets under management.

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

"Alternate Base Rate" shall mean for any day, a rate per annum (rounded upwards to the nearest 1/16 of 1% if not already an integral multiple of 1/16 of 1%) equal to the 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 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.

"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.

"Basis Point" shall mean 1/100th of 1%.

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

"Borrowing" shall mean a group of Loans of a single Interest Rate Type made by 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.

"Business Day" shall mean, with respect to any 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).

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

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

"Cash Equivalents" shall mean (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 capital, surplus and undivided profits aggregating at least \$500,000,000, and rated A or better by S&P or Moody's.

"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 at the Closing Date), 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) if at any time, individuals who at the Closing Date constituted the Board of Directors of Cendant Corporation (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 Closing Date or whose election or a nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Cendant Corporation then in office 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.

"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 February 28, 2000.

"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, with respect to each Lender, the commitment of such Lender as set forth 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 2.25(d), as the case may be, as such Lender's Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.12 or 2.25 or Article 7 or changed pursuant to Section 9.3. The Commitments shall automatically and permanently terminate on the earlier of (a) the Maturity Date or (b) the date of termination in whole pursuant to Section 2.12 or Article 7.

"Commitment Expiration Date" shall have the meaning assigned to such term in Section 2.25(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.

"Commitment Utilization Percentage" shall mean on any day the percentage equivalent of a fraction (a) the numerator of which is the sum of the aggregate outstanding principal amount of Revolving Credit Loans and the Dollar Equivalent Amount of the aggregate outstanding principal amount of Competitive Loans and (b) the denominator of which is the Total Commitment (or, on any day after termination of the Commitments, the Total Commitment in effect immediately preceding such termination).

"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.

"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.

"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.

"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.

"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. (Section) 1251 et seq., the Clean Air Act, 42 U.S.C. (Section) 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. (Section) 136 et seq., the Surface Mining Control and Reclamation Act, 30 U.S.C. (Section) 1201 et seq., the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (Section) 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. (Section) 11001 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. (Section) 6901 et seq., the Occupational Safety and Health Act as amended, 29 U.S.C. (Section) 655 and (Section) 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.

"Excess Utilization Day" shall mean each day on which the Commitment Utilization Percentage exceeds 33%.

"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 2.25 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.

"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 and any other ancillary documentation which is required to be, or is otherwise, executed by the Borrower and delivered to the Administrative Agent in connection with this Agreement.

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

"Issuing Lender" shall mean Chase or The Chase Manhattan Bank (Delaware), and/or such other of the Lenders as may be designated in writing by the Borrower and which agrees in writing to act as such in accordance with the terms hereof.

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

"Lender and "Lenders" shall mean the financial institutions whose names appear on the signature pages hereof and any assignee of a Lender pursuant to Section 9.3(b).

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

"Letters of Credit" shall mean the letters of credit issued pursuant to Section 2.24.

"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.

"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.

"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 the fifth anniversary of the Closing Date or such later date as shall be determined pursuant to the provisions of Section 2.25 with respect to non- Objecting Lenders.

"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.

"Objecting Lender" shall mean any Lender that does not consent to the extension of the Maturity Date pursuant to Section 2.25.

"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, the Utilization Fee, reimbursement obligations in respect of Letters of Credit, and all other monetary obligations of the Borrower to the Administrative Agent, any Issuing Lender or any Lender under this Agreement, the Notes or the Fundamental Documents or with respect to any Interest Rate Protection Agreements entered into between the Borrower or any of its Subsidiaries and any Lender.

"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.

"PBG" 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.

"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 Total Commitment, except that (i) for purposes of determining the Lenders entitled to declare the principal of and the interest on the Loans and the Notes and all other amounts payable hereunder or thereunder to be forthwith due and payable pursuant to Article 7 and (ii) at all times after the termination of the Total Commitment in its entirety, "Required Lenders" shall mean Lenders holding 51% or more of the aggregate principal amount of the Loans and L/C Exposure at the time outstanding.

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

"Revolving Credit Borrowing Request" shall mean a request made pursuant to Section 2.5 in the form of Exhibit F.

"Revolving Credit Loans" shall mean the Loans made by the Lenders to the Borrower pursuant to a notice given by the Borrower under Section 2.5(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.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies.

"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 Total Commitments.

"364-Day Credit Agreement" shall mean the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended from time to time, among the Borrower, the lenders referred to therein and Chase, as 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.

"Utilization Fee" shall have the meaning given such term in Section 2.7.

"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 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 Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Lender's Commitment minus the sum of such Lender's pro rata share of the then current L/C Exposure plus the 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 conditions that (1) at no time shall (i) the sum of (A) the outstanding aggregate principal amount of all Revolving Credit Loans made by all Lenders plus (B) the then current L/C Exposure plus (C) the outstanding aggregate principal Dollar Equivalent Amount of all Competitive Loans made by the Lenders exceed (ii) the Total Commitment and (2) at all times the outstanding aggregate principal amount of all Revolving Credit Loans made by each Lender shall equal the product of (i) the percentage that its Commitment represents of the Total Commitment times (ii) the outstanding aggregate principal amount of all Revolving Credit Loans. During the Commitment Period, the Borrower may use the Commitments of the Lenders by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) 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 Revolving Credit Loan shall be made as part of a Borrowing from the Lenders ratably in accordance with their respective applicable Commitments; provided that the failure of any Lender to make any Revolving Credit Loan shall not in itself relieve any other Lender of its

obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.4. The Revolving Credit Loans or Competitive Loans comprising any Borrowing shall be (i) in the case of Competitive Loans and LIBOR Loans, in an aggregate principal 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).

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

(c) Subject to Section 2.6, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by making funds available at the 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 Lenders to fund any Borrowing hereunder, the Administrative Agent shall disburse such funds by depositing them into an account of the Borrower maintained with the Administrative Agent. Competitive Loans shall be made by the Lender or Lenders whose Competitive Bids therefor are accepted pursuant to Section 2.4 in the amounts so accepted and Revolving Credit Loans shall be made by all the Lenders pro rata in accordance with Section 2.1 and this Section 2.2.

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

SECTION 2.3. Use of Proceeds.

The proceeds of the Loans shall be used for working capital and general corporate purposes.

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 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 the Dollar Equivalent Amount of 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.

(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.

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 and (c) if such Borrowing is to be a Borrowing of LIBOR Revolving Credit Loans, the Interest Period with respect thereto. If no election as to the Interest Rate Type of a Revolving Credit Borrowing is specified in any such notice, then the requested Revolving Credit Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any 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. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.5 and of each such Lender's portion of the requested Revolving Credit Borrowing.

SECTION 2.6. Refinancings.

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

SECTION 2.7. Fees.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee",) at the rate per annum from time to time in effect in accordance with Section 2.22, on the amount of the Commitment of such Lender, whether used or unused, during the preceding quarter (or shorter period commencing with the Closing Date, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the 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 Commitment of such Lender as provided herein.

(b) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, and on each date on which the Commitment of such Lender shall be terminated as provided herein, a utilization fee (a "Utilization Fee") at a rate per annum equal to .125% for each day on which the Commitment Utilization Percentage exceeds 33%, which fee shall accrue on the daily amount of the Commitment of such Lender (whether used or unused) for each Excess Utilization Day during the period from and including the Closing Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any outstanding Loans after its Commitment terminates, then such Utilization Fee shall continue to accrue on the daily aggregate principal amount of such Lender's Loans for each Excess Utilization Day from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any outstanding Loans. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days and shall be payable in arrears.

(c) The Borrower agrees to pay the Administrative Agent, for its own account, the fees at the times and in the amounts provided for in the letter agreement dated February 25, 2000 among the Borrower, Chase and Chase Securities Inc.

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

SECTION 2.8. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Credit Loan of such Lender on the Maturity Date (or such earlier date on which the Revolving Credit Loans become due and payable pursuant to Article 7); provided that the Revolving Credit Loans made by Objecting Lenders shall be repaid as provided in Section 2.25. 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.

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

(c) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each 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 applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

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

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

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

SECTION 2.9. Interest on Loans.

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

(b) Subject to the provisions of Section 2.10, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be when determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the applicable margin 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 shall be payable in arrears on each Interest Payment Date applicable to such Loan. The LIBOR or the Alternate Base Rate for each Interest Period or day within an Interest Period shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.10. Interest on Overdue Amounts.

If the Borrower shall default in the payment of the principal of, or interest on, any Loan or any other amount becoming due hereunder, the Borrower shall on demand from time to time pay interest, to the extent permitted by Applicable Law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable, in the case of amounts bearing interest determined by reference to the Prime Rate and a year of 360 days in all other cases, equal to (a) in the case of the remainder of the then current Interest Period for any LIBOR Loan or Fixed Rate Loan, the rate applicable to such Loan under Section 2.9 plus 2% per annum and (b) in the case of any other amount, the rate that would at the time be applicable to an ABR Loan under Section 2.9 plus 2% per annum plus the applicable margin for ABR Loans in effect from time to time in accordance with Section 2.22.

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) The Commitments of all of the Lenders shall be automatically terminated on the Maturity Date.

(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 Total Commitment; 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 the Total Commitment to an amount less than the sum of the aggregate outstanding principal Dollar Equivalent Amount of the Loans plus the then current L/C Exposure.

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

(b) 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) plus the then current L/C Exposure 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 plus the then current L/C Exposure after giving effect to such prepayment does not exceed the Total Commitment then in effect. Any prepayments required by this paragraph shall be applied to outstanding ABR Loans up to the full amount thereof before they are applied to outstanding LIBOR 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 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. 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 Borrower shall pay such additional amount or amounts as will compensate such Lender for such increase or reduction to such Lender upon demand by such Lender.

(b) If, after the date of this Agreement, any Lender shall have determined in good faith that the adoption after the date hereof of 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 shall not constitute a waiver of such Lender's rights to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to such Interest Period or any other Interest Period. The protection of this Section 2.15 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, Section 2.21 or Section 2.24(g) or (ii) would require the Borrower to pay an increased amount under this Section 2.15, Section 2.16, Section 2.21 or Section 2.24(g), it will use reasonable efforts to notify the Borrower of such event or condition and, to the extent not inconsistent with such Lender's internal policies, will use its reasonable efforts to make, fund or maintain the affected Loans of such Lender, or, if applicable to participate in Letters of Credit,

through another Lending Office of such Lender if as a result thereof the additional monies which would otherwise be required to be paid or the reduction of amounts receivable by such Lender thereunder in respect of such Loans or Letters of Credit would be materially reduced, or any inability to perform would cease to exist, or the increased costs which would otherwise be required to be paid in respect of such Loans or Letters of Credit pursuant to this Section 2.15, Section 2.16, Section 2.21 or Section 2.24(g) would be materially reduced or the taxes or other amounts otherwise payable under this Section 2.15, Section 2.16, Section 2.21 or Section 2.24(g) would be materially reduced, and if, as determined by such Lender, in its sole reasonable discretion, the making, funding or maintaining of such Loans or Letters of Credit through such other Lending Office would not otherwise materially adversely affect such Loans or Letters of Credit or such Lender.

(f) In the event any Lender shall have delivered to the Borrower a notice that LIBOR Loans are no longer available from such Lender pursuant to Section 2.16, that amounts are due to such Lender pursuant to paragraph (c) 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 and any participations in Letters of Credit from the Lender providing such notice and such Lender shall thereupon assign its Commitment, any Loans owing to such Lender and any participations in Letters of Credit and the Notes held by such Lender to such replacement lending institution pursuant to Section 9.3. Such notice shall specify an effective date for such assignment and at the time thereof, the Borrower shall pay all accrued interest, Facility Fees, Utilization Fees and all other amounts (including without limitation all amounts payable under this Section and Sections 2.21, 2.24(g), 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 to give effect to its obligations as contemplated hereby, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

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

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

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

SECTION 2.17. Reimbursement of Lenders.

(a) The Borrower shall reimburse each Lender on demand for any loss incurred or to be incurred by it in the reemployment of the funds released (i) by any prepayment (for any reason, including any refinancing) of any LIBOR or Fixed Rate Loan if such Loan is repaid other than on the last day of the applicable Interest Period for such Loan or (ii) in the event that after the Borrower delivers a notice of borrowing under Section 2.5 in respect of LIBOR Revolving Credit Loans or a Competitive Bid Accept/Reject Letter under Section 2.4(d), pursuant to which it has accepted 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 for any reason other than (I) a suspension or limitation under Section 2.16 of the right of the Borrower to select a LIBOR Loan or (II) a breach by a Lender of its obligations hereunder. In the case of such failure to borrow, such loss shall be the amount as reasonably determined by such Lender as the excess, if any, of (A) the amount of interest which would have accrued to such Lender on the amount not borrowed, at a rate of interest equal to the interest rate applicable to such Loan pursuant to Section 2.9, for the period from the date of such failure to borrow to the last day of the Interest Period for such Loan which would have commenced on the date of such failure to borrow, over (B) the amount realized by such Lender in reemploying the funds not advanced during the period referred to above. In the case of a payment other than on the last day of the Interest Period for a Loan, such loss shall be the amount as 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 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 (at such date of determination) with maturities approximately equal to the remaining Interest Period for such Loan times (z) the number of days remaining in the Interest Period for such Loan. Each Lender shall deliver to the Borrower from time to time one or more certificates setting forth the amount of such loss (and in reasonable detail the manner of computation thereof) as determined by such Lender, which certificates shall be conclusive absent manifest error. The Borrower shall pay to the Administrative Agent for the account of each Lender the amount shown as due on any certificate within thirty (30) days after its receipt of the same.

(b) In the event the Borrower fails to prepay any Loan on the date specified in any prepayment notice delivered pursuant to Section 2.13(a), the Borrower on demand by any Lender shall

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

SECTION 2.18. Pro Rata Treatment.

Except as permitted under Sections 2.14, 2.15(c), 2.15(f), 2.16, 2.17, 2.25 and 4.1(g), (i) each Revolving Credit Borrowing, each payment or prepayment of principal of any Revolving Credit Borrowing, each payment of interest on the Revolving Credit Loans, each payment of the Facility Fees, each payment of the Utilization Fees, each reduction of the Total Commitment and each refinancing of any Borrowing with, or conversion of any Borrowing to, a Revolving Credit Borrowing, or continuation of any Borrowing as a Revolving Credit Borrowing, shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amount of their outstanding Revolving Credit Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders that shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing computed in accordance with Section 2.1, to the next higher or lower whole Dollar amount.

SECTION 2.19. Right of Setoff.

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

the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section 2.19 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have and are subject to the provisions of Section 8.2.

SECTION 2.20. Manner of Payments.

All payments by the Borrower hereunder and under the Notes shall be made in Dollars in immediately available funds, without setoffs, deductions or counterclaims, 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.

SECTION 2.21. Withholding Taxes.

(a) Prior to the date of the initial Loans hereunder, and from time to time thereafter if requested by the Borrower or the Administrative Agent or required because, as a result of a change in Applicable Law or a change in circumstances or otherwise, a previously delivered form or statement becomes incomplete or incorrect in any material respect, each Lender organized under the laws of a jurisdiction outside the United States shall provide, if applicable, the Administrative Agent and the Borrower with complete, accurate and duly executed forms or other statements prescribed by 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 Borrower and the Administrative Agent shall be entitled to deduct and withhold any and all present or future taxes or withholdings, and all liabilities with respect thereto, from payments hereunder or under the Notes, if and to the extent that the Borrower or the Administrative Agent in good faith determines that such deduction or withholding is required by Applicable Law, including, without limitation, any applicable treaty. In the event the Borrower or the Administrative Agent shall so determine that deduction or withholding of taxes is required, it shall advise the affected Lender as to the basis of such determination prior to actually deducting and withholding such taxes. In the event the Borrower or the Administrative Agent shall so deduct or withhold taxes from amounts payable hereunder, it (i) shall pay to or deposit with the appropriate taxing authority in a timely manner the full amount of taxes it has deducted or withheld; (ii) shall provide evidence of payment of such taxes to, or the deposit thereof with, the appropriate taxing authority and a statement setting forth the amount of taxes deducted or withheld, the applicable rate, and any other information or documentation reasonably requested by the Lenders from whom the taxes were deducted or withheld; and (iii) shall forward to such Lenders any receipt for such payment or deposit of the deducted or withheld taxes as

may be issued from time to time by the appropriate taxing authority. Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under the Notes are not subject to withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrower or the Administrative Agent may withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender.

(c) Each Lender agrees (i) that as between it and the Borrower or the Administrative Agent, it shall be the Person to deduct and withhold taxes, and to the extent required by law it shall deduct and withhold taxes, on amounts that such Lender may remit to any other Person(s) by reason of any undisclosed transfer or assignment of an interest in this Agreement to such other Person(s) pursuant to paragraph (g) of Section 9.3 and (ii) to indemnify the Borrower and the Administrative Agent and any 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 the Administrative Agent (i) the sum payable by the Borrower shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.21) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower, the Lender or the Administrative Agent (as the case may be) shall make such deductions and (iii) the Borrower, the Lender or the Administrative Agent (as the case may be) shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with Applicable Law. For purposes of this Section 2.21, the term "Initial Date" shall mean (i) in the case of the Administrative Agent, the date hereof, (ii) in the case of each Lender as of the date hereof, the date hereof and (iii) in the case of any other Lender, the effective date of the Assignment and Acceptance pursuant to which it became a Lender.

SECTION 2.22. Certain Pricing Adjustments.

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

S&P/Moody's Rating Equivalent of the Borrower's senior unsecured long-term debt	Facility Fee (in Basis Points)	Applicable LIBOR 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 worse	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 higher rating will determine the Facility Fee and applicable LIBOR Spread, unless the S&P and Moody's ratings are more than one level apart, in which case the rating one level below the higher rating will be determinative. 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 the applicable 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 rating agency not to rate its senior unsecured long-term debt or on the date either of such rating agencies announces it shall no longer rate the Borrower's senior unsecured long-term debt. Any decrease in the Facility Fee or applicable LIBOR Spread shall be effective on the date of announcement or publication by either of such rating agencies of an increase in rating or in the absence of announcement or publication on the effective date of such increase in rating. The applicable margin for ABR Loans shall be 1% less than the applicable LIBOR Spread (but not less than 0%).

SECTION 2.23. [Intentionally Deleted.]

SECTION 2.24. Letters of Credit.

(a) (i) Upon the terms and subject to the conditions hereof, each Issuing Lender agrees to issue Letters of Credit payable in Dollars from time to time after the Original Closing Date and prior to the earlier of the Maturity Date and the termination of the Commitments, upon the request of the Borrower, provided that (A) the Borrower shall not request that any Letter of Credit be issued if, after giving effect thereto, the sum of the then current L/C Exposure plus the aggregate principal Dollar Equivalent Amount of the Loans then outstanding would exceed the Total Commitment, (B) in no event shall any Issuing Lender issue (x) any Letter of Credit having an expiration date later than five Business Days before the Maturity Date or (y) any Letter of Credit having an expiration date more than one year after its date of issuance, provided, further, that any Letter of Credit with a 365-day duration may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (x) above), (C) the Borrower shall not request that an Issuing Lender issue any Letter of Credit if, after giving effect to such issuance, the L/C Exposure would exceed \$100,000,000, and (D) an Issuing Lender shall be prohibited from issuing or renewing Letters of Credit hereunder upon the occurrence and during the continuance of a Default or an Event of Default.

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

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

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

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

(c) The payment of drafts under any Letter of Credit shall be made in accordance with the terms of such Letter of Credit and, in that connection, any Issuing Lender shall be entitled to honor any drafts and accept any documents presented to it by the beneficiary of such Letter of Credit in accordance with the terms of such Letter of Credit and believed by such Issuing Lender in good faith, and in the absence of gross negligence or willful misconduct, to be genuine. No Issuing Lender shall have any duty to inquire as to the accuracy or authenticity of any draft or other drawing documents which may be presented to it, but shall be responsible only to determine in accordance with customary commercial practices, and in the absence of gross negligence or willful misconduct, that the documents which are required to be presented before payment or acceptance of a draft under any Letter of Credit have been delivered and that they comply on their face with the requirements of that Letter of Credit. The Borrower's obligations under this Section 2.24 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against any Issuing Lender, any beneficiary of a Letter of Credit or any other Person.

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

(e) In the case of any draft presented under a Letter of Credit which is required to be paid at any time on or before the Maturity Date and provided that the conditions specified in Section 4.2 are then satisfied, such payment shall constitute an ABR Loan hereunder, and interest shall accrue from the date the applicable Issuing Lender makes payment of a draft under the Letter of Credit. If any draft is presented under a Letter of Credit and (i) the conditions specified in Section 4.2 are not satisfied or (ii) if the Commitments have been terminated, then the Borrower will, upon demand by the

Administrative Agent, pay to the applicable Issuing Lender, in immediately available funds, the full amount of such draft.

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

(A) with respect to drawings made under any Letter of Credit, interest, payable on demand, on the amount paid by such Issuing Lender in respect of each such drawing from the date of the drawing to, but excluding, the date such amount is reimbursed by the Borrower at a rate which is at all times equal to 2% per annum in excess of the Alternate Base Rate plus the applicable margin for ABR Loans from time to time in effect in accordance with Section 2.22; provided that no such default interest shall be payable if such reimbursement is made from the proceeds of Revolving Credit Loans pursuant to Section 2.24(e);

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

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

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

(iii) Promptly upon receipt by any Issuing Lender or the Administrative Agent (as applicable) of any amount described in clause (i)(A) or (ii) of this Section 2.24(f), or any amount described in Section 2.24(e) previously reimbursed to the applicable Issuing Lender by the Lenders, such Issuing Lender or the Administrative Agent (as applicable) shall distribute to each Lender its pro rata share of such amount. Amounts payable under clauses (i)(B) and (i)(C) of this Section 2.24(f) shall be paid directly to the Issuing Lender and shall be for its exclusive use.

(g) If by reason of (i) any change after the date hereof in Applicable Law, or in the interpretation or administration thereof (including, without limitation, any request, guideline or policy not having the force of law) by any Governmental Authority charged with the administration or

interpretation thereof, or (ii) compliance by any Issuing Lender or any Lender with any direction, request or requirement (whether or not having the force of law) issued after the date hereof by any Governmental Authority or monetary authority (including any change whether or not proposed or published prior to the date hereof), including, without limitation, Regulation D of the Board:

(A) any Issuing Lender or any Lender shall be subject to any tax, levy, charge or withholding of any nature (other than withholding tax imposed by the United States or any political subdivision or taxing authority thereof or therein or any other tax, levy, charge or withholding (i) that is measured with respect to the overall net income of such Issuing Lender or such Lender (or is imposed in lieu of a tax on net income) or of a Lending Office of such Issuing Lender or such Lender, and that is imposed by the United States, or by the jurisdiction in which such Issuing Lender or such Lender is incorporated, or in which such Lending Office is located, managed or controlled or in which such Issuing Lender or such Lender has its principal office (or any political subdivision or taxing authority thereof or therein) or (ii) that is imposed solely by reason of such Issuing Lender or such Lender failing to make a declaration of, or otherwise to establish, non-residence, or to make any other claim for exemption, or otherwise to comply with any certification, identification, information, documentation or reporting requirements prescribed under the laws of the relevant jurisdiction, in those cases where such Issuing Lender or such Lender may properly make the declaration or claim or so establish non-residence or otherwise comply) or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this Section 2.24, whether directly or by such being imposed on or suffered by any Issuing Lender or any Lender;

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

(C) there shall be imposed on any Issuing Lender or any Lender any other condition regarding this Section 2.24, any Letter of Credit or any participation therein;

and the result of the foregoing is directly or indirectly to increase the cost to any Issuing Lender or any Lender of issuing, making or maintaining any Letter of Credit or of purchasing or maintaining any participation therein, or to reduce the amount receivable in respect thereof by any Issuing Lender or any Lender, then and in any such case such Issuing Lender or such Lender may, at any time, notify the Borrower, and the Borrower shall pay on demand such amounts as such Issuing Lender or such Lender may specify to be necessary to compensate such Issuing Lender or such Lender for such additional cost or reduced receipt. The determination by any Issuing Lender or any Lender, as the case may be, of any amount due pursuant to this Section 2.24 as set forth in a certificate setting forth the calculation thereof in reasonable detail shall, in the absence of manifest error, be final, conclusive and binding on all of the parties hereto.

(h) If at any time when an Event of Default shall have occurred and be continuing, any Letters of Credit shall remain outstanding, then either the applicable Issuing Lender(s) or the Required

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

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

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

(k) Notwithstanding the termination of the Commitments and the payment of the Loans, the obligations of the Borrower under this Section 2.24 shall remain in full force and effect until the Administrative Agent, each Issuing Lender and the Lenders shall have been irrevocably released from their obligations with regard to any and all Letters of Credit.

SECTION 2.25. Extension of Maturity Date. (a) Not less than 30 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 G, which the Administrative Agent shall promptly furnish to each Lender. Each Lender shall, within 30 days of the date of such request, 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 within 30 days of the date of such request. 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 2.25 shall be for a maximum of one year and (ii) the Commitment of any Lender which does not consent in writing to such extension within 30 days of such request (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 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 2.25 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, any accrued and unpaid Facility Fee, and any accrued and unpaid Utilization 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, the Utilization 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.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

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

SECTION 3.1. Corporate Existence and Power.

The Borrower and its Subsidiaries have been duly organized and are validly existing in good standing under the laws of their respective jurisdictions of incorporation and are in good standing or have applied for authority to operate as a foreign corporation in all jurisdictions where the nature of their properties or business so requires it and where a failure to be in good standing as a foreign corporation would have a Material Adverse Effect. The Borrower has the corporate power to execute, deliver and perform its obligations under this Agreement and the other Fundamental Documents and other documents contemplated hereby and to borrow and obtain other extensions of credit 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 and other extensions of credit hereunder (a) have been duly authorized by all necessary corporate action on the part of the Borrower, (b) will not violate any provision of any Applicable Law 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 and other extensions of credit) by the Borrower of this Agreement or the other Fundamental Documents.

SECTION 3.4. Financial Statements of Borrower.

The (a) audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1997 and December 31, 1998, and (b) unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 1999, 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, 1998 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 and no Letters of Credit will be used, whether immediately, incidentally or ultimately, for any purpose violative of or inconsistent with any of the provisions of Regulation T, U or X of the Board.

SECTION 3.11. Investment Company Act.

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

SECTION 3.12. Enforceability.

This Agreement and the other Fundamental Documents when executed will constitute legal, valid and enforceable obligations (as applicable) of the Borrower (subject, as to enforcement, to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity).

SECTION 3.13. Taxes.

The Borrower and each of its Subsidiaries 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 January 2000, at the time it was furnished, contained any untrue statement of a material fact or omitted to state a material fact, under the circumstances under which it was made, necessary in order to make the statements contained herein or therein not misleading. At the Closing Date, there is no fact known to the Borrower which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

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.

SECTION 3.17. Year 2000 Matters.

To the Borrower's knowledge, the disclosures relating to Year 2000 matters contained in (i) the Borrower's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and (ii) the Borrower's Annual Report on Form 10-K for the year ended December 31, 1998, accurately present, in all material respects, the status of the Borrower's efforts to address Year 2000 compliance issues as of September 30, 1999 and December 31, 1998 respectively.

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 the Borrower.

(b) Corporate Documents for the Borrower. The Administrative Agent shall have received, with copies for each of the Lenders, a certificate of the Secretary or Assistant Secretary of the Borrower dated the date hereof and certifying (A) that attached thereto is a true and complete copy of the certificate of incorporation and by-laws of the Borrower as in effect on the date of such certification; (B) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Borrower authorizing the borrowings and other extensions of credit hereunder and the execution, delivery and performance in accordance

with their respective terms of this Agreement and any other documents required or contemplated hereunder; and (C) as to the incumbency and specimen signature of each officer of the Borrower executing this Agreement or any other document delivered by it in connection herewith (such certificate to contain a certification by another officer of the Borrower as to the incumbency and signature of the officer signing the certificate referred to in this paragraph (b)).

(c) Financial Statements. The Lenders shall have received the (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 period ended September 30, 1999.

(d) Opinions of Counsel. The Administrative Agent shall have received the favorable written opinions, dated the date hereof and addressed to the Administrative Agent and the Lenders, of internal counsel of PHH Corporation and of Skadden, Arps, Slate, Meagher & Flom LLP, substantially in the form of Exhibits B-1 and B-2 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, 1998.

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

(g) 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, if any, shall be held by the Lenders pro rata in accordance with their respective Commitments. The Borrower 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 Borrower to fulfill its 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 the Borrower

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 and Letter of Credit.

The obligation of the Lenders to make each Loan and of any Issuing Lender to issue a Letter of Credit, including the initial Loan and initial Letter of Credit hereunder, is subject to the following conditions precedent:

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

(b) Representations and Warranties. The representations and warranties set forth in Article 3 (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 or Letter of Credit issuance 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 or the issuance of a Letter of Credit hereunder, the Borrower shall be in material compliance with all of the terms and provisions set forth herein to be observed or performed and no Event of Default or Default shall have occurred and be continuing; provided that this condition shall not apply to a Revolving Credit Borrowing which is solely refinancing outstanding Revolving Credit Loans and which, after giving effect thereto, has not increased the aggregate amount of outstanding Revolving Credit Loans.

Each Borrowing or issuance of a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing or issuance of a Letter of Credit 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 or there shall be any outstanding L/C Exposure, the Borrower agrees that, unless the Required Lenders shall otherwise consent in writing, it will, and will cause each of its Subsidiaries to:

SECTION 5.1. Financial Statements, Reports, etc.

Deliver to each Lender:

(a) As soon as is practicable, but in any event within 100 days after the end of each fiscal year of the Borrower, (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 such fiscal quarter, 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 or Letters of Credit 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 or there shall be any outstanding L/C Exposure, unless the Required Lenders shall otherwise consent in writing, the Borrower agrees that it will not, nor will it permit any of its Subsidiaries to, directly or indirectly:

SECTION 6.1. Limitation on 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)-(g) 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) [Intentionally Deleted];

(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 and (b) 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) [Intentionally Deleted];

(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 paragraphs (a)-(j) of this Section 6.5, Liens existing on the Closing date 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 or any of its Subsidiaries 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) \$700,000,000 plus (ii) 25% of Consolidated Net Income, if positive, for each fiscal quarter after September 30, 1999.

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 five (5) 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 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. [Intentionally Deleted].

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 the Borrower in this Agreement or any other Fundamental Document or in connection with this Agreement or with

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

(b) default shall be made in the payment of any principal of (or Letter of Credit reimbursement obligations) or interest on the Notes or of any fees or other amounts payable by the Borrower hereunder, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, and in the case of payments of interest, such default shall continue unremedied for five 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(c) (with respect to notice of Default or Events of Default) or Article 6;

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

(e) (i) default in payment shall be made with respect to any Indebtedness or Interest Rate 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; or

(j) a Reportable Event relating to a failure to meet minimum funding standards or an inability to pay benefits when due shall have occurred with respect to any Plan under the control of the Borrower or any of its Subsidiaries and shall not have been remedied within 45 days after the occurrence of such Reportable Event, if the occurrence thereof could reasonably be expected to have a Material Adverse Effect;

then, in every such event and at any time thereafter during the continuance of such event, the Administrative Agent may or, 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 (or Letter of Credit reimbursement obligations) 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 ADMINISTRATIVE AGENT AND EACH ISSUING LENDER

SECTION 8.1. Administration by Administrative Agent.

The general administration of the Fundamental Documents and any other documents contemplated by this Agreement shall be by the Administrative Agent or its designees 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. The Administrative Agent 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 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 hereby authorizes and requests the Administrative Agent to advance for its account, pursuant to the terms hereof, the amount of the Loan to be made by it, unless with respect to any Lender, such Lender has theretofore specifically notified the Administrative Agent that such Lender does not intend to fund that particular Loan. Each of the Lenders agrees forthwith to reimburse the Administrative Agent in immediately available funds for the amount so advanced on its behalf by the Administrative Agent pursuant to the immediately preceding sentence. If any such reimbursement is not made in immediately available funds on the same day on

which the Administrative Agent shall have made any such amount available on behalf of any Lender in accordance with this Section 8.2, such Lender shall pay interest to the Administrative Agent at a rate per annum equal to the Administrative Agent's cost of obtaining overnight funds in the New York Federal Funds Market. Notwithstanding the preceding sentence, if such reimbursement is not made by the second Business Day following the day on which the Administrative Agent shall have made any such amount available on behalf of any Lender or such Lender has indicated that it does not intend to reimburse the Administrative Agent, the Borrower shall immediately pay such unreimbursed advance amount (plus any accrued, but unpaid interest at the rate per annum equal to the interest rate applicable to such Loan) to the Administrative Agent.

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

SECTION 8.3. Sharing of Setoffs and Cash Collateral.

Each of the Lenders agrees that if it shall, through the operation of Sections 2.19, 2.24(h) or 2.24(i) or the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, including, but not limited to, a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim and received by such Lender under any applicable bankruptcy, insolvency or other similar law, or otherwise (other than pursuant to Section 2.15(f) or 2.25), obtain payment in respect of its Loans or interests in Letters of Credit as a result of which the unpaid portion of its Loans or L/C Exposure is proportionately less than the unpaid portion of any of the other Lenders (a) it shall promptly purchase at par (and shall be deemed to have thereupon purchased) from such other Lenders a participation in the Loans or L/C Exposure of such other Lenders, so that the aggregate unpaid principal amount of each of the Lenders' Loans and L/C Exposure and its participation in Loans and L/C Exposure of the other Lenders shall be in the same proportion to the aggregate unpaid principal amount of all Loans and L/C Exposure then outstanding as the principal amount of its Loans and L/C Exposure prior to the obtaining of such payment was to the principal amount of all Loans and L/C Exposure outstanding prior to the obtaining of such payment and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that the Lenders share such payment pro rata.

SECTION 8.4. Notice to the Lenders.

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

SECTION 8.5. Liability of Administrative Agent and Each Issuing Lender.

(a) The Administrative Agent or any Issuing Lender, when acting on behalf of the Lenders may execute any of its duties under this Agreement by or through its officers, agents, or employees and neither the Administrative Agent, the Issuing Lenders nor their respective directors, officers, agents, or employees shall be liable to the Lenders or any of them for any action taken or omitted to be taken in good faith, or be responsible to the Lenders or to any of them for the consequences of any oversight or error of judgment, or for any loss, unless the same shall happen through its gross negligence or willful misconduct. Neither the Administrative Agent, the Issuing Lenders 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 Administrative Agent, the Issuing Lenders nor any of their respective directors, officers, employees, or agents shall be responsible to any of the Lenders for the due execution (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 of any of the terms, conditions, covenants, or agreements of this Agreement or any related agreement or document.

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

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

SECTION 8.6. Reimbursement and Indemnification.

Each of the Lenders severally and not jointly agrees (i) to reimburse the Administrative Agent 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 Borrower or one of its Subsidiaries; (ii) to indemnify and hold harmless the Administrative Agent 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 Borrower or one of its Subsidiaries (except such as shall result from the gross negligence or willful misconduct of the Person seeking indemnification); and (iii) to indemnify and hold harmless each of the Issuing Lenders and any of their respective 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 or incurred by or asserted against it relating to or arising out of the issuance of any Letters of Credit (except such as shall result from the gross negligence or willful misconduct of the Person seeking indemnification).

SECTION 8.7. Rights of Administrative Agent.

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

SECTION 8.8. Independent Investigation by Lenders.

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

SECTION 8.9. Notice of Transfer.

The Administrative Agent and the Issuing Lenders may deem and treat any Lender which is a party to this Agreement as the owners of such Lender's respective portions of the Loans and Letter of Credit reimbursement rights for all purposes, unless and until a written notice of the assignment

or transfer thereof executed by any such Lender shall have been received by the Administrative Agent and become effective pursuant to Section 9.3.

SECTION 8.10. Successor Administrative Agent.

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

SECTION 8.11. Resignation of an Issuing Lender.

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

9. MISCELLANEOUS

SECTION 9.1. Notices.

Notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and, if by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sending party hereto, delivered by such equipment) addressed, if to the Administrative Agent or Chase, to it at One Chase Manhattan Plaza, New York, New York 10081, Attn: Maggie Swales, with a copy to Sandra Miklave, if to the 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 the Borrower herein or in any certificate or other instrument delivered by it or on its behalf in connection with this Agreement shall be considered to have been relied upon by the Administrative Agent and the Lenders and shall survive the making of the Loans and the issuance of Letters of Credit herein contemplated and the issuance and delivery to the Administrative Agent of the Notes regardless of any investigation made by the Administrative Agent or the Lenders or on their behalf and shall continue in full force and effect so long as any amount due or to become due hereunder is outstanding and unpaid and so long as the Commitments have not been terminated. All statements in any such certificate or other instrument shall constitute representations and warranties by the Borrower hereunder.

SECTION 9.3. Successors and Assigns; Syndications; Loan Sales; Participations.

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

(b) Each of the Lenders may (but only with the prior written consent of the Administrative Agent, the Issuing Lenders and the Borrower, which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other 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 and interests in Letters of Credit 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 Revolving Credit 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, but shall continue to be entitled to the indemnity and expense reimbursement provisions for the period prior to such Assignment and Acceptance).

(c) [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 Borrower or the performance or observance by the Borrower of any of its obligations under the Fundamental Documents; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Sections 5.1(a) and 5.1(b) (or if none of such financial statements shall have then been delivered, then copies of the financial statements referred to in Section 3.4) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the assigning Lender, the Administrative Agent, or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Fundamental Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will be bound by the

provisions of this Agreement and will perform in accordance with its terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

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

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

Competitive Loans retained by it hereunder. Any new Revolving Credit Notes shall be in an aggregate principal amount equal to the aggregate principal amount of the Commitments of the respective Lenders. All new Notes shall be dated the date hereof and shall otherwise be in substantially the forms of Exhibits A-1 and A-2 hereto, as the case may be.

(g) Each of the Lenders may without the consent of the Borrower, the Administrative Agent or any Issuing Lender sell participations to one or more banks or other 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 and interests in Letters of Credit 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 Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(h) The Lenders may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.3, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to the Administrative Agent by or on behalf of the Borrower.

(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) The Borrower consents that any Lender may at any time and from time to time pledge, or otherwise grant a security interest in, any Loan or any Note evidencing such Loan (or any part thereof), including any such pledge or grant to any Federal Reserve Bank, and 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, the Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent and the Arranger in connection with the syndication, preparation, execution, delivery and administration of this Agreement, the Notes, the making of the Loans and issuance and administration of the Letters of

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

SECTION 9.5. Indemnity.

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

SECTION 9.6. CHOICE OF LAW.

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

SECTION 9.7. No Waiver.

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

SECTION 9.8. Extension of Maturity.

Except as otherwise specifically provided in Article 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 the Borrower herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed or consented to in writing by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given; provided 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 due date of any Letter of Credit reimbursement obligation or decrease the rate of interest payable thereon, or the rate at which the Facility Fees, the Utilization Fees or letter of credit fees accrue or (z) waive a default under Section 7(b) with respect to a scheduled principal installment of any Loan or payment of a Letter of Credit reimbursement obligation 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. No such amendment or modification may adversely affect the rights and obligations of the Administrative Agent or any Issuing Lender hereunder without its prior written consent. No notice to or demand on the Borrower shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Each holder of a Note shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not a Note shall have been marked to indicate such amendment, modification, waiver or consent and any consent by any holder of a Note shall bind any Person subsequently acquiring a Note, whether or not a Note is so marked.

SECTION 9.10. Severability.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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

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

FEDERAL COURT OF THE UNITED STATES OR OF ANY COUNTRY OR PLACE WHERE THE BORROWER OR SUCH ASSETS MAY BE FOUND.

(b) TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING OR WHETHER IN CONTRACT OR TORT OR OTHERWISE. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED THAT THE PROVISIONS OF THIS SECTION 9.11(b) CONSTITUTE A MATERIAL INDUCEMENT UPON WHICH THE OTHER PARTIES HAVE RELIED, ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. THE PARTIES HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 9.11(b) WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF SUCH OTHER PARTY TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY.

SECTION 9.12. Headings.

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

SECTION 9.13. Execution in Counterparts.

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

SECTION 9.14. Entire Agreement.

This Agreement represents the entire agreement of the parties with regard to the subject matter hereof and the terms of any letters and other documentation entered into among the Borrower, the Administrative Agent or any Lender (other than the provisions of the letter agreement dated February 25, 2000, 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 or the Letters of Credit to be issued hereunder shall be replaced by the terms of this Agreement.

9.15. [Intentionally Deleted].

9.16. European Economic And Monetary Union.

(a) 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 Borrower to the Lenders and the Lenders to the Borrower under or pursuant to this Agreement, except as expressly provided in this Section 9.16, 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: _____
Title:

THE CHASE MANHATTAN BANK, individually and as Administrative Agent

By: _____
Title:

BANK OF AMERICA N.A.

By:

Title:

Name:

BANK OF MONTREAL

By:

Title:

Name:

THE BANK OF NEW YORK

By:

Title:

Name:

THE BANK OF NOVA SCOTIA

By: _____

Title:

Name:

THE BANK OF TOKYO-MITSUBISHI, LIMITED,
NEW YORK BRANCH

By: _____

Title:
Name:

CREDIT LYONNAIS NEW YORK BRANCH

By:

Title:

Name:

BANK ONE, NA

By:

Title:

Name:

FUJI BANK LTD.

By:

Title:

Name:

ALLFIRST BANK

By:

Title:

Name:

FIRST UNION NATIONAL BANK

By:

Title:

Name:

FLEET BANK

By:

Title:

Name:

THE INDUSTRIAL BANK OF JAPAN, LIMITED
NEW YORK BRANCH

By: _____

Title:
Name:

MELLON BANK, N.A.

By:

Title:

Name:

NATIONAL WESTMINSTER BANK PLC

By:

Title:

Name:

NORTHERN TRUST COMPANY

By:

Title:
Name:

ROYAL BANK OF CANADA

By: _____

Title:

Name:

THE SUMITOMO BANK, LIMITED

By:

Title:

Name:

WELLS FARGO BANK, N.A.

By:

Title:

Name:

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: -----
Title:
Name:

By: -----
Title:
Name:

CREDIT SUISSE FIRST BOSTON

By:

Title:

Name:

Schedule 1.1A

Commitments

Lender

Commitment

The Chase Manhattan Bank	\$97,500,000.00
Bank of America N.A.	\$80,000,000.00
Bank One, NA	\$55,000,000.00
The Bank of Nova Scotia	\$55,000,000.00
Bank of Montreal	\$37,500,000.00
Credit Lyonnais	\$37,500,000.00
First Union National Bank	\$37,500,000.00
Mellon Bank, N.A.	\$37,500,000.00
The Bank of New York	\$37,500,000.00
Royal Bank of Canada	\$37,500,000.00
Allfirst Bank	\$25,000,000.00
The Bank of Tokyo-Mitsubishi	\$25,000,000.00
Credit Suisse First Boston	\$25,000,000.00
Fleet Bank	\$25,000,000.00
The Industrial Bank of Japan	\$25,000,000.00
The Sumitomo Bank, Limited	\$25,000,000.00
Wells Fargo Bank, N.A.	\$25,000,000.00
Westdeutsche Landesbank	\$25,000,000.00
Fuji Bank Ltd.	\$12,500,000.00
National Westminster Bank PLC	\$12,500,000.00
Northern Trust Company	\$12,500,000.00
TOTAL	\$750,000,000.00

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

[Intentionally Omitted]

Litigation

None.

Schedule 6.1

Existing Indebtedness and Guaranties

None.

Schedule 6.5

Existing Liens

None.

EXHIBIT 10.44

CENDANT CORPORATION
1999 NON-EMPLOYEE DIRECTORS
DEFERRED COMPENSATION PLAN

1. Purpose. The purpose of the Cendant Corporation 1999 Non-Employee Directors Deferred Compensation Plan (the "Plan") is to enable directors of Cendant Corporation ("Cendant") who are not also employees of Cendant to defer the receipt of certain compensation earned in their capacity as directors of Cendant.
2. Eligibility. Directors of Cendant who are not also employees of Cendant ("Directors") are eligible to participate in the Plan, subject to their election to defer eligible compensation.
3. Administration. The Plan will be administered by the Compensation Committee of the Board of Directors of Cendant (the "Committee").
4. Deferral of Compensation. Subject to such rules, regulations and procedures that Cendant may establish from time to time, and subject to the execution by a Director of a valid deferral election, Directors may elect to defer all, but not less than all, of their annual retainer fees, as well as such other fees and payments determined by Cendant to be eligible for deferral from time to time (collectively, "Fees") into the Plan. All Fees deferred into the Plan will be converted into a number of Cendant Share Units. The number of Cendant Share Units allocated to a Director's account will equal the amount of Fees deferred into the Plan as of any given date (an "Allocation Date"), divided by the average closing price of a share of Cendant common stock, par value \$0.01 per share ("Cendant Stock"), on the last five trading days which Cendant Stock was traded immediately prior to such Allocation Date. An Allocation Date will occur on each date upon which any Director would otherwise become entitled to receive all or any portion of any Fee. Each Cendant Share Unit will be the equivalent of one share of Cendant Stock.
5. Election. In order to participate in the Plan, a Director must complete a deferral election in such form, and at such time, as determined by Cendant in its sole discretion. Once an election has been made, it may not be revoked; provided, however, that a Director may, no later than thirty (30) days prior to the beginning of any calendar year, revoke an election to the extent applicable to such calendar year.
6. Dividends. Additional Cendant Share Units will be credited to a Director's account as of each payment date for cash dividends and/or special dividends and distributions, if any, on Cendant Stock, based on the number of Cendant Share Units credited to such Director's account as of the record date for such dividend or distribution. The number of Cendant Share Units to be credited to an account as of any dividend

payment date or distribution date will equal the quotient obtained by dividing (A) the product of (i) the number of Cendant Share Units credited to such account on the dividend or distribution record date and (ii) the dividend (or distribution value) per share of Cendant Stock, by (B) the average closing price of a share of Cendant Stock on the last five trading days immediately prior to such dividend or distribution payment date.

7. Adjustments. If at any time the number of shares of Cendant Stock is increased or decreased as the result of any stock dividend or distribution, stock split, combination or reclassification of shares or any similar transaction, the number of Cendant Share Units in a Director's account will be equitably adjusted, as determined by the Committee in its sole discretion, to the extent necessary to preserve, but not increase, the value of each Director's account.
8. Vesting. Each Director will be fully and immediately vested in his or her account under the Plan.
9. Payment of Deferred Compensation. Each Director (or his or her beneficiary) will receive a distribution of his or her account, in the form of shares of Cendant Stock, within sixty (60) days immediately following the date upon which such Director is no longer a member of Cendant's Board of Directors for any reason. The number of shares of Cendant Stock payable to a Director upon distribution will equal the number of Cendant Share Units held in such Director's account as of the date of such distribution.
10. Successors in Interest. The obligations of Cendant under the Plan shall be binding upon any successor or successors of Cendant, whether by merger, consolidation, sale of assets or otherwise, and for this purpose reference herein to Cendant shall be deemed to include any such successor or successors. The right of Directors or that of any other person, to the payment of deferred compensation or other benefits under this Plan may not be assigned, transferred, pledged or encumbered except by will or by the laws of descent and distribution.
10. Miscellaneous. A Director shall have only the interest of an unsecured general creditor of Cendant in respect of Cendant Share Units allocated to his or her account. All amounts deferred under the Plan shall remain the sole property of Cendant, subject to the claims of its general creditors and available for Cendant's use until actually distributed to the Director. With respect to amounts deferred under the Plan, the obligation of Cendant hereunder is purely contractual and shall not be funded or secured in any way. The administrator of the Plan shall be Cendant or its designee. Cendant shall have the authority to adopt rules and regulations for carrying out the Plan and to interpret, construe and implement the provisions thereof. The distribution of deferred amounts under the Plan to Directors shall be subject to applicable withholding taxes.

11. **Governing Laws.** This Plan shall be construed and enforced in accordance with, and governed by, the laws of the State of New Jersey.
12. **Termination and Amendment of the Plan.** The Board of Directors of Cendant may terminate this Plan at any time. Upon termination of the Plan, the remaining balance of the Directors' accounts will be distributed to the Directors as soon as practicable but in no event more than thirty (30) days following such termination. The Board of Directors of Cendant may, without the consent of any Director or beneficiary, amend the Plan at any time and from time to time; provided, however, that no such amendment shall adversely affect the rights of any such Director or beneficiary with respect to amounts previously deferred under the Plan.
13. **Interpretation.** The Company intends that transactions under this Plan will be exempt under amended Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, unless otherwise determined by the Company.

EMPLOYMENT AGREEMENT

This Employment Agreement dated as of April 1, 1999 by and between Cendant Corporation, a Delaware corporation ("Cendant") and Samuel L. Katz (the "Executive").

WHEREAS, Cendant desires to employ the Executive as Executive Vice President, Strategic Development, and the Executive desires to serve Cendant in such capacity.

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:

SECTION I
EMPLOYMENT

Cendant agrees to employ the Executive and the Executive agrees to be employed by Cendant for the Period of Employment as provided in Section III below and upon the terms and conditions provided in this Agreement.

SECTION II
POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive will serve as Executive Vice President, Strategic Development, and subject to the direction of the Chief Executive Officer of Cendant (the "CEO"), will perform such duties and exercise such supervision with regard to the business of Cendant as are associated with such position, as well as such additional duties as may be prescribed from time to time by the CEO. The Executive will, during the Period of Employment, devote substantially all of his time and attention during normal business hours to the performance of services for Cendant. The Executive will maintain a primary office and conduct his business in New York, New York, except for normal and reasonable business travel in connection with his duties hereunder.

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement (the "Period of Employment") will begin on the date hereof and end on December 31, 2002, subject to extension or termination as provided in this Agreement.

SECTION IV
COMPENSATION AND BENEFITS

A. Compensation.

For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of Cendant or any subsidiary or affiliate thereof, the Executive will be compensated as follows:

i. Base Salary.

Cendant will pay the Executive a fixed base salary ("Base Salary") of not less than \$500,000, per annum. Effective as of November 1, 1999, the Executive will be eligible to receive annual increases as the Board of Directors of Cendant (the "Board") deems appropriate, in accordance with Cendant's customary procedures regarding the salaries of senior officers, but with due consideration given to the published Consumer Price Index applicable to the New York/New Jersey greater metropolitan area. Base Salary will be payable according to the customary payroll practices of Cendant, but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards; provided, that the Executive will be eligible to receive an annual bonus opportunity in respect of each fiscal year of Cendant during the Period of Employment based upon a target bonus equal to 60% of Base Salary (or such greater percentage to the extent paid to other Executive Vice Presidents of Cendant), subject to Cendant's attainment of applicable performance targets established and certified by the Compensation Committee of the Board (the "Committee"). The parties acknowledge that it is currently contemplated that such performance targets will be stated in terms of "earnings before interest and taxes" of Cendant, however such targets may relate to such other financial and business criteria of Cendant, or any of their respective subsidiaries or business units, as determined by the Committee in its sole discretion (each such annual bonus, an "Incentive Compensation Award").

iii. Long-Term Incentive Awards

The Executive will be eligible for annual stock option awards, subject to the sole discretion of the Committee; provided, however, that the Executive shall be granted an option covering no less than 500,000 shares of Cendant common stock

in connection with Cendant's 1999 annual grant of options to employees and; further, provided, that such options shall have such other terms and conditions determined by the Committee in its sole discretion.

iv. Additional Benefits

The Executive will be entitled to participate in all other compensation and employee benefit plans or programs and receive all benefits and perquisites for which salaried employees of Cendant generally are eligible under any plan or program now in effect, or later established by Cendant, on the same basis as similarly situated senior executives of Cendant with comparable duties and responsibilities. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, and in accordance with the terms of such plans and program.

SECTION V
BUSINESS EXPENSES

Cendant will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive will comply with such limitations and reporting requirements with respect to expenses as may be established by Cendant from time to time and will promptly provide all appropriate and requested documentation in connection with such expenses.

SECTION VI
DISABILITY

A. If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to Cendant, or at the option of Cendant upon notice of termination to the Executive. Cendant's obligation to make payments to the Executive under this Agreement will cease as of such date of termination, except for Base Salary and Incentive Compensation Awards earned but unpaid as of the date of such termination. In addition, in such event, each of the Executive's then outstanding options to purchase shares of Cendant common stock which were granted on or after the date hereof will become immediately and fully vested and exercisable and, notwithstanding any term or provision of such option to the contrary, shall remain exercisable until the first to occur of the third (3rd) anniversary of the date of such termination and the original expiration date of such option. For purposes of this Agreement, "Disabled" means the Executive's inability to perform his duties hereunder as a result of serious physical or mental illness or injury for a period

of no less than 90 days, together with a determination by an independent medical authority that (i) the Executive is currently unable to perform such duties and (ii) in all reasonable likelihood such disability will continue for a period in excess of 180 days. Such medical authority shall be mutually and reasonably agreed upon by Cendant and the Executive and such opinion shall be binding on Cendant and the Executive.

SECTION VII DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment will end and Cendant's obligation to make payments under this Agreement will cease as of the date of death, except for Base Salary and Incentive Compensation Awards earned but unpaid through the date of death, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable. In addition, in such event, each of the Executive's then outstanding options to purchase shares of Cendant common stock which were granted on or after the date hereof will become immediately and fully vested and exercisable and, notwithstanding any term or provision of such options to the contrary, shall remain exercisable (by the Executive's beneficiary or estate, as provided in any applicable option plan or agreement) until the first to occur of the third (3rd) anniversary of such date of termination and the original expiration date of such option.

SECTION VIII EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge, as defined below, Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such Without Cause Termination or Constructive Discharge (i) a lump sum amount equal to the sum of the Executive's then current Base Salary, plus the Executive's then current target Incentive Compensation Award, multiplied by the greater of (x) one and (y) the number of full and partial years remaining in the Period of Employment and (ii) any and all Base Salary and Incentive Compensation Awards earned but unpaid through the date of such termination. In addition, in the event of the termination of the Executive's employment due to a Without Cause Termination or a Constructive Discharge, each of the Executive's then outstanding options to purchase shares of Cendant common stock which were granted on or after the date hereof will become immediately and fully vested and exercisable and, notwithstanding any term or provision of such option to the contrary, shall remain exercisable until the first to occur of the third (3rd) anniversary of the date of such termination, and the original expiration date of such option.

B. Termination for Cause; Resignation. If the Executive's employment terminates due to a Termination for Cause or a Resignation, Base Salary and any Incentive Compensation Awards earned but unpaid as of the date of such termination will be paid to the Executive in a lump sum. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

C. For purposes of this Agreement, the following terms have the following meanings:

i. "Termination for Cause" means (i) the Executive's willful failure to substantially perform his duties as an employee of Cendant or any subsidiary thereof (other than any such failure resulting from incapacity due to physical or mental illness), (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against Cendant or any subsidiary, (iii) the Executive's conviction of a felony or any crime involving moral turpitude (which conviction, due to the passage of time or otherwise, is not subject to further appeal) or (iv) the Executive's gross negligence in the performance of his duties.

ii. "Constructive Discharge" means (i) any material failure of Cendant to fulfill its obligations under this Agreement (including without limitation any reduction of the Base Salary, as the same may be increased during the Period of Employment, or other element of compensation), (ii) a material and adverse change to the Executive's duties and responsibilities to Cendant (including without limitation the Executive no longer directly reporting to the CEO) or (iii) the occurrence of a Change of Control Transaction (as defined below). The Executive will provide Cendant a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within thirty (30) days after the event giving rise to the notice. Cendant will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "Terminated Without Cause" means termination of the Executive's employment by Cendant other than due to death, disability, or Termination for Cause.

iv. "Resignation" means a termination of the Executive's employment by the Executive, other than in connection with a Constructive Discharge.

v. "Change of Control Transaction" means any transaction or series of transactions pursuant to or as a result of which (i) during any period of not more than 24 months, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a third party who has entered

into an agreement to effect a transaction described in clause (ii), (iii) or (iv) of this paragraph (v)) whose election by the Board or nomination for election by Cendant's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (other than approval given in connection with an actual or threatened proxy or election contest), cease for any reason to constitute at least a majority of the members of the Board, (ii) beneficial ownership of 50% or more of the shares of Cendant common stock (or other securities having generally the right to vote for election of the Board) ("Shares") shall be sold, assigned or otherwise transferred, directly or indirectly, other than pursuant to a public offering, to a third party, whether by sale or issuance of Shares or other securities or otherwise, (iii) Cendant or any subsidiary thereof shall sell, assign or otherwise transfer, directly or indirectly, assets (including stock or other securities of subsidiaries) having a fair market or book value or earning power of 50% or more of the assets or earning power of Cendant and its subsidiaries (taken as a whole) to any third party, other than Cendant or a wholly-owned subsidiary thereof or (iv) control of 50% or more of the business of Cendant shall be sold, assigned or otherwise transferred directly or indirectly to any third party.

D. Conditions to Payment and Acceleration. All payments due to the Executive under this Section VIII shall be made as soon as practicable; provided, however, that such payments, as well as the modification of the terms of any Cendant options provided under this Section VIII, shall be subject to, and contingent upon, the execution by the Executive (or his beneficiary or estate) of a release of claims against Cendant and its affiliates in such form determined by Cendant in its sole discretion. The payments due to the Executive under this Section VIII shall be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of Cendant or its affiliates. To the extent any term or condition of any option to purchase Cendant common stock conflicts with any term or condition of this Agreement applicable to such option, the term or condition set forth in this Agreement shall govern.

SECTION IX
OTHER DUTIES OF THE EXECUTIVE
DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with Cendant and its affiliates as may be requested in connection with any claims or legal action in which Cendant or any of its affiliates is or may become a party.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of Cendant or any of its affiliates ("Information") is confidential and is a unique and valuable asset of Cendant or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than Cendant or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of Cendant or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of Cendant or its affiliates.

C. i. During the Period of Employment and for a two (2) year period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of Cendant or any of its affiliates or in any way injuring the interests of Cendant or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board (which will not be unreasonably withheld), will not engage in, or directly or indirectly (whether for compensation or otherwise) own or hold proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes with the business of Cendant or any of its affiliates, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that Cendant's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence will operate throughout the United States and the world.

ii. During the Restricted Period, the Executive, without express prior written approval from the Board, will not solicit any members or the then-current clients of Cendant or any of its affiliates for any existing business of Cendant or any of its affiliates or discuss with any employee of Cendant or any of its affiliates in-

formation or operation of any business intended to compete with Cendant or any of its affiliates.

iii. During the Restricted Period, the Executive will not interfere with the employees or affairs of Cendant or any of its affiliates or solicit or induce any person who is an employee of Cendant or any of its affiliates to terminate any relationship such person may have with Cendant or any of its affiliates, nor will the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of Cendant or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of Cendant or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

iv. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 10% of any class of equity interest in a publicly-held company and the term "affiliate" will include without limitation all subsidiaries and licensees of Cendant.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to Cendant if the Executive violates the terms of this Agreement and that Cendant will be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Section IX without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction will be in addition to, and not in limitation of, any other rights or remedies Cendant may have. Without limiting the generality of the foregoing, neither party will oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

E. The period of time during which the provisions of this Section IX will be in effect will be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on Cendant's application for injunctive relief.

F. The Executive agrees that the restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, Cendant would not have entered into this Agreement.

SECTION X
INDEMNIFICATION

Cendant will indemnify the Executive to the fullest extent permitted by the laws of the state of Cendant's incorporation in effect at that time, or the certificate of incorporation and by-laws of Cendant, whichever affords the greater protection to the Executive.

SECTION XI
MITIGATION

The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XII
WITHHOLDING TAXES

The Executive acknowledges and agrees that Cendant may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that will be required pursuant to any law or governmental regulation.

SECTION XIII
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede any prior employment agreement between Cendant and the Executive and any such prior employment agreement will be deemed terminated without any remaining obligations of either party thereunder.

SECTION XIV
CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement will preclude Cendant from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of Cendant hereunder. Upon such a consolidation, merger or sale of assets the term "Cendant" will mean the other corporation (except with respect to any determination hereunder as to whether a Change of Control Transaction has occurred) and this Agreement will continue in full force and effect.

SECTION XV
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver will operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVI
GOVERNING LAW

This Agreement has been executed and delivered in the State of New York and its validity, interpretation, performance and enforcement will be governed by the internal laws of that state.

SECTION XVII
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section IX for which Cendant may, but will not be required to, seek injunctive relief) will be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, to the American Arbitration Association, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys'

fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section XVII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVII will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

E. The parties will keep confidential, and will not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

SECTION XVIII SURVIVAL

Sections IX, X, XI, XII, and XVII will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XIX SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding will in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision will be deemed modified so that it will be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

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

CENDANT CORPORATION

By: Thomas D. Christopoul
Title: Executive Vice President
Human Resources

SAMUEL L. KATZ

CENDANT CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN MILLIONS)

	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
Earnings before fixed charges:					
Income (loss) before income taxes and minority interest	\$(574)	\$ 315	\$ 257	\$ 533	\$ 350
Plus: Fixed charges	625	677	409	325	291
Less: Equity income in unconsolidated affiliates	18	14	51	--	--
Capitalized interest	--	--	--	1	--
Minority interest in mandatorily redeemable preferred trust securities issued by subsidiary holding solely senior debentures issued by the Company	96	80	--	--	--
Earnings available to cover fixed charges	\$ (63)	\$ 898	\$ 615	\$ 857	\$ 641
Fixed charges (1):					
Interest, including amortization of deferred financing costs	\$ 463	\$ 509	\$ 379	\$ 300	\$ 270
Capitalized interest	--	--	--	1	--
Other charges, financing costs	--	28	--	--	--
Minority interest in mandatorily redeemable preferred trust securities issued by subsidiary holding solely senior debentures issued by the Company	96	80	--	--	--
Interest portion of rental payment	66	60	30	24	21
Total fixed charges	\$ 625	\$ 677	\$ 409	\$ 325	\$ 291
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, 1996 and 1995, income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change includes other charges of \$810 million (exclusive of financing costs of \$30 million), \$704 million, \$109 million and \$97 million, respectively. Excluding such charges, the ratio of earnings to fixed charges for the years ended December 31, 1998, 1997, 1996 and 1995 is 2.52x, 3.22x, 2.97x and 2.54x, respectively.
- (*) Earnings are inadequate to cover fixed charges for the year ended December 31, 1999 (deficiency of \$688 million) as a result of unusual charges of \$3,032 million offset by \$1,109 million net gain on dispositions of businesses. Excluding such charges and net gain on dispositions of businesses, the ratio of earnings to fixed charges is 2.98x.

SUBSIDIARIES OF THE REGISTRANT

CENDANT CORPORATION
SIGNIFICANT SUBSIDIARIES

SUBSIDIARY	STATE OF INCORPORATION
Benefit Consultants, Inc.	DE
Cendant Capital I	DE
Cendant Finance Holding Corporation	DE
Cendant Membership Services, Inc.	DE
Cendant Mobility Services Corp.	DE
Cendant Mortgage Corporation	NJ
Cendant Operations, Inc.	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
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, 333-45227, 333-49405, 333-78447, and 333-86469 on Form S-3, and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303 and 333-78475 on Form S-8 of our report dated February 28, 2000 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the change in the method of recognizing revenue and membership solicitation costs as described in Note 1) appearing in this Annual Report on Form 10-K of Cendant Corporation for the year ended December 31, 1999.

/s/ Deloitte & Touche LLP
New York, New York
February 28, 2000

12-MOS

DEC-31-1999		
JAN-01-1999		
DEC-31-1999		1,164
	0	
	1,094	
	68	
	0	
	4,592	1,737
	390	
	15,149	
5,610		2,445
1,478		0
		9
	2,197	
15,149		0
	5,402	0
	3,854	
	1,923	
	0	
	199	
	(574)	
	(406)	
(229)		
	174	
	0	
		0
	(55)	
	(0.07)	
	(0.07)	