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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, 2000
COMMISSION FILE NO. 1-10308

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

DELAWARE	06-0918165
(State or other jurisdiction of incorporation or organization)	(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
CD Common Stock, Par Value $.01	New York Stock Exchange

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

7 3/4% Notes due 2003
3% Convertible Subordinated Notes due 2002
Zero Coupon Senior Convertible Contingent Debt Securities due 2021

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

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

The aggregate market value of the Common Stock issued and outstanding and held by nonaffiliates of the Registrant, based upon the closing price for the Common Stock on the New York Stock Exchange on March 15, 2001 was 12,008,130,000. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

The number of shares outstanding of each of the Registrant's classes of common stock was 844,796,413 as of March 15, 2001.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be mailed to stockholders in connection with our annual stockholders meeting to be held on May 22, 2001 (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.

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PART I

ITEM 1. BUSINESS

EXCEPT AS EXPRESSLY INDICATED OR UNLESS THE CONTEXT OTHERWISE REQUIRES, THE "COMPANY", "CENDANT", "WE", "OUR" OR "US" MEANS CENDANT CORPORATION, A DELAWARE CORPORATION, AND ITS SUBSIDIARIES.

GENERAL

We are one of the foremost providers of travel and real estate services in the world. We were created through the merger of HFS Incorporated into CUC International, Inc. in December 1997 with the resultant corporation being renamed Cendant Corporation.

We operate in three principal divisions--travel, real estate, and diversified services. Our businesses provide a wide range of complementary consumer and business services, which together represent seven business segments at December 31, 2000. Our businesses are intended to complement one another and create cross-marketing opportunities both within each division and between divisions. Our travel division franchises hotel businesses, franchises and operates car rental businesses, facilitates vacation timeshare exchanges and provides fleet management services to corporate clients and government agencies; our real estate division franchises real estate brokerage businesses, provides home buyers with mortgages and assists in employee relocations; and our diversified services division provides marketing strategies primarily to financial institutions through offering an array of financial and insurance-based products to consumers, franchises tax preparation service businesses, operates parking facilities in the United Kingdom and provides information technology services.

As a franchisor of hotels, residential and commercial real estate brokerage offices, car rental operations and tax preparation services, we license the owners and operators of independent businesses the right to use our brand names. We do not own or operate hotels, real estate brokerage offices or tax preparation offices. Instead, we provide our franchisee customers with services designed to increase their revenue and profitability.

TRAVEL DIVISION

Our travel division contains our Travel segment, which consists of the lodging franchise, car rental franchise and timeshare businesses. With the acquisition of Avis Group Holdings, Inc. on March 1, 2001, the travel division now includes the car rental operations and fleet management services. In our lodging franchise business, 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), Super 8-Registered Trademark-, Howard Johnson-Registered Trademark-, Wingate Inn-Registered Trademark-, Knights Inn-Registered Trademark-, Travelodge-Registered Trademark- (in North America), Villager-Registered Trademark- and AmeriHost Inn-Registered Trademark- lodging franchise systems. In our car rental business, we own the Avis-Registered Trademark- worldwide vehicle rental franchise system, which is the second largest car rental system in the world (based on total revenues and volume of rental transactions). We completed the purchase of the largest Avis franchisee, Avis Group Holdings, Inc., on March 1, 2001. See "Recent Developments--Acquisitions--Avis Group Holdings". In our timeshare business, we own Resort Condominiums International, LLC, the world's leading timeshare exchange company. On November 2, 2000, we entered into an agreement to acquire Fairfield Communities, Inc., one of the largest vacation ownership companies in the United States. We expect to complete this transaction in early April 2001. See "Recent Developments--Acquisitions--Fairfield Communities".

REAL ESTATE DIVISION

Our real estate division consists of the Real Estate Franchise, Relocation, Mortgage and Move.com Group segments (see "Recent Developments--Divestiture of Move.com and Welcome Wagon International"). We are the world's largest real estate brokerage franchisor. In our 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. In our Relocation segment, our Cendant Mobility Services Corporation subsidiary is a leading provider of corporate relocation services in the world. We offer relocation clients a

variety of services in connection with the transfer of a client's employees and offer similar services to affinity groups and their members. In our Mortgage segment, our Cendant Mortgage Corporation subsidiary originates, sells and services residential mortgage loans in the United States, marketing such services to consumers through relationships with corporations, financial institutions, real estate brokerage firms and mortgage banks.

DIVERSIFIED SERVICES DIVISION

Our diversified services division consists of our Insurance/Wholesale segment and our Diversified Services segment, which includes our tax preparation services franchise, our parking operations and our information technology services. Our Insurance/Wholesale segment markets and administers insurance products, primarily accidental death and dismemberment insurance and term life insurance, and also provides marketing strategies primarily to financial institutions through an offering of checking account enhancement packages for the benefit of their customers. The insurance/wholesale business is conducted through FISI*Madison LLC ("FISI"), Benefit Consultants, Inc. ("BCI"), Long Term Preferred Care, Inc. ("LTPC") and Cims Ltd. ("Cims"), which are all wholly-owned subsidiaries. Our Jackson Hewitt Inc. subsidiary operates the second largest tax preparation service system in the United States with locations in 48 states and franchises a system of approximately 3,300 offices that specialize in computerized preparation of federal and state individual income tax returns. Our National Car Parks Limited subsidiary operates parking facilities in the United Kingdom. Our WizCom International, Ltd. subsidiary provides electronic reservation processing, connectivity and information management systems for the travel industry.

RECENT DEVELOPMENTS

ACQUISITIONS

We continually explore and conduct discussions with regards to acquisitions and other strategic corporate transactions in our industries and in other franchise, franchisable or service businesses. In addition to transactions previously announced, as part of our 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 CD common stock or our other securities, borrowings, or a combination thereof. Prior to consummating any such possible acquisition, we will need to, among other things, 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, if necessary, 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. The following text provides descriptions of recently announced transactions.

AVIS GROUP HOLDINGS. On March 1, 2001, we purchased the 82% of Avis Group Holdings, Inc. that we did not already own at a price of $33.00 per share in cash, or approximately $937 million. Our car rental business is now comprised of the Avis franchise system and the car rental operations of Avis Group, formerly our largest Avis franchisee. In addition, through the acquisition of Avis Group, we also acquired PHH Arval, a leader in the fleet management services business, which offers fleet leasing, fleet management, other management services to corporate clients and government agencies, and Wright Express Corporation, the leading fuel card service provider in the United States, which offers fuel and vehicle expense management programs to corporations and government agencies for the effective management and control of vehicle travel expenses.

In an effort to effectively integrate the operations of Avis Group with our operations, we implemented an internal reorganization on March 1, 2001. Pursuant to this reorganization, the car rental operations of Avis Group became a part of our subsidiary, Cendant Car Holdings, LLC, and the worldwide fleet management operations of Avis Group became a part of our subsidiary, PHH Corporation.

FAIRFIELD COMMUNITIES. On November 2, 2000, we announced that we had entered into an agreement to acquire all of the outstanding common stock of Fairfield Communities, Inc. at $15 per share, or approximately $635 million in aggregate. At least 50% of the consideration will be in cash; the balance will either be in cash or CD common stock, at our election. The final acquisition price may increase to a maximum of $16 per share depending on a formula based on the average trading price of our stock over a 20-day trading period prior to the closing of the transaction. Fairfield, with more than 324,000 vacation-owning households, is a leading vacation ownership company in the United States, marketing and managing resort properties at 35 locations in 12 states and the Bahamas. Fairfield operates over 32 dedicated sales centers and manages over 110 timeshare and whole ownership resort associations. Although no assurances can be given, we expect to complete the acquisition in early April 2001.

HOLIDAY COTTAGES GROUP. On January 17, 2001, we acquired Holiday Cottages Group Ltd. ("HCG"). HCG is a leading provider of holiday cottage rentals in Europe. HCG markets eight brands and processed reservations for cottage rentals comprising approximately 184,000 rental weeks for 2000.

RCI SOUTHERN AFRICA AND RCI PACIFIC. On February 28, 2001, RCI Europe, our wholly owned subsidiary, acquired Vacation Exchanges International (Pty) Ltd., which does business as RCI Southern Africa Ltd. This acquisition also included our acquisition of the remaining 50 percent of RCI Pacific (Pty) Ltd. that we did not already own. RCI Southern Africa Ltd. operates in the timeshare exchange industry in southern Africa, Australia, New Zealand and Fiji.

AMERIHOST INN. On October 2, 2000, we completed the acquisition of the AmeriHost Inn and AmeriHost Inn & Suites-SM- brand names and franchising rights. AmeriHost Inn and AmeriHost Inn & Suites are new construction, limited service, mid-priced hotels. We and Amerihost Properties, Inc. ("API") intend to grow the AmeriHost hotel system through continued property development by API and our active franchise sales to API and third parties. Additionally, we have entered into an agreement with API to share royalties on AmeriHost hotels for a period of 25 years.

BRADFORD & BINGLEY RELOCATION SERVICES. On September 7, 2000, we acquired Bradford & Bingley Relocation Services, Ltd. ("BBRS"), a leading corporate relocation services provider in the United Kingdom. BBRS operations were merged with our Cendant Relocation (UK) Limited operations immediately after the acquisition.

HAMILTON WATTS INTERNATIONAL. On July 20, 2000, we acquired Hamilton Watts International, a leading provider of expatriate and corporate relocation management services in Australia and across Southeast Asia.

MARKETTRUST. On January 8, 2001, our FISI subsidiary acquired certain assets of MarketTrust, Inc., including its agreements to provide checking account enhancement packages to over 320 financial institutions located across the United States.

INTERNET DEVELOPMENTS

We are currently developing an online travel portal due to launch in late 2001. We hope to maximize growth opportunities of our existing travel businesses and take advantage of our experience with the move.com portal. The travel portal will leverage new technology coupled with access to our lodging, timeshare, car rental and travel agency services to address the full range of consumer travel needs. The travel portal will deliver a consumer friendly experience with products and services from a wide variety of travel providers.

OTHER

SECURITIES OFFERINGS. On February 13, 2001, we issued $1.2 billion principal amount at maturity of zero-coupon senior convertible contingent notes due 2021 in a private offering. The notes were offered at an initial offering price of $608.41 per $1,000 principal amount at maturity, with gross proceeds of approximately $750 million. On March 9, 2001, Lehman Brothers Inc. exercised its option to purchase an

additional $246 million principal amount at maturity of notes. Each $1,000 principal amount at maturity note will be convertible into 33.4 shares of CD common stock if the closing price of CD common stock on the New York Stock Exchange exceeds specified levels or in the event our credit rating falls below investment grade or if we call the notes for redemption or engage in certain corporate transactions. The notes will not be redeemable by the Company prior to February 13, 2004 but we may be required to repurchase notes at the accreted value thereof, at the option of the holders, on February 13, 2004, 2009, or 2014. We may choose to pay the purchase price for the foregoing repurchases in cash or shares of CD common stock.

Simultaneously with the notes offering, we issued 40 million shares of our CD common stock to Lehman at $13.20 per share, resulting in net proceeds of approximately $528 million. On March 9, 2001, Lehman exercised its option to purchase an additional six million shares of CD common stock to cover over-allotments which provided $79.2 million in net proceeds. We used a portion of the proceeds from the offerings to fund the acquisition of Avis Group. The remaining proceeds will be used to reduce outstanding debt and for general corporate purposes.

DIVESTITURE OF MOVE.COM AND WELCOME WAGON INTERNATIONAL. On February 16, 2001, we completed the sale to Homestore.com of certain businesses within our Move.com Group segment, and our Welcome Wagon International business, which was part of our Diversified Services segment. The transaction combines two leading Web sites in the home and real estate category under the Homestore.com-Registered Trademark- brand. The transaction also provides Homestore.com's Web site REALTOR.com-Registered Trademark- with an exclusive 40-year license to the aggregated listings of our CENTURY 21, Coldwell Banker and ERA national real estate franchises. Homestore.com acquired the Move.com and Welcome Wagon businesses in an all-stock transaction totaling approximately 26.3 million shares of Homestore common stock valued over $700 million. As a result of the transaction, we own approximately 21.5 million shares of Homestore.com common stock, representing approximately 20% of the current outstanding shares of Homestore.com. See "Divested Businesses and Discontinued Operations--Move.com and Welcome Wagon".

SPIN-OFF OF INDIVIDUAL MEMBERSHIP BUSINESSES. On October 25, 2000, we announced our intention to distribute 100% of the stock of a new company incorporating our individual membership and loyalty businesses to our stockholders in a tax-free distribution. We expect the process, which includes the formation of the new company, registration of its shares and distribution of the shares to stockholders, to be completed in mid-2001. The principal operating units of the new company will be Cendant Membership Services Inc., currently headquartered in Stamford, Connecticut, and Cendant Incentives Incorporated, headquartered in Richmond, Virginia. The spin-off does not include the direct marketing businesses of FISI, BCI, LTPC and Cims. See "Divested Businesses and Discontinued Operations--Individual Membership".

PRINCIPAL CLASS ACTION LITIGATION SETTLEMENT AND GOVERNMENT INVESTIGATION FINDINGS

Since our April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC International, Inc. business units, approximately 70 lawsuits claiming to be class actions, three 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 Incorporated, 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 and 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 have conducted investigations relating to the accounting irregularities. On June 14, 2000, the SEC concluded its investigation when we consented to entry of an Order Instituting Public Administration Proceedings in which the SEC found that we had violated certain record-

keeping provisions of the federal securities laws, Sections 13(a) and 13(b) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, 13b2-1, and ordered us to cease and desist from committing or causing any violation and any future violation of those provisions.

On December 7, 1999, we announced that we reached a preliminary agreement to settle the principal Securities Action pending against us in the U.S. District Court in Newark, New Jersey relating to the aforementioned class action lawsuits. In the definitive written settlement agreement executed March 17, 2000, the Company agreed to pay the class members approximately $2.85 billion in cash. The District Court approved the settlement in orders dated August 15, 2000. Certain parties who objected to the settlement have appealed the District Court's orders approving the settlement, the plan of allocation of the settlement fund and awarding attorneys fees and expenses to counsel for the lead plaintiffs. We currently plan to fund the settlement through the use of available cash, the use of existing credit facilities, 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.

The 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.

* * *

Financial information about our business segments may be found in Note 25 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

Forward-looking statements in this Annual Report on Form 10-K are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives.

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

- the effect of economic conditions and interest rate changes on the economy on a national, regional or international basis and the impact thereof on our businesses;

- the effects of changes in current interest rates, particularly on our Real Estate Franchise and Mortgage segments;

- the resolution or outcome of our unresolved pending litigation relating to the previously announced accounting irregularities and other related litigation;

- our ability to develop and implement operational and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings;

- competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors;

- our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, including the acquisition of Avis Group and the pending acquisition of Fairfield, the compatibility of the operating systems of the combining companies, and the degree to which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant;

- uncertainty relating to the proposed spin-off of our discontinued Individual Membership segment;

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

- competitive and pricing pressures in the vacation ownership and travel industries, including the car rental industry;

- changes in the vehicle manufacturer repurchase arrangements between vehicle manufacturers and Avis Group in the event that used vehicle values decrease; and

- changes in laws and regulations, including changes in accounting standards and privacy policy regulation.

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

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

PRINCIPAL EXECUTIVE OFFICE

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

TRAVEL DIVISION

The Travel division contains our Travel segment, which consists of our lodging franchise services, timeshare exchange, car rental franchise and operations businesses and our fleet management services business and represented approximately 32%, 32% and 35% of our revenue for 2000, 1999 and 1998, respectively (not including the Avis car rental operations and fleet management business which were acquired on March 1, 2001).

TRAVEL SEGMENT

LODGING FRANCHISE BUSINESS

GENERAL. The lodging industry can be divided into four broad sectors based on price and services: upper upscale, which typically charge room rates above $110 per night; upscale, which typically charge room rates between $81 and $110 per night; middle market, with room rates generally between $55 and $80 per night; and economy, where room rates generally are less than $55 per night. Of our franchised brands, Ramada, Howard Johnson, Wingate Inn and AmeriHost Inn compete principally in the middle market sector and Days Inn, Knights Inn, Super 8, Travelodge and Villager compete primarily in the economy sector.

As a franchisor of lodging brands, 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 fewer 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 reservation 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 derive substantially all of their revenue from continuing franchise fees. Continuing franchise fees are comprised of two components, a royalty portion and a marketing/reservation 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/reservation portion of the franchise fee is intended to reimburse the franchisor for the expenses associated with providing such franchise services as a central reservation system, national advertising and marketing programs 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 6,400 properties and 4,900 franchisees in our systems, no individual hotel owner accounts for more than 2% of our lodging franchisee properties.

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, 2000.

BRAND	PRIMARY DOMESTIC MARKET SERVED	AVG. ROOMS PER PROPERTY	# OF PROPERTIES	# OF ROOMS	LOCATION*
AmeriHost Inn	Middle Market	63	81	5,141	Domestic
Days Inn	Upper Economy	85	1,912	162,129	International(1)
Howard Johnson	Middle Market	100	508	50,938	International(2)
Knights Inn	Lower Economy	79	230	18,194	International(3)
Ramada	Middle Market	123	988	121,431	Domestic
Super 8	Economy	61	1,969	119,266	International(3)
Travelodge	Upper Economy	81	564	45,699	International(4)
Villager	Lower Economy	89	110	9,770	International(4)
Wingate Inn	Upper Middle Market	94	93	8,745	Domestic
Total			6,455	541,313	

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* Description of rights owned or licensed.

(1) Includes properties in Canada, China, Colombia, Czech Republic, Hungary, India, Jordan, Mexico, Philippines, South Africa, United Kingdom, and Uruguay.

(2) Includes properties in Argentina, Canada, Colombia, Dominican Republic, Ecuador, Israel, Jordan, Lebanon, Malta, Mexico, Oman, Venezuela, United Arab Emirates, and United Kingdom.

(3) Includes properties in Canada.

(4) Includes properties in Canada and Mexico.

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. We also continue to seek opportunities to acquire or license additional hotel franchise systems, including established brands in the upper upscale and upscale sectors of the market, where we are not currently represented.

We market franchises principally to independent hotel and motel owners, as well as to owners who have the right to terminate franchise affiliations of their properties with other hotel brands. 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 94 sales 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 master developers and franchisors based outside the United States. As of December 31, 2000, our franchising subsidiaries (other than Ramada and AmeriHost) have entered into international master licensing agreements for part or all of approximately 66 countries on five continents. These 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.

OPERATIONS. 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 business, expenses related to marketing and reservations services are budgeted to match anticipated marketing and reservation fees each year.

CENTRAL RESERVATION 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 six reservation centers that are located in: Knoxville and Elizabethton, Tennessee; Phoenix, Arizona; Winner and Aberdeen, South Dakota; 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 2000, the brand Web sites had 139 million page views and booked an aggregate of 1,337,015 roomnights from Internet booking sources, compared with 64.7 million page views and 649,253 roomnights booked in 1999, increases of 115% and 106%, respectively.

FRANCHISE AGREEMENTS. Our 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 1.8% of our existing franchise agreements are scheduled to expire from January 1, 2001 through December 31, 2006, with no more than 2.4% 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 generally 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, 2000, franchisees are typically required to pay recurring fees comprised of a royalty portion and a marketing/reservation portion, generally calculated as a percentage of annual gross room revenue ranging from 7.0% to 8.8%. Under certain circumstances we discount fees from the standard rates.

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 our brands 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 franchise business 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.

TRADEMARKS AND OTHER INTELLECTUAL PROPERTY. The service marks "Days Inn," "Ramada," "Howard Johnson," "Super 8," "Travelodge," "Wingate Inn," "Villager," "Knights Inn," and "AmeriHost Inn" 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 as well as major countries worldwide where the brands are franchised. We own the marks relating to following systems: Days Inn; Howard Johnson; Super 8; Travelodge (in North America); Wingate Inn; Villager; Knights Inn; and AmeriHost Inn.

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' 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. During 2000, RFS received approximately $49 million in royalties from its Ramada franchisees and paid the Licensor approximately $25 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.

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. Our Days Inn, Travelodge and Super 8 properties principally compete with Comfort Inn, Red Roof Inn-Registered Trademark- and Econo Lodge in the economy sector. The chief competitors of our Ramada, Howard Johnson, Wingate Inn and AmeriHost Inn properties, which compete in the middle market sector of the hotel industry, are 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 franchised properties.

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

TIMESHARE BUSINESS

GENERAL. Our Resort Condominiums International ("RCI") subsidiary is the world's largest provider of timeshare vacation exchange opportunities and services for more than 2.8 million timeshare members from approximately 200 nations and more than 3,700 resorts in more than 100 countries around the world. Our RCI-Registered Trademark- 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 and consulting services. RCI has significant operations in North America, Europe, the Middle East, Latin America, Africa, Australia and the Pacific Rim and has more than 3,900 employees worldwide.

The resort component of the leisure industry is primarily serviced by two alternatives for overnight accommodations: commercial lodging establishments and timeshare resorts. Commercial lodging consists principally of: (i) hotels and motels in which a room is rented on a nightly, weekly or monthly basis for the duration of the visit; and (ii) rentals of privately-owned condominium units or homes. Generally, the commercial lodging industry 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 during 2000, sales of timeshares exceeded $7.5 billion worldwide. Two principal sectors make up the timeshare exchange industry: owners of timeshare interest (consumers) and resort properties (developers/operators). Trade industry sources have estimated that the total number of timeshare owners is more than five million worldwide, while the total number of timeshare resorts worldwide has been estimated to be nearly 5,500. 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-Registered Trademark- Weeks Exchange Program ("RCI Weeks") provides RCI members who own timeshares at RCI-affiliated resorts the ability 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 RCI Weeks, representing approximately 50% of the total members of RCI Weeks, reside outside of the United States.

We provide members of RCI Weeks with access to both domestic and international timeshare resorts, publications regarding timeshare exchange opportunities and other travel-related services, including discounted purchasing programs. During 2000, we arranged more than 2.1 million exchanges. Our RCI members paid an average annual subscribing membership fee of $57, as well as an average exchange fee of approximately $140 for every exchange arranged by us, resulting in membership and exchange fees totaling approximately $360 million during 2000.

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

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 United States 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 we introduced to the vacation timeshare industry was the RCI Points Exchange Program, formally known as the Global Points Network(SM). RCI Points members are assigned points, which represent the comparable value of their timeshare interests. These points can then be used for stays at RCI resorts, airfare, car rentals, hotel stays, cruises and more, providing enormous flexibility for RCI Points members. RCI Points is a creative way to enhance the attractiveness of RCI membership by adapting to changes in consumer vacation habits that have trended toward shorter, but more frequent vacations. Initial reaction to RCI Points has been positive and the program will continue to expand in 2001.

On November 2, 2000, we announced that we had signed a definitive agreement to acquire Fairfield Communities Inc., one of the largest vacation ownership companies in the United States. Fairfield develops timeshare resorts, markets vacation ownership products and manages resort properties under the Fairfield-Registered Trademark- name at 35 locations in 12 states and the Bahamas. Fairfield's primary business is the sale of timeshare interests and it operates more than 32 sales centers throughout the United States. It also manages more than 110 property owners associations. In 2000, over 625,000 families visited resorts owned or managed by Fairfield. The acquisition of Fairfield will enable us to expand our timeshare product offerings to include timeshare financing, unit interval sales and marketing, property management, club management and timeshare exchange programs. Immediately prior to the closing of the Fairfield acquisition, Fairfield will transfer its real estate development assets to a third party. Fairfield and the third party will enter into agreements governing the relationship of such parties following the closing of the Fairfield acquisition. On January 8, 2001, Fairfield announced the acquisition of Dolphin's Cove Resort in Anaheim, California from Dolphin's Cove Resort, Ltd. This acquisition increases Fairfield's membership base to more than 340,000 and includes option rights to develop an oceanfront vacation ownership resort in southern California. The Fairfield acquisition is expected to be completed in early April 2001.

RCI AFFILIATES. Most RCI members are acquired through developers; only a small percentage of members are acquired through our direct solicitation activities. As a result, the growth of the timeshare exchange business is dependent on the sale of timeshare units by affiliated resorts such as Fairfield. RCI affiliates consist of international brand names and independent developers, owners' associations and vacation clubs. We enter into resort affiliation agreements with timeshare resort developers and allow these developers to offer participation in the RCI exchange programs to individual purchasers of timeshare interests. See "Property Affiliation Agreements" below. 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, seven of every ten timeshare resorts worldwide are affiliated with RCI. We also believe that RCI's existing affiliates represent a significant potential market because a portion of their existing properties are not sold. In addition, 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 our growth strategy is maintaining the satisfaction of our existing affiliates by providing quality support services.

INTERNATIONAL EXCHANGE SYSTEM. Members are served through a network of call centers located in countries throughout the world. These call centers are staffed by approximately 2,200 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, our 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. We provide travel services to our U.S. members through our affiliate, RCI Travel, Inc. ("RCIT"). On a global basis, we provide travel services through entities operating in local jurisdictions (hereinafter, RCIT and its local entities are referred to as "RCI Travel Agencies"). RCI Travel Agencies provide airline reservations and 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. RCI Travel Agencies also offer travel packages utilizing resort developers' unsold inventory to generate both revenue and prospective timeshare purchasers through affiliated resorts.

CONSULTING. We provide worldwide timeshare consulting services through our indirect subsidiary, 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.

PROPERTY MANAGEMENT. We provide resort property management services through our indirect subsidiary, 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 reservation service center, advanced reservations technology, human resources expertise and owners' association administration.

PROPERTY AFFILIATION AGREEMENTS. We are affiliated with more than 3,700 timeshare resorts, of which approximately 1,400 resorts are located in the United States and Canada, more than 1,300 in Europe and Africa, more than 550 in Mexico and Latin America and more than 350 in the Asia-Pacific region. The terms of our affiliation agreement with our 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. We make 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.

TRADEMARKS AND INTELLECTUAL PROPERTY. The service marks "RCI", "Resort Condominiums International-Registered Trademark-" and related trademarks and logos are material to RCI's business. RCI and its subsidiaries actively use the marks. "RCI" and "Resort Condominiums International" are registered 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. Based upon industry sources, we believe that approximately 98% of the nearly 5,500 timeshare resorts in the world are affiliated with either RCI or Interval. Based upon 1999 audited statistics (which are the most recent available), RCI had over 2.6 million members, while Interval had approximately 968,000 members. In 1999, RCI confirmed more than two million exchange transactions, while Interval confirmed approximately 585,000 transactions.

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. We 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.

CAR RENTAL BUSINESS

GENERAL. We operate the Avis car rental franchise system (the "Avis System"). On March 1, 2001, we purchased the approximately 82% of Avis Group, the largest Avis System franchisee, that we did not already own at a price of $33.00 per share in cash, or approximately $937 million. See "Recent Developments--Acquisitions--Avis Group Holdings" above. Our car rental business is now comprised of the Avis System and the car rental operations of Avis Group. As a result, we operate the second largest general use car rental business in the world, based on total revenue and volume of rental transactions.

The Avis System is comprised of approximately 4,700 rental locations, including locations at the largest airports and cities in the United States and approximately 172 other countries and territories, and a fleet of approximately 265,000 vehicles during the peak season. Approximately 93% of the Avis System rental revenues in the United States are received from locations operated by us as a result of the acquisition of Avis Group either 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, an unaffiliated third party.

The car rental industry provides vehicle rentals to business and individual customers worldwide. The industry is composed of two principal sectors: general use (mainly at airport and downtown locations) and local use (mainly at downtown and suburban locations). The car rental industry rents primarily from on-airport, near-airport, downtown and suburban locations. 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 rental company'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 for business travelers 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.

THE AVIS SYSTEM. The Avis System provides franchisees access to the benefits of a variety of services, including: (i) comprehensive safety initiatives, including the "Avis Cares-Registered Trademark-" 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) a standardized system identity for rental location presentation and uniforms; (iii) a 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-Registered Trademark-" service announcements.

Avis System franchisees are also provided with access to the Wizard-Registered Trademark- 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:

- an advanced graphical interface reservation system;

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

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

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

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

- "Avis Link-Registered Trademark-," 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 a franchisee inadvertently fails to give renters the benefits of negotiated rate arrangements to which they are entitled;

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

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

The Wizard System processes incoming customer calls during which customers may 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.

LICENSEES AND LICENSE AGREEMENTS. We have 62 independent licensees that operate locations in the United States. Our largest licensee, Avis Group (owned by us as of March 1, 2001), accounted for approximately 93% of all United States licensees' rental revenues during 2000. Other than Avis Group, certain licensees in the United States pay us a fee equal to 5.2% of their total time and mileage charges, less all customer discounts, of which we are required to pay 38.5% 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 Avis Group, our United States licensees currently pay 58.5 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.

In 1997, Avis Europe's previously paid-up 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 certain portions of Asia, 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.

UNITED STATES VEHICLE RENTAL OPERATIONS. Effective with the acquisition of Avis Group on March 1, 2001, we operated approximately 602 vehicle rental facilities at airport, near-airport and downtown locations throughout the United States. During 2000, approximately 82% of our Avis Group's U.S. rental car operations revenue was generated at 209 airports in the United States with the balance generated at our 393 non-airport locations. Our emphasis on airport traffic has resulted in a particular strong rental revenue market position at the major U.S. airports.

At most airports, we are one of five to seven vehicle rental concessionaires. In general, concession fees for airport locations are based on a percentage of total concessionable revenues (as determined by each airport location), subject to minimum guaranteed amounts. Concessions are typically awarded by airport authorities every three to five years based upon competitive bids. As a result of airport authority requirements as to the size of the minimum guaranteed fee, smaller vehicle rental companies generally are not located at airports. Our concession arrangements with the various airport authorities generally include minimum requirements for vehicle age, operating hours and employee conduct, and provide for relocation in the event of future construction and abatement of fees in the event of extended low passenger volume.

INTERNATIONAL VEHICLE RENTAL OPERATIONS. Avis car rental operations operate in Canada, Puerto Rico, the U.S. Virgin Islands, Argentina, Australia and New Zealand. Its operations in Canada and Australia were the principal contributors of revenue, accounting for 80% of international vehicle rental operations revenue in 2000. Revenue from international vehicle rental operations in 2000 was approximately $257 million.

VEHICLE PURCHASING. We participate in a variety of vehicle purchase programs with major domestic and foreign manufacturers, principally General Motors, although actual purchases are made directly through franchised dealers. We acquire vehicles primarily through vehicle repurchase programs whereby the manufacturers repurchase the vehicles at prices based on either (i) a specified percentage of original vehicle cost determined by the month the vehicle is returned to the manufacturer, or (ii) the original capitalization cost less a set daily depreciation amount (the "Repurchase Programs"). The average price for automobiles we purchased in 2000 for the U.S. rental fleet was approximately $19,400. For the 2000 model year, approximately 79% of new vehicle purchases were GM vehicles, 8% Chrysler vehicles and 13% Toyota, Nissan, Hyundai, Ford, Isuzu, Mitsubishi and Suzuki vehicles. In model year 2001, approximately 69% of our fleet in the United States will consist of GM vehicles, approximately 9% will be Chrysler vehicles and the balance will be provided by other manufacturers. Manufacturers' vehicle purchase programs sometimes provide us with sales incentives for the purchase of certain models, and most of these programs allow us to serve as a drop-ship location for vehicles, thus enabling us to receive a fee from the manufacturers for preparing newly purchased vehicles for use. There can be no assurance that we will continue to benefit from sales incentives in the future. For our international operations, vehicles are acquired by way of negotiated arrangements with local manufacturers and dealers using operating leases or Repurchase Programs.

Under the terms of our agreement with GM, which expires at the end of GM's model year 2004, we are required to purchase at least 147,900 GM vehicles for model year 2001 and maintain at least 51% GM vehicles in our U.S. fleet at all times. The GM Repurchase Program is available for all vehicles purchased pursuant to the agreement.

VEHICLE RENTAL DISPOSITION. Our current strategy is to hold rental vehicles for not more than 12 months with the average fleet age being approximately six months. Approximately 99% of the vehicles purchased for our domestic fleet under the model year 2000, including all GM vehicles, were eligible for Repurchase Programs. These programs impose certain return conditions, including those related to mileage and repair condition over specified allowances. Less than 3% of the Repurchase Program vehicles purchased by us and returned in 2000 were ineligible for return. Upon return of a Repurchase Program vehicle, we receive a price guaranteed at the time of purchase and are thus protected from a decrease in prevailing used car prices in the wholesale market. We dispose of our used vehicles that are not repurchased by the manufacturers to dealers in the United States through informal arrangements or at auctions. The future percentage of Repurchase Program vehicles in our fleet will depend on the availability of Repurchase Programs, over which we have no control.

UNITED STATES VEHICLE RENTAL MARKETING. In the United States, approximately 76% of Avis Group's 2000 car rental operations transactions were generated by travelers who used the Avis System under contracts between the Company and their employers or organizations of which they were members. Our corporate sales organization is the principal source of contracts with corporate accounts. Unaffiliated business travelers are solicited by direct mail, telesales and advertising campaigns. Our telesales department consists of a centralized staff that handles small corporate accounts, travel agencies, meetings and

conventions, tour operators and associations. Working with a state-of-the-art system in Tulsa, Oklahoma, the telesales operation produced revenue for the Avis System that exceeded $370 million in 2000. We solicit contractual arrangements with corporate accounts by emphasizing the advantages of the Wizard System. It plays a significant part in securing business of this type because the Wizard System enables us to offer a wide variety of rental rate combinations, special reports and tracking techniques tailored to the particular needs of each account, access to a worldwide rental network and assurance of adherence to agreed-upon rates.

Our presence in the leisure market is substantially less than our presence in the business market. Leisure rental activity is important in enabling us to balance the use of our fleet. Typically, business renters use vehicles from Monday through Thursday, while in most areas of the United States leisure renters use vehicles primarily over weekends. Our concentration on serving business travelers has led to excess capacity from Friday through Sunday of most weeks. We intend to increase our leisure market penetration by capitalizing on our strength at airports and by increased focus of our marketing efforts toward leisure travelers. An important part of our leisure marketing strategy is to develop and maintain contractual arrangements with associations that provide member benefits to their constituents. In addition to developing arrangements with traditional organizations, we have created innovative programs such as the Affinity Link Program that cross references bankcard members with Avis worldwide identification numbers and provides discounts to the cardholders for participating bankcard programs. We also use coupons in dine-out books and provide discounts to members of shopping and travel clubs whose members generated approximately $57 million of leisure business revenue in 2000. Preferred supplier agreements with select travel agencies and contracts with tour operators have also succeeded in generating leisure business for us.

Travel agents can make Avis System reservations through all four major U.S.-based global distribution systems and several international-based systems. Users of the U.S.-based global distribution systems can obtain access through these systems to our rental location, vehicle availability and applicable rate structures. An automated link between these systems and the Wizard System gives them the ability to reserve and confirm rentals directly through these systems. We also maintain strong links to the travel industry. We have arrangements with frequent traveler programs of airlines such as Delta-Registered Trademark-, American-Registered Trademark-, Continental-Registered Trademark-, United-Registered Trademark- and TWA-Registered Trademark-, and of hotels including the Hilton Corporation, Hyatt Corporation, Best Western, and Starwood Hotels and Resorts. These arrangements provide various incentives to all program participants and cooperative marketing opportunities for Avis and the partner. We also have an arrangement with our lodging brands whereby lodging customers who are making reservations by telephone will be transferred to us if they desire to rent a vehicle.

AVIS ONLINE. Avis has a strong brand presence on the Internet through our Avis Online web site, WWW.AVIS.COM. A steadily increasing number of Avis vehicle rental customers obtain rate, location and fleet information and then reserve their Avis rentals directly on the Avis Online web site. In addition, customers electing to use other Internet services such as Expedia-Registered Trademark-, Travelocity-Registered Trademark- and America Online-Registered Trademark- for their travel plans also have access to Avis reservations. During 2000, reservations through Internet sources increased to 7.4% of total reservations from 3.7% in the prior year.

In addition to being able to determine rates and place reservations, Avis Online users can find information about us, about other Avis programs and services, special offers, point to point driving directions and maps as well as airport maps.

INTERNATIONAL VEHICLE RENTAL. We utilize a multi-faceted approach to sales and marketing throughout our global network. In our principal international rental operations, we employ teams of trained and qualified account executives to negotiate contracts with major corporate accounts and leisure and travel industry partners. In addition, we utilize centralized telemarketing and direct mail initiatives to broaden continuously our customer base. Sales efforts are designed to secure customer commitment and support customer requirements for both domestic and international car rental needs.

International sales and marketing activities promote our reputation for delivering a high quality of service, contract rates, competitive pricing and customer benefits from special services such as Preferred Service, Roving Rapid Return and other benefits of the Wizard System.

Our international operations maintain close relationships with the travel industry including participation in several airline frequent flyer programs, such as those operated by Air Canada-Registered Trademark-, Ansett Australia Airlines-Registered Trademark- and Varig-Registered Trademark- Brazilian Airlines, as well as participation in Avis Europe programs with British Airways-Registered Trademark-, Lufthansa-Registered Trademark- and other carriers.

TRADEMARKS 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 the Avis business are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as major countries worldwide where Avis franchises are in operation. We own the marks used in the Avis business.

COMPETITION. The vehicle rental industry is characterized by intense price and service competition. In any given location, we and our 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 the Avis System.

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

Competition in the U.S. vehicle rental operations business is based primarily upon price, reliability, ease of rental and return and other elements of customer service. In addition, competition is influenced strongly by advertising and marketing. In part, because of the Wizard System, we have been particularly successful in competing for commercial accounts. There have been many occasions during the history of the vehicle rental industry in which all of the major vehicle rental companies have been adversely affected by severe industry-wide rental rate cutting, and we have, on such occasions, lowered our rates in response to such rate cutting. However, during the past two years, industry-wide rates have increased, reflecting, in part, both increased costs of owning and maintaining vehicles and the need to generate returns on invested capital.

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 Avis' 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. This general seasonal variation in demand, along with more localized changes in demand at each of our car rental operations, causes us to vary our fleet size over the course of the year. In 2000, our average monthly rental fleet ranged from a low of 200,441 vehicles in January to a high of 253,503 vehicles in July. Rental utilization, which is based on the number of hours vehicles are rented compared to the total number of hours vehicles are available for rental, ranged from 65.3% in December to 80.5% in August and averaged 74.5% for all of 2000.

FLEET MANAGEMENT SERVICES BUSINESS

On March 1, 2001, through the acquisition of Avis Group, we acquired PHH Vehicle Management Services LLC (d/b/a PHH Arval), a leader in the fleet management services business, which offers fleet leasing, fleet management, other management services to corporate clients and government agencies, and Wright Express Corporation, the leading fuel card service provider in the United States, which offers fuel and vehicle expense management programs to corporations and government agencies for the effective management and control of vehicle travel expenses. These services include vehicle leasing advisory services and fleet management services for a broad range of vehicle fleets. Advisory services include fleet policy analysis and recommendations, benchmarking, and vehicle recommendations and specifications. In addition, we provide managerial services which include ordering and purchasing vehicles, arranging for their delivery through dealerships located throughout the United States and Canada, administration of the title and registration process, as well as tax and insurance requirements, pursuing warranty claims with vehicle

manufacturers and remarketing used vehicles. We also offer various leasing plans for our vehicle leasing programs, financed primarily through the issuance of commercial paper and medium-term notes and through unsecured borrowings under revolving credit agreements, securitization financing arrangements and bank lines of credit.

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

PRODUCTS. Our fleet management services are divided into two principal products: (i) asset based products, and (ii) fee based products.

Asset based products represents the services our clients require to lease a vehicle which includes vehicle acquisition, vehicle remarketing, financing, and fleet management consulting. We lease in excess of 287,000 units through both open end lease structures and closed end structures. Open-end leases are the prevalent structure in North America representing 96% of the total vehicles financed in North America. The open-end leases can be structured on either a fixed rate or floating rate basis (where the interest component of the lease payment changes month to month based upon an index) depending upon client preference. The open-end leases are typically structured with a 12-month minimum lease term, with month-to-month renewals thereafter. The typical unit remains under lease for approximately 34 months. A client receives a full range of services in exchange for a monthly rental payment which includes a management fee. The residual risk on the value of the vehicle at the end of the lease term remains with the lessee under an open-end lease, except for a small amount which is retained by the lessor.

Closed-end leases are structured with a fixed term with the lessor retaining the vehicle residual risk. The most prevalent lease terms are 24 months, 36 months, and 48 months. We utilize independent third-party valuations and internal projections to set the residuals utilized for these leases.

The fee based products are designed to effectively manage costs and enhance driver productivity. The three main fee based products are fuel services, maintenance services and accident management. Fuel services represents the utilization of our proprietary cards to access fuel through a network of franchised and independent fuel stations. The cards operate as a universal card with centralized billing designed to measure and manage costs. In the United States, Wright Express is the leading fleet fuel card supplier with over 125,000 fuel facilities in its network and in excess of 3.2 million cards issued. Wright Express distributes its fuel cards and related offerings through three primary channels: (i) the Wright Express-Registered Trademark--branded universal card, which is issued directly to fleets by Wright Express; (ii) the private label card, under which Wright Express provides private label fuel cards and related services to commercial fleet customers of major petroleum companies; and (iii) co-branded marketing, under which Wright Express fuel cards are co-branded and issued in conjunction with products and services of partners such as commercial vehicle leasing companies.

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

We also provide our clients with comprehensive accident management services such as (i) immediate assistance after receiving the initial accident report from the driver (e.g., facilitating emergency towing services and car rental assistance, etc.), (ii) organizing the entire vehicle appraisal and repair process through a network of preferred repair and body shops, and (iii) coordinating and negotiating potential accident claims. Customers receive significant benefits from our accident management services such as (a) convenient coordinated 24-hour assistance from our call center, (b) access to our leverage with the

repair and body shops included in our preferred supplier network (the largest in the industry), which typically provides customers with extremely favorable repair terms and (c) expertise of our damage specialists, who ensure that vehicle appraisals and repairs are appropriate, cost-efficient, and in accordance with each customer's specific repair policy.

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

SEASONALITY. The fleet management services businesses are generally not seasonal.

REAL ESTATE DIVISION

The Real Estate division consists of our Real Estate Franchise, Relocation, Mortgage and Move.com Group segments (see "Divested Businesses--Move.com and Welcome Wagon International"). The Real Estate division represented approximately 39%, 31% and 28% of our revenue for 2000, 1999 and 1998, respectively.

REAL ESTATE FRANCHISE SEGMENT

GENERAL. The Real Estate Franchise segment represented approximately 15%, 13% and 10% of our revenue for 2000, 1999 and 1998, respectively. We own the CENTURY 21 franchise system, the world's largest franchisor of residential real estate brokerage offices with approximately 6,600 independently owned and operated franchised offices with approximately 102,000 active sales agents worldwide, the ERA franchise system, a leading residential real estate brokerage franchise system with over 2,500 independently owned and operated franchised offices and more than 28,000 sales agents worldwide and the Coldwell Banker franchise system, the world's leading 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 76,000 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 important to real estate brokers since homebuyers are generally infrequent users of brokerage services and upon arrival in an area are often unfamiliar with the local brokers.

Our preferred alliance program seeks to capitalize on the valuable access point that 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 joint venture between Apollo Management and the Company, which was created to acquire residential real estate brokerage firms. In August, 1997, NRT acquired the assets of National Realty Trust, the largest franchisee of the Coldwell Banker system. NRT has also acquired other independent regional real estate brokerage businesses which NRT has converted to Coldwell Banker, CENTURY 21 and ERA franchises. NRT is the largest franchisee of our brokerage franchise systems based on gross commissions, and represents 6% of the franchised offices. Of the more than 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.

FRANCHISE SYSTEMS

CENTURY 21. Century 21 is the world's largest residential real estate brokerage franchisor, with approximately 6,600 independently owned and operated franchise offices with nearly 102,000 active sales agents located in 30 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 closed commission income. CENTURY 21 franchisees who meet certain levels of annual gross closed commissions are eligible for the CENTURY 21 Incentive Bonus Program ("CIB"), 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 closed commissions. During 2000, approximately 16% of CENTURY 21 franchisees qualified for CIB payments, which aggregated to less than 1% of gross closed commissions.

In addition to service fees, 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 ("NAF"), which in turn uses those proceeds for local, regional and national advertising, marketing and public relations campaigns. In 2000, NAF spent approximately $46 million on advertising and marketing campaigns.

COLDWELL BANKER. Coldwell Banker is the world's leading 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 12 other countries, with approximately 76,000 sales agents. Revenue from the Coldwell Banker system is primarily derived from service and other fees paid by franchisees, including initial franchise fees and fees paid for ongoing services. Coldwell Banker franchisees pay us annual ongoing service fees equal to 6% of a franchisee's annual gross revenue (subject to annual rebates to franchisees who achieve certain threshold levels of gross revenue annually).

Coldwell Banker franchisees who meet certain levels of annual gross revenue are eligible for the Performance Premium Award Program ("PPA"), 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. During 2000, approximately 30% of Coldwell Banker franchisees qualified for PPA payments.

Coldwell Banker Real Estate Corporation offers a commercial-only franchise, licensing the Coldwell Banker Commercial-Registered Trademark- trademarks and systems. Coldwell Banker Commercial franchisees pay annual fees consisting of ongoing service 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).

In addition to service and other fees, Coldwell Banker franchisees pay an annual advertising fee equal to 2.5% of a franchisee's annual gross revenue (subject to certain minimums and maximums) to the Coldwell Banker Advertising Fund ("CBAF"). 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. During 2000, CBAF expended approximately $23 million or marketing campaigns.

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 28,000 sales agents located in 24 countries. Revenue from the ERA franchise system primarily results from (i) franchisees' payments of monthly membership fees ranging from $230 to $905 per month, based on volume, plus $208 per branch and a per transaction fee of approximately $128 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, ERA franchisees who met certain levels of annual gross revenue are eligible for the Volume Incentive 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.

In addition to membership and transaction fees, ERA franchisees pay (i) a fixed amount per month, which ranges from $247 to $991, based on volume, plus an additional $247 per month for each branch office into the ERA National Marketing Fund ("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. ERA NMF is utilized for local, regional and national marketing activities, including media purchases and production, direct mail and promotional activities and other marketing efforts. During 2000, ERA NMF spent approximately $6 million on marketing campaigns.

BROKERAGE FRANCHISE GROWTH. 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 sales 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.

BROKERAGE OPERATIONS. 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 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 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 herein, 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 and, generally, do not extend credit to franchisees for purchases.

BROKERAGE FRANCHISE AGREEMENTS. Our franchise agreements grant the right to utilize one of the brand names associated with our franchise systems.

Our current form of franchise agreement for all real estate brokerage brands is terminable by us in the event of the franchisee's failure to pay fees 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 of Coldwell Banker, CENTURY 21 and ERA brand names based on gross commission income. NRT's status as a franchisee is governed by franchise agreements with our brands, 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 those agreements. In February 1999, NRT entered into new fifty-year franchise agreements with our brands. These agreements require NRT to pay royalty and advertising fees of 6.0% and 2.0% (2.5% for its Coldwell Banker offices) (subject to certain limitations), respectively, on its annual gross revenues. Lower royalty and advertising fees apply in certain circumstances. These agreements generally provide restrictions on NRT's ability to close offices beyond certain limits.

INTERNET. Each of our brands has a consumer Web site that offers real estate listing contacts and services. Century21.com, Coldwellbanker.com and Era.com are the official Web sites for the CENTURY 21-Registered Trademark-, Coldwell Banker-Registered Trademark- and ERA-Registered Trademark- real estate franchise systems, respectively.

BROKERAGE TRADEMARKS AND INTELLECTUAL PROPERTY. 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 as well as major countries worldwide where the brands are franchised. 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 include the Prudential-Registered Trademark-, GMAC Real Estate(SM) (also known as Better Homes & Gardens-Registered Trademark-) and RE/MAX-Registered Trademark- real estate brokerage brands. In addition, a real estate broker may choose to affiliate with a regional chain or choose 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 our brand names to prospective franchisees is, to some extent, a function of the success of our 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 reduced by virtue of the diverse geographical locations of our franchisees. At December 31, 2000, the combined real estate franchise systems had approximately 8,100 franchised brokerage offices in the United States and more than 12,000 offices worldwide. The real estate franchise systems have offices in 43 countries and territories in North and South America, Europe, Asia, Africa and Australia.

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

RELOCATION SEGMENT

GENERAL. Our Relocation segment represented approximately 11%, 9% and 10% of our revenue for 2000, 1999 and 1998, respectively. Cendant Mobility(SM) is the leading provider of employee relocation services in the world and assists more than 128,000 affinity customers, transferring employees and global assignees annually, including over 20,000 employees internationally each year in 111 countries. At December 31, 2000, we employed approximately 2,600 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 the evaluation, inspection, selling or purchasing of a transferee's home, the issuance of equity advances (generally guaranteed by the corporate client), certain home management services, assistance in locating a new home at the transferee's destination and consulting 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 obligation 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 our corporate clients and not on the potential changes in value of residential real estate. We believe such risk is minimal due to the credit quality of our corporate clients. In transactions where we assume the risk for losses on the sale of homes, which comprise approximately 3% 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 service 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 65,000 shipments annually, provides support for all aspects of moving an employee's household goods. We also handle insurance and claim assistance, invoice auditing and quality control 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 professional assists the local broker by acting as an advocate for our clients' employees in negotiating offers. This helps clients' employees obtain the highest possible price for their homes and assists clients to ensure compliance with their relocation programs and management of their costs.

For clients' employees moving to or from the U.S. from a foreign country, within a foreign country, or from one foreign country to another, our international assignment service group provides a full spectrum of relocation services. This group coordinates these relocation services and assists with immigration support, candidate assessment, intercultural training, language training, and repatriation coaching.

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 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 44,000 individuals, with approximately 22,000 real estate transactions annually.

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 850 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.

BUSINESS GROWTH. Our growth strategy is primarily driven by domestic and international acquisitions and market expansion. On July 20, 2000, Cendant Mobility acquired Hamilton Watts International, a leading provider of expatriate relocation services in Australia and Southeast Asia. On September 7, 2000, Cendant Mobility acquired Bradford & Bingley Relocation Services, Ltd. ("BBRS"), a leading relocation management service in the United Kingdom. BBRS operations were merged with our Cendant Relocation (UK) operations immediately after the acquisition.

TRADEMARKS AND INTELLECTUAL PROPERTY. The service mark "Cendant Mobility" and related trademarks and logos are material to our relocation business. Cendant Mobility and its subsidiaries actively use the marks. All of the material marks used in Cendant Mobility'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 Cendant Mobility or its subsidiaries have significant operations. We own the marks used in Cendant Mobility's business.

COMPETITION. Competition is based on service, quality and price. In the United States, there are three other major national providers of such services: Associates Relocation Management, GMAC Relocation Services and Prudential Relocation Management. We are the market leader in the United States, United Kingdom, and Australia/Southeast Asia for outsourced relocations.

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

MORTGAGE SEGMENT

GENERAL. Our Mortgage segment represented approximately 11%, 9% and 8% of our revenue for 2000, 1999 and 1998, respectively. We originate, sell and service residential first mortgage loans in the United States. For 2000, Cendant Mortgage(SM) was the fifth largest lender of retail originated residential mortgages, and the ninth largest lender of residential mortgages in the US. On December 18, 2000, we announced a new alliance with Merrill Lynch whereby Merrill Lynch outsourced its mortgage origination and servicing operations to us. Merrill Lynch closed approximately $5 billion in retail purchase mortgages during 2000. Assuming Merrill Lynch's loan volume was part of our operating results for the full year of 2000, we believe we would have ranked as the second largest retail mortgage lender in 2000.

A full line of first mortgage products are marketed to consumers through relationships with corporations, 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, 2000, Cendant Mortgage had approximately 4,400 employees.

Cendant Mortgage customarily sells all mortgages it originates to investors (which include a variety of institutional investors) either as individual loans, mortgage-backed securities or 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 and earns revenue from the sale of the mortgage loans to investors, as well as 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 administering our mortgage loan servicing portfolio.

Cendant Mortgage offers mortgages through the following platforms:

- Teleservices. Mortgages are offered to consumers through an 800-number teleservices operation based in Mt. Laurel, 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 fifth largest retail originator in 2000 according to INSIDE MORTGAGE FINANCE.

- Internet. Mortgage information is offered to consumers through a Web interface that is owned by Cendant Mortgage. The Web interface 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, United States Bank, GE Financial Network and Merrill Lynch Credit Corporation. In addition, we developed and launched our own online brand--InstaMortgage.com(SM) in 1999. Applications from online customers are processed via our teleservices platform.

- 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.

- 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.

BUSINESS GROWTH. Our strategy is to increase market share by expanding all of our sources of business with emphasis on purchase mortgage volume through our teleservices, Phone In, Move In and Internet (Log In, Move In-Registered Trademark-) programs. The Phone In, Move In program was developed for real estate firms in 1997 and has been established in over 6,000 real estate offices.

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. The competitive advantage 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.

In connection with our new alliance with Merrill Lynch, Merrill Lynch will continue to market mortgages to its clients in partnership with their financial consultants. In January 2001, Merrill Lynch began utilizing our services on a private-label basis to process and service loans.

COMPETITION. Competition is based on service, quality, products and price. There are an estimated 22,000 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 2.1% in 2000 from 1.8% in 1999. According to INSIDE MORTGAGE FINANCE, the market share leader for 2000 reported a 7.1% market share in the United States. Competitive conditions can also be impacted by shifts in consumer preference for variable rate mortgages from fixed rate mortgages.

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

DIVERSIFIED SERVICES DIVISION

The Diversified Services division contains our Insurance/Wholesale and Diversified Services segments, which consists of our tax preparation business, parking operations and information technology services. The Diversified Services division represented approximately 29%, 37% and 37% of our revenue for 2000, 1999 and 1998, respectively.

INSURANCE/WHOLESALE SEGMENT

GENERAL. Our Insurance/Wholesale segment represented approximately 15%, 13% and 12% of our revenue for 2000, 1999 and 1998, respectively. We have nearly 38 million customers and market and administer insurance products, primarily accidental death and dismemberment insurance. We also provide products and services such as checking account enhancement packages, financial products and discount programs to customers of banks, credit card issuers, credit lenders and mortgage companies. The direct marketing activities are conducted principally through our wholly-owned subsidiaries, FISI, BCI, LTPC and Cims.

ENHANCEMENT PACKAGE SERVICE. We sell enhancement packages for financial institution consumer and business checking and deposit account holders primarily through our FISI subsidiary. FISI's financial institution clients select a customized package of our products and services and then usually add their 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 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 common carrier insurance and travel discounts. Others may include our shopping and credit card registration services, a travel newsletter or pharmacy, eyewear or entertainment discounts as enhancements. The common carrier coverage is underwritten under group insurance policies with two referral underwriters. 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 as 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.

AD&D INSURANCE. Through our FISI and BCI subsidiaries, we serve as an agent and third-party administrator for marketing accidental death and dismemberment insurance throughout the country to the customers of financial institutions. These products are primarily marketed through direct mail solicitations, which generally offer $1,000 of accidental death and dismemberment insurance at no cost to the customers and the opportunity to choose additional coverage of up to $250,000. The annual premium generally ranges from $10 to $250. BCI also acts as an administrator for term life and hospital accident insurance. FISI's and BCI's insurance products and other services are offered to customers of banks, credit unions, credit card issuers and mortgage companies.

LONG TERM CARE INSURANCE. Through our LTPC subsidiary, we are one of the largest independent marketers of long term care insurance products in the United States representing five national underwriters. LTPC's sales efforts are supported by over 300 captive agents and 1,500 brokers across the United States.

INTERNATIONAL OPERATIONS. Our Cims subsidiary has developed the international distribution of loyalty package services and insurance products. As of December 31, 2000, Cims has expanded its international membership and customer base to approximately 13.7 million individuals. This base is driven by wholesale membership through over 50 financial institutions throughout Europe, South Africa 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 pay initial license fees and agree to pay royalties to us based on membership fees, access fees and merchandise service fees paid to them. Royalties from these licenses were less than 1% of our revenues and profits within our Insurance/Wholesale segment for 2000, 1999 and 1998, 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".

DISTRIBUTION CHANNELS. We market our products through a variety of distribution channels. The consumer is ultimately reached in the following ways: (i) at financial institutions or other associations through direct marketing; (ii) at financial institutions or other associations through a direct sales force, participating merchants or general advertising; and (iii) through companies and various other entities.

GROWTH. Primary growth drivers include expanding our customer base to include larger financial institutions and expanding the array of products and services sold through the direct marketing channels to existing clients. We offer a service whereby we develop consumer and business-to-business portals for financial institutions to expand direct marketing initiatives that will attract and retain additional customers and provide new sources of revenue. Other potential target market sectors include the emerging affluent and students. Cims is expanding its customer base beyond financial institutions to utilities, insurance, and telecom companies.

COMPETITION. Our checking account enhancement services compete with similar services offered by other companies, including insurance companies and other third-party marketers. In larger financial institutions,

we may also compete with a financial institution's own marketing staff. Competition for the offering of our insurance products through financial institutions is growing and intense. Our competitors include other third-party marketers and large national insurance companies with established reputations that offer products with rates, benefits and compensation similar to ours. The long term care insurance industry is highly competitive. Our competition primarily includes large national insurance companies, such as General Electric Financial Assurance Company.

SEASONALITY

Our direct marketing businesses are generally not seasonal.

DIVERSIFIED SERVICES SEGMENT

TAX PREPARATION SERVICES

GENERAL. Our Jackson Hewitt Inc. subsidiary is the second largest tax preparation service system in the United States. The Jackson Hewitt-Registered Trademark- franchise system is comprised of a 48-state network (and the District of Columbia) with approximately 3,300 offices operating under the trade name and service mark "Jackson Hewitt Tax Service-Registered Trademark-." Office locations range from stand-alone store front offices to offices within Wal-Mart-Registered Trademark- and Kmart-Registered Trademark- stores. 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 2000, Jackson Hewitt prepared over 1.8 million tax returns, which represented an increase of 33% from the approximately 1.38 million tax returns prepared during 1999. To complement our tax preparation services, we also offer accelerated check refunds and refund anticipation loans to our tax preparation customers through a designated bank. 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 preparation revenues are primarily comprised of tax return preparation fees and incremental fees through customer tax refund payment options. During 2000, approximately 60%, or 76 million, of the 128 million tax returns filed were completed by paid preparers. H&R Block's recent shift to an owner/ operator business model has resulted in Jackson Hewitt becoming the leading franchisor of tax preparation services.

GROWTH. We believe revenue and market share growth in the tax preparation industry will come primarily from selling new franchises, the application of proven management techniques for existing franchise systems, and new product and service offerings. During 1999, Jackson Hewitt, in conjunction with two of its largest franchisees, created an independent joint venture, Tax Services of America, Inc. ("TSA"), to maximize Jackson Hewitt's ability to add independent tax preparation firms to its franchise system. Cendant initially invested $5 million in TSA, which was contributed to Jackson Hewitt. Jackson Hewitt initially invested approximately 80 company-owned stores and currently has an approximately 80% interest in the form of convertible preferred stock. TSA currently has over 350 offices and is expected to prepare over 300,000 tax returns during the 2001 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.

FRANCHISE AGREEMENTS. Our tax preparation services franchise agreements grant the right to utilize the Jackson Hewitt brand name to independent owners and operators under long-term franchise agreements. An annual average of 1% of our existing franchise agreements are scheduled to expire from January 1, 2001 through December 31, 2006, with no more than 2% (in 2003) scheduled to expire in any one of those years.

The current standard agreements generally are for ten-year terms and generally require, among other obligations, franchisees to pay a minimum initial fee, as well as continuing franchise fees comprised of royalty fees and marketing fees.

Our typical franchise agreement is terminable by us upon the franchisee's failure to maintain certain performance standards, to pay franchise fees or other charges or to meet other specified obligations. The franchise agreements are terminable by the franchisee under certain limited circumstances.

TRADEMARKS AND OTHER INTELLECTUAL PROPERTY. The trademark "Jackson Hewitt" and related logo are material to Jackson Hewitt's business. We, through our franchisees, actively use these marks. The trademark and logo are registered (or have applications pending for registration) with the United States Patent and Trademark Office

COMPETITION. Tax preparation businesses are highly competitive. There are a substantial number of tax preparation firms and accounting firms that offer tax preparation services. Commercial tax preparers are highly competitive with regard to price, service and reputation for quality. Our largest competitor, H&R Block, recently shifted to an owner/operator business model, which resulted in our becoming the leading franchisor of tax preparation services.

SEASONALITY. Since most of our franchisees' customers file their tax returns during the period from January through April of each year, substantially all franchise royalties are received during the first and second quarters of each year. As a result, Jackson Hewitt operates at a loss for the remainder of the year. Historically, such losses primarily reflect payroll of year-round personnel, the update of tax software and other costs and expenses relating to preparation for the following tax season.

NATIONAL CAR PARKS

GENERAL. Our National Car Parks subsidiary operates off-street commercial parking facilities and on-street parking in the United Kingdom, 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 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 parking facilities in over 100 city and town centers throughout the United Kingdom, most of which are regularly patrolled and many of which have closed-circuit television surveillance. NCP is the only parking facilities 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 parking facilities at United Kingdom airports, with over 31,000 car parking spaces in facilities close to passenger terminals at ten airports across the United Kingdom. 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.

REGULATIONS. There is increasing government regulation over all aspects of transport within the United Kingdom. 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.

TRADEMARKS AND INTELLECTUAL PROPERTY. The service mark NCP-Registered Trademark- and related logos are registered (or have applications pending for registration) in the UK Patent Office and throughout the European Community.

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

SEASONALITY. 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.

INFORMATION TECHNOLOGY SERVICES

GENERAL. Our WizCom International, Ltd. subsidiary is a global provider of electronic reservations processing, connectivity and information management systems for the travel industry, including the Wizard System more fully described under "TRAVEL DIVISION--Car Rental Business--Avis System and Wizard System Services" above. WizCom provides its hotel, car rental and tour/leisure travel customers with electronic distribution and e-commerce solutions to the Global Distribution Systems (GDSs), Internet and/or other travel reservations systems. WizCom's product suite links customers to all the 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, corporate travel departments and consumers. In addition, through WizCom's EasyAccess Plus-SM- information management system or Central Reservation Systems, customers can maintain current information on property, vehicle or tour package information (such as rental rates or room amenity descriptions) In 1995, Budget Rent A Car Corporation entered into a computer services agreement with WizCom to provide reservation system computer services that are substantially similar to those computer services provided to the Avis System. WizCom has also entered into agreements with hotel and other car rental companies, as well as Internet travel companies, to provide travel related reservation and distribution system services. Revenues are primarily comprised of up front implementation fees and ongoing transaction and support fees.

INDUSTRY AND COMPETITION. Increased demand for WizCom's products has largely been driven both by the growth of the Internet and online travel, as well as the demand for real-time data processing and connectivity for reservations in the travel sector. Total industry hotel bookings through the GDSs continued to show growth of 12% in 1999 and 10% in 2000. For hotel switch processing business, WizCom's primary competitor is Pegasus Solution's Electronic Distribution. There are several competitors for the hotel central reservations product. WizCom is the only company providing switching services for the car rental market, and there is little competition for the car rental central reservations product.

BUSINESS & GROWTH STRATEGY. Multiple sectors of the travel industry are seeking to make reservations processing and connectivity more time and cost-efficient for their operations. Travel companies continue to seek opportunities to lower costs per travel booking and introduce real-time, current information management systems. Online travel growth for both corporate and leisure travel bookings continues to expand. WizCom has positioned itself as one-easy-connection for companies to make their inventory available for distribution through Internet, corporate intranet or traditional GDS channels.

DIVESTED BUSINESSES

MOVE.COM AND WELCOME WAGON INTERNATIONAL. On February 16, 2001, we completed the sale to Homestore.com of certain businesses within our Move.com Group segment and our Welcome Wagon International business, which was part of our Diversified Services segment. As a result of the transaction we own approximately 21.5 million shares of Homestore.com, representing approximately a 20% stake in Homestore.com. In addition, we will have a designee on the Homestore.com Board of Directors. See "Recent Developments--Other--Divestiture of Move.com. Group and Welcome Wagon International".

Through Move.com, we operated a network of Web sites, which offered a wide selection of quality relocation, real estate and home-related products and services. We sought to provide a one-source,

"friend-in-need" solution before, during and after the move. We also provided a multi-channel distribution platform for our business partners, who were trying to reach a highly targeted and valued group of consumers at the most opportune times. The move.com network generated the following types of revenue from its business partners: listing subscription fees, advertising and sponsorship fees, e-commerce transaction fees and Web site management fees. During 2000, the move.com network represented an immaterial part of our business operations.

The move.com network was comprised of the following Web sites that offered relocation, real estate and home-related content and services: (i) move.com-SM-, the Internet portal and flagship site, combining home and rental housing listings, mortgage services and numerous moving and home-related services; (ii) Rent.net-Registered Trademark-, 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; (iii) Seniorhousing.net-Registered Trademark-, which 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; (iv) Corporatehousing.net(SM), 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; (v) Selfstorage.net-Registered Trademark-, a leading online directory and advertising source for the self storage industry, with over 3,000 storage facilities across the United States and Canada and (vi) Welcomewagon.com, the official Web site of Welcome Wagon/Getko, which provides the move.com network with local community information.

Through Welcome Wagon, we distributed complimentary welcoming packages which provide new homeowners and other consumers throughout the United States and Canada with discounts for local merchants. These activities were conducted through our Welcome Wagon International Inc. and Getko Group, Inc. subsidiaries.

INDIVIDUAL MEMBERSHIP. On October 25, 2000, we announced our intention to spin-off our individual membership and loyalty businesses that are the primary remaining businesses inherited from the merger with CUC in 1997. The currently contemplated transaction will be a tax-free distribution to CD stockholders and is expected to close by mid-2001. See "Recent Developments--Other--Spin-off of Individual Membership Businesses".

Through our individual membership business, with approximately 24.3 million memberships, we provide customers with access to a variety of discounted products and services in such areas as retail shopping, travel, personal finance and auto and home improvement. 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 membership programs offer consumers discounts on over 31,500 brand categories by providing shop at home convenience in areas such as retail shopping, travel, automotive, dining and home improvement. A brief description of the different types of membership programs is as follows:

Shoppers Advantage-Registered Trademark- ("SA") is a discount shopping program that provides product price information and home shopping services to its members. SA's merchandise database contains information on over 80,000 brand name products, including a written description of the product, the manufacturer's suggested retail price, the vendor's price, features and availability. SA acts as a conduit between its members and the vendors; accordingly, it does not maintain an inventory of products.

Travelers Advantage-Registered Trademark- is a discount travel service program whereby our Cendant Travel, Inc. 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, the Travelers Advantage division maintains its own database containing information on tours, travel packages and short notice travel arrangements. Members book their reservations through Cendant Travel, which earn commissions (ranging from 5%-25%) on all travel sales from the providers of the travel services.

The AutoVantage-Registered Trademark- Service offers members comprehensive new car summaries and preferred prices on new domestic and foreign cars purchased through an independent dealer network (which includes over 1,800 dealer franchises) and discounts on maintenance, tires and parts at more than 25,000 locations. AutoVantage Gold-Registered Trademark- is a premium version of the AutoVantage-Registered Trademark- Service, providing, among other things, road and tow services to its members.

Credit Card Guardian-Registered Trademark- and "Hot-Line" services enable consumers, among other things, to register their credit and debit cards with us so that the account numbers of these cards may be kept securely in one place.

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.

The Buyers Advantage-Registered Trademark- services extend 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.

The CompleteHome-Registered Trademark- service is designed to save members time and money in maintaining and improving their homes. Members can order do-it-yourself "How-To Guides" or call the service for a tradesperson referral.

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

The HealthSaver(SM) membership provides discounts ranging from 10% to 50% off retail prices on prescription drugs, eyewear, eye care, dental care, selected health-related services and fitness equipment, including sporting goods.

REGULATION

MARKETING REGULATION. Primarily through our Insurance/Wholesale and our individual membership businesses, we market our products and services via a number of distribution channels, including direct mail, telemarketing and online. These channels are regulated on the state and federal levels 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. In addition to direct marketing, our Insurance/Wholesale and individual membership products and services are subject to various state and local regulations including, as applicable, those of state insurance departments. While we have not been adversely affected by existing regulations, we cannot predict the effect of any future federal, state or local legislation or regulation.

In November 1999, the Federal Gramm-Leach-Bliley Act became law. This Act and its implementing regulations modernized the regulatory structure affecting the delivery of financial services to consumers and provided for new requirements and limitations relating to direct marketing by financial institutions to their customers. Such additional requirements and limitations became effective in November 2000, but mandatory compliance is not required until July 1, 2001. We have taken various steps to address the requirements of the Act; however, since certain specific aspects of the implementing regulations related to this Act have not yet been clarified, it remains unclear what effect, if any, those regulations might have on our businesses.

We are also aware of, and are actively monitoring the status of, certain proposed privacy-related state legislation that might be enacted in the future; it is unclear at this point what effect, if any, such state legislation might have on our businesses.

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 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 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 Web sites, 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.

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 certain disclosure guides with regulators in states where required. 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 exchange programs. Therefore, the statutes indirectly impact our timeshare exchange business.

INTERNET REGULATION. Although our 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 our business units' compliance more difficult or expensive or otherwise restricting their ability to conduct their businesses as they are now conducted.

VEHICLE RENTAL AND FLEET LEASING REGULATION. We are subject to federal, state and local laws and regulations including those relating to taxing and licensing of vehicles, franchising, consumer credit, environmental protection, retail vehicle sales and labor matters. The principal environmental regulatory requirements applicable to our vehicle and fleet management operations relate to the ownership or use of tanks for the storage of petroleum products, such as gasoline, diesel fuel and waste oils; the treatment or discharge of waste waters; and the generation, storage, transportation and off-site treatment or disposal of solid or liquid wastes. We operate 287 locations at which petroleum products are stored in underground or aboveground tanks. We have instituted an environmental compliance program designed to ensure that these tanks are in compliance with applicable technical and operational requirements, including the replacement and upgrade of underground tanks to comply with the December 1998 EPA upgrade mandate

and periodic testing and leak monitoring of underground storage tanks. We believe that the locations where we currently operate are in compliance, in all material respects, with such regulatory requirements.

We may also be subject to requirements related to the remediation of, or the liability for remediation of, substances that have been released to the environment at properties owned or operated by us or at properties to which we send substances for treatment or disposal. Such remediation requirements may be imposed without regard to fault and liability for environmental remediation can be substantial.

We may be eligible for reimbursement or payment of remediation costs associated with future releases from its regulated underground storage tanks have established funds to assist in the payment of remediation costs for releases from certain registered underground tanks. Subject to certain deductibles, the availability of funds, compliance status of the tanks and the nature of the release, these tank funds may be available to us for use in remediating future releases from its tank systems.

A traditional revenue source for the vehicle rental industry has been the sale of loss damage waivers, by which rental companies agree to relieve a customer from financial responsibility arising from vehicle damage incurred during the rental period. Approximately 3.4% of our vehicle operations revenue during 2000 was generated by the sale of loss damage waivers. The U.S. House of Representatives has from time to time considered legislation that would regulate the conditions under which loss damage waivers may be sold by vehicle rental companies. Approximately 40 states have considered legislation affecting the loss damage waivers. To date, 24 states have enacted legislation which requires disclosure to each customer at the time of rental that damage to the rented vehicle may be covered by the customer's personal automobile insurance and that loss damage waivers may not be necessary. In addition, in the late 1980's, New York enacted legislation which eliminated our right to offer loss damage waivers for sale and limited potential customer liability to $100. Moreover, California and Nevada have capped rates that may be charged for loss damage waivers to $9.00 and $10.00 per day, respectively.

We are also subject to regulation under the insurance statutes, including insurance holding company statutes, of the jurisdictions in which its insurance company subsidiaries are domiciled. These regulations vary from state to state, but generally require insurance holding companies and insurers that are subsidiaries of insurance holding companies to register and file certain reports including information concerning their capital structure, ownership, financial condition and general business operations with the state regulatory authority, and require prior regulatory agency approval of changes in control of an insurer and intercorporate transfers of assets within the holding company structure.

The payment of dividends to us by our insurance company subsidiaries, Pathfinder, Global Excess and Constellation, is restricted by government regulations in Colorado, Bermuda and Barbados affecting insurance companies domiciled in those jurisdictions.

EMPLOYEES

As of December 31, 2000, 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 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 buildings leased by us and located at 1 Sylvan Way and 10 Sylvan Way, Parsippany, New Jersey 07054 and Landmark House, Hammersmith Bridge Road, London, England W69EJ. We have recently entered into a 12-year lease for 377,000 square feet at One Campus Drive, Parsippany, NJ 07054, where we plan to consolidate many of our corporate functions.

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 Avis rental car operations, 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. Our Travel segment

also leases space for its reservations centers and data warehouse in Winner and Aberdeen, South Dakota; Phoenix, Arizona; Knoxville and Elizabethton, Tennessee; Tulsa and Drumright, Oklahoma; St. John and Fredericton, New Brunswick, Canada pursuant to leases that expire in 2000, 2004, 2007, 2004, 2002, 2001, 2000, 2009 and 2009, respectively. The Tulsa and Drumright, Oklahoma and St. John and Fredericton, New Brunswick, Canada locations serve as Avis car rental reservation centers. In addition, our Travel segment has approximately 14 leased offices spaces located within the United States and approximately 37 additional leased spaces in various countries outside the United States.

Our Real Estate Franchise segment leases approximately seven properties in various locations that function as sales offices, three of which are shared with our Travel segment.

Our Relocation segment has its main corporate operations located in three leased buildings in Danbury, Connecticut, with lease terms expiring in 2004, 2005 and 2008. There are also five regional offices located in Mission Viejo and Walnut Creek, California; Oak Brook and Chicago, Illinois; and Irving, Texas, which provide operation support services. We own the office in Mission Viejo and the others we operate pursuant to leases that expire in 2004, 2003, 2004 and 2003, respectively. International offices are located in: Hammersmith and Swindon, United Kingdom; Melbourne, Australia; and Singapore pursuant to leases that expire in 2012, 2013, 2005 and 2002, respectively.

Our Mortgage segment has centralized its operations to one main area occupying various leased offices in Mt. Laurel, New Jersey for a total of approximately 940,000 square feet. The lease terms expire over the next four years. Regional sales offices are located in Englewood, Colorado and Santa Monica, California, pursuant to leases that expire in 2002 and 2005, respectively.

Our Insurance/Wholesale segment leases domestic space in Brentwood and Franklin, Tennessee; San Carlos, California; and Richmond, Virginia with lease terms ending in 2002, 2003, 2001 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.

We also lease space in Garden City, New York and Parsippany, New Jersey that supports the Diversified Services segment as well as our car rental business. The Garden City location is the main operation and administrative centers for WizCom and Avis. In addition, there are approximately 19 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 National Car Parks.

We lease or have vehicle rental concessions relating to space at 591 locations in the United States and 202 locations outside the United States utilized in connection with its vehicle rental operation. Of those locations, 212 in the United States and 74 outside the United States are at airports. Typically, an airport receives a percentage of vehicle rental revenues, with a guaranteed minimum. Because there is a limited to the number of vehicle rental locations in an airport, vehicle rental companies frequently bid for the available locations, usually on the basis of the size of the guaranteed minimums. We and other vehicle lease firms also lease parking space at or near airports and at their other vehicle rental locations.

PHH Arval leases office space and marketing centers in eight locations in the United States and Canada, with approximately 280,000 square feet in the aggregate. In addition, Wright Express leases approximately 133,000 square feet of office space in two domestic locations.

PHH Arval maintains a regional/processing office in Hunt Valley, Maryland.

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 the 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, three 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 Courts 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, 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 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 13 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 August 28, 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 17 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 27, 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. In an opinion dated August 10, 2000, the United States Court of Appeals for the Third Circuit vacated the District Court's judgment and remanded the ABI Actions for further proceedings. Cendant, on December 15, 2000, filed a motion to dismiss those claims based on ABI purchases after April 15, 1998. This motion has been fully briefed and is currently pending before the District Court.

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 two of the remaining transferred actions: McLaughlin v. Cendant Corp., originally filed in the District of New Jersey; and Alexander v. Cendant Corp., 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 form 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.

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. The Company answered the Second Amended Complaint on April 3, 2000, and the Company has filed Cross-Claims against Ernst & Young.

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 concluded on February 13, 2001 with an award to the Stantons.

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 the JPML on August 12, 1999.

In April 2000, the Davidsons filed a motion in the United States District Court for the District of New Jersey seeking an Order (i) confirming that they are not members of the Class in the Securities Action and therefore are not bound by the settlement of that action; and (ii) alternatively, extending the time within which the Davidsons can exclude themselves from the Class. On May 15, 2000, Cendant filed papers in opposition to the motion and in support of its cross-motion seeking to enjoin the Davidsons from proceeding with the arbitration referred to above insofar as their claims in the arbitration are premised on their acquisition of shares of CUC common stock. On June 20, 2000, the District Court issued an order denying the Davidsons' motion and granting Cendant's cross-motion. Specifically, the District Court (i) ruled that the Davidsons fell within the Securities Action class definition of persons who purchased or otherwise acquired publicly traded securities of CUC or Cendant securities during the class period, (ii) denied the Davidsons' motion to extend time to opt out of the class, and (iii) granted Cendant's cross-motion to enjoin the Davidsons' continued prosecution of claims arising out of their acquisition of publicly-traded CUC or Cendant securities. The Davidsons appealed the Order to the United States Court of Appeals for the Third Circuit and oral argument was held on November 16, 2000.

Deutch v. Silverman, et al., No. 98-1998 (WHW) (the "Deutch Action"), is a 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; and, as a nominal party, the Company. The complaint in the Deutch Action alleges that 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, and 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, 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.

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.

Resnik v. Silverman, et. al., No. 18329 (NC) (Del. Ch.) (the "Resnik Action"), is a purported derivative action filed in the Court of Chancery for the State of Delaware on or about September 19, 2000. The Complaint names as defendants those current and former members of Cendant's Board of Directors (the "Director Defendants") who were both named as defendants in, and approved the settlement of, the Securities Action (the "Settlement"). The Complaint alleges that the decision of the Director Defendants to approve the Settlement constituted a breach of their fiduciary duties of loyalty and good faith, and seeks a monetary judgment in an unspecified amount in favor of nominal defendant Cendant. On or about November 16, 2000, Cendant moved to dismiss the Resnik Action on the grounds that any challenge to the Director Defendants' decision to approve the Settlement is not ripe because Cendant has not yet incurred any liability under the Settlement, and may never do so if the District Court's approval of the Settlement is not affirmed on appeal. Also on or about November 16, 2000, the Director Defendants moved to stay the Resnik Action pending resolution of the Deutch Action. The plaintiff in the Resnik Action has not yet responded to either of these motions.

The SEC and the United States Attorney for the District of New Jersey conducted investigations relating to accounting irregularities. As a result of the findings from our internal investigations, we made all adjustments considered necessary which are reflected in previously filed financial statements. The investigation of the SEC as to Cendant concluded on June 14, 2000 when Cendant consented to an entry of an Order Instituting Public Administration Proceedings in which the SEC found that Cendant had violated certain record-keeping provisions of the federal securities laws, Sections 13(a) and 13(b) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, 13b2-1, and ordered Cendant to cease and desist from committing or causing any violation and any future violation of those provisions.

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 Securities Action pending against the Company in the U.S. District Court in Newark, New Jersey. In a settlement agreement executed March 17, 2000, the Company agreed to pay the class members approximately $2.85 billion in cash. The District Court approved the settlement in orders dated August 15, 2000. Certain parties who objected to the settlement have appealed the District Court's orders approving the plan of allocation of the settlement fund and awarding attorney's fees and expenses to counsel for the lead plaintiffs to the United States Court of Appeals for the Third Circuit. Briefing of the appeals is nearly complete, but no argument date has been set by the Third Circuit. We currently plan to fund the settlement through the use of available cash, the use of existing credit facilities, 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 agreement to settle the common stock class action litigation.

Settlement of PRIDES Class Action Litigation

On March 17, 1999, we entered into a stipulation of settlement with 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 settlement, each eligible person was entitled to receive a new security--a Right--for each PRIDES held on April 15, 1998. The settlement did not resolve claims based upon purchases of PRIDES after April 16, 1998. On June 15, 1999, the United States District Court for the District of New Jersey issued an order approving the settlement and awarding fees to class counsel. One objector, who objected to a portion of the settlement concerning fees to class counsel, filed an appeal to the United States Court of Appeals to the Third Circuit, which was argued on December 15, 2000 and is currently pending before the appeals court. We believe this appeal is without merit.

In April 2000, The Chase Manhattan Bank ("Chase"), acting as custodian of three mutual funds that sought a total of 2,020,000 Rights, filed a motion seeking relief from an order of the District Court that rejected the claims filed by Chase on behalf of the mutual funds. On June 7, 2000, the District Court denied Chase's motion, but on December 1, 2000 the Third Circuit vacated that order and remanded the case to the District Court for further proceedings, which are ongoing. As the Rights expired on February 14, 2001, if Chase's claim is successful it will be satisfied with our CD Common Stock.

Pursuant to the settlement, we distributed 24,107,038 Rights to eligible persons. The Rights provided that we issue two New PRIDES to every person who delivered to us by February 14, 2001 three rights and two original PRIDES. The terms of the New PRIDES were the same as the original PRIDES, except that the conversion rate was revised so that, at the time the Rights were distributed, each of the New PRIDES had a value equal to $17.57 more than each original PRIDES, based upon a generally accepted valuation model. We issued approximately 15,485,000 New PRIDES upon exercise of Rights. Under the terms of the New PRIDES, each holder of a New PRIDES was required to purchase 2.3036 shares of our Common Stock on February 16, 2001. In connection with this mandatory purchase, we distributed approximately 14,745,000 more shares of our Common Stock on February 16, 2001 than we otherwise would have under the terms of the original PRIDES.

In connection with the settlement, we recorded a charge of approximately $351 million ($228 million, after tax) in the fourth quarter of 1998. Such charge was reduced by $41 million ($26 million, after tax) during 2000, resulting from an adjustment to the original estimate of the number of rights to be issued. Furthermore, in February 2001, we will record an additional reduction of approximately $10 million ($6.5 million, after tax), resulting from the number of rights that expired unexercised on February 16, 2001.

The 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.

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

Not Applicable.

PART II

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

MARKET PRICE ON COMMON STOCK

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "CD". At March 15, 2001 the number of stockholders of record was approximately 9,171. The following table sets forth the quarterly high and low sales prices per share of CD common stock as reported by the NYSE for 2000 and 1999.

2000	HIGH	LOW
First Quarter	$24.3125	$16.1875
Second Quarter	18.75	12.1563
Third Quarter	14.875	10.625
Fourth Quarter	12.5625	8.5

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

On March 15, 2001, the last sale price of our CD common stock on the NYSE was $14.36 per share.

DIVIDEND POLICY

We expect to retain our earnings for the development and expansion of our businesses 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,				
	2000	1999	1998	1997	1996
	(IN MILLIONS, EXCEPT PER SHARE DATA)				
RESULTS OF OPERATIONS					
Net revenues	$ 3,930	$ 4,521	$ 4,465	$ 3,553	$ 2,559
Income (loss) from continuing operations	$ 576	$ (333)	$ 208	$ 82	$ 366
Income (loss) from discontinued operations, net of tax	84	278	332	(42)	(36)
Extraordinary gain (loss), net of tax	(2)	--	--	26	--
Cumulative effect of accounting change, net of tax	(56)	--	--	(283)	--
Net income (loss)	$ 602	$ (55)	$ 540	$ (217)	$ 330
PER SHARE DATA					
CD COMMON STOCK					
Income (loss) from continuing operations:					
Basic	$ 0.80	$ (0.44)	$ 0.25	$ 0.10	$ 0.48
Diluted	0.78	(0.44)	0.24	0.10	0.45
Cumulative effect of accounting change:					
Basic	$ (0.08)	$ --	$ --	$ (0.35)	$ --
Diluted	(0.08)	--	--	(0.35)	--
Net income (loss):					
Basic	$ 0.84	$ (0.07)	$ 0.64	$ (0.27)	$ 0.44
Diluted	0.81	(0.07)	0.61	(0.27)	0.41
MOVE.COM COMMON STOCK					
Loss from continuing operations:					
Basic and diluted	$ (1.76)	$ --	$ --	$ --	$ --
FINANCIAL POSITION					
Total assets	$14,516	$14,531	$19,421	$13,453	$12,152
Long-term debt	1,948	2,445	3,363	1,246	780
Assets under management and mortgage programs	2,861	2,726	7,512	6,444	5,729
Debt under management and mortgage programs	2,040	2,314	6,897	5,603	5,090
Mandatorily redeemable preferred interest in a subsidiary	375	--	--	--	--
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,683	1,478	1,472	--	--
Stockholders' equity	2,774	2,206	4,836	3,921	3,956

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See Note 3--Acquisitions and Dispositions of Businesses and Note 6--Other Charges to the Consolidated Financial Statements for a detailed discussion of net gains (losses) on dispositions of businesses and non-recurring or unusual charges (credits) recorded for the years ended December 31, 2000, 1999, and 1998.

During 1997, restructuring and other unusual charges of $701 million ($503 million, after tax or $0.59 per diluted share) were recorded primarily associated with the merger of HFS Incorporated and CUC International Inc. and the merger with PHH Corporation in April 1997.

Income (loss) from discontinued operations, net of tax includes the after tax results of discontinued operations and the gain on disposal of discontinued operations.

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

The following discussion should be read in conjunction with the information contained in our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein. Unless otherwise noted, all dollar amounts are in millions.

RESULTS OF CONSOLIDATED OPERATIONS -- 2000 VS. 1999

Our revenues decreased $591 million, or 13%, primarily as a result of businesses disposed of during 1999. Excluding the operating results of these disposed businesses, our revenues increased $118 million, or 3%, which primarily reflected growth attributable to higher service based fees in our Relocation segment, increased mortgage production and loan servicing revenues in our Mortgage segment and greater royalty fees generated from our franchised brands in our Real Estate Franchise segment. A detailed discussion of revenue trends is included in "Reportable Operating Segments."

Our expenses decreased $3.3 billion, or 53%, primarily due to a $2.9 billion charge recorded during 1999 for the settlement of the principal common stockholder class action lawsuit and also the impact from businesses disposed of during 1999. During 2000, we also recorded a non-cash credit of $41 million in connection with an adjustment to the number of Rights to be issued under the settlement of the class action lawsuit that was brought on behalf of PRIDES holders in 1998, which was partially offset by a charge of $20 million recorded in connection with litigation asserting claims associated with accounting irregularities in the former business units of CUC and outside of the principal common stockholder class action lawsuit.

Expenses were also impacted by an increase in restructuring and other unusual charges and a decrease in interest expense, as discussed below.

During 2000, our management, with the appropriate level of authority, formally committed to various strategic initiatives, which were generally aimed at improving the overall level of organizational efficiency, consolidating and rationalizing existing processes and reducing cost structures in our underlying businesses. Accordingly, we incurred a restructuring charge of $60 million, of which $57 million impacted continuing operations. These initiatives primarily affected our Travel and Insurance/Wholesale segments and are expected to be completed by the end of the first quarter of 2001. Cash payments of approximately $20 million, funded from operations, were made during 2000. We do not anticipate additional significant cash requirements other than those already made during 2000. The initiatives are anticipated to increase pre-tax income by approximately $20 million to $25 million annually, commencing in 2001. The initial recognition of the charge and the corresponding utilization from inception is summarized by category as follows:

	2000 RESTRUCTURING CHARGE	CASH PAYMENTS	OTHER REDUCTIONS	BALANCE AT DECEMBER 31, 2000
Personnel related	$ 25	$ 18	$ 1	$ 6
Asset impairments and contract terminations	26	1	25	--
Facility related	9	2	1	6
Total	60	21	27	12
Reclassification for discontinued operations	(3)	(1)	--	(2)
Total related to continuing operations	$ 57	$ 20	$ 27	$ 10

Personnel related costs primarily included severance resulting from the consolidation of business operations and certain corporate functions. Asset impairments and contract termination costs were incurred in connection with a change in our strategic focus to an online business model and primarily consisted of $25 million associated with the exit of our timeshare software development business. Facility related costs consisted of facility closures and lease obligations also resulting from the consolidation of business operations.

During 2000 and 1999, we also incurred unusual charges of $32 million and $25 million, respectively, primarily representing irrevocable contributions to an independent technology trust responsible for completing the transition of our lodging franchisees to a company sponsored property management system.

Additionally, we incurred investigation-related costs of $23 million and $21 million during 2000 and 1999, respectively, which were primarily associated with professional fees and public relations costs incurred in connection with accounting irregularities in the former business units of CUC and resulting investigations into such matters. Also during 1999, we incurred $7 million of charges primarily in connection with the termination of the proposed acquisition of RAC Motoring Services.

Our net interest expense decreased $51 million, or 26%, primarily as a result of a decrease in our average debt balance outstanding, partially offset by interest expense accrued on our stockholder litigation settlement liability during 2000.

During 2000 and 1999, we recorded a net loss of $43 million and a net gain of $967 million, respectively, in connection with the dispositions of certain non-strategic businesses. Also during 2000, we recorded a gain of $35 million in connection with the recognition of a portion of our deferred gain on the 1999 sale of Avis Group due to the disposition of VMS Europe by Avis Group in 2000.

Our provision (benefit) for income taxes consisted of a tax provision of $309 million in 2000, or an effective tax rate of 31.9%, compared to a tax benefit of $468 million in 1999, or an effective tax rate of 63.2%. The effective tax rate variance represents the impact of the disposition of our Fleet segment in 1999, which was accounted for as a tax-free merger.

As a result of the above-mentioned items, income from continuing operations increased $909 million.

REPORTABLE OPERATING SEGMENTS -- 2000 VS. 1999

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 and amortization and minority interest, adjusted to exclude certain items, which are of a non-recurring or unusual nature and are not measured in assessing segment performance or are not segment specific. Our management believes such discussions are 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.

As of January 1, 2000, we refined our corporate overhead allocation method. Expenses that were previously allocated among segments based upon a percentage of revenue are now recorded by each specific segment if the expense is primarily associated with that segment. We determined this refinement to be appropriate subsequent to the completion of our divestiture plan and based upon the composition of our business units in 2000.

	YEAR ENDED DECEMBER 31,							
	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	2000	1999	% CHANGE	2000 (A)	1999	% CHANGE	2000	1999
Travel (b)	$ 1,243	$ 1,239	--%	$ 564	$ 593	(5)%	45%	48%
Real Estate Franchise	593	571	4	430	424	1	73	74
Insurance/Wholesale (c)	574	575	--	177	180	(2)	31	31
Relocation	448	415	8	142	122	16	32	29
Mortgage	423	397	7	180	182	(1)	43	46
Move.com Group	59	18	*	(94)	(22)	*	*	*
Diversified Services (d)(e)	590	1,099	(46)	144	223	(35)	24	20
Fleet	--	207	*	--	81	*	*	39
Total	$ 3,930	$ 4,521		$ 1,543	$ 1,783			

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* Not meaningful.

(a) Adjusted EBITDA excludes $89 million of restructuring and other unusual charges ($63 million, $1 million, $1 million, $9 million, $4 million and $11 million of charges were recorded within the Travel, Relocation, Mortgage, Insurance/Wholesale, Move.com Group and Diversified Services segments, respectively).

(b) Adjusted EBITDA excludes $12 million of losses in 2000 related to the dispositions of businesses and a charge of $23 million in 1999 associated with an irrevocable contribution to an independent technology trust responsible for completing the transition of our lodging franchisees to a company sponsored property management system.

(c) Adjusted EBITDA excludes $11 million of losses in 1999 related to the dispositions of businesses.

(d) Adjusted EBITDA for 2000 excludes (i) a non-cash credit of $41 million in connection with an adjustment to the number of Rights to be issued under the PRIDES settlement and (ii) a gain of $35 million, which represents the recognition of a portion of our previously recorded deferred gain from the 1999 sale of our former Fleet segment to Avis Group due to the disposition of VMS Europe by Avis Group in 2000; partially offset by (i) $31 million of losses related to the dispositions of businesses, (ii) $23 million of investigation-related costs and (iii) $20 million in connection with litigation asserting claims associated with accounting irregularities in the former business units of CUC and outside of the principal common stockholder class action lawsuit.

(e) Adjusted EBITDA for 1999 excludes charges of (i) $2,894 million associated with the settlement of the principal common stockholder class action lawsuit, (ii) $21 million for investigation related costs, (iii) $7 million related to the termination of a proposed acquisition and (iv) $2 million principally related to the consolidation of European call centers in Ireland. Such charges were partially offset by a net gain of $978 million related to the dispositions of businesses.

TRAVEL

Revenues increased $4 million while Adjusted EBITDA decreased $29 million, or 5%, however, the primary drivers impacting our franchise and timeshare business operations reflected growth year-over-year. Royalties from our franchise business increased $12 million, or 4%, principally due to a 3% increase in available rooms within our lodging business and a 4% increase in the volume of car rental transactions at Avis Group. Timeshare exchange revenues grew $12 million, or 6%, primarily due to a 6% growth in memberships and a 6% increase in the average exchange fee. Timeshare subscription revenues remained constant, despite the membership growth, due to the impact of the January 1, 2000 implementation of Staff Accounting Bulletin ("SAB") No. 101, which modified and extended the timing of revenue recognition for subscriptions and certain other fees. Accounting under SAB No. 101 resulted in non-cash reductions in timeshare subscription revenues and preferred alliance revenues of $11 million and $6 million, respectively. Also during 2000, Adjusted EBITDA declined in part due to $24 million of incremental overhead allocations from refined allocation methods, which was partially offset by an increase of $10 million in revenues and Adjusted EBITDA due to incremental dividend income recognized on our preferred stock investment in Avis Group. During 1999, revenues and Adjusted EBITDA benefited by $11 million from the execution of a bulk timeshare exchange transaction and also by $6 million from the generation of a master license agreement and joint venture. Additionally during 1999, revenues and Adjusted EBITDA included $11 million of gains recognized on the sale of a portion of our common equity interest in Avis Group.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $22 million, or 4%, and $6 million, or 1%, respectively. Such increases primarily represent higher royalty fees of $31 million, or 7%, generated from our real estate franchise brands, which principally resulted from an 11% increase in the average price of homes sold (net of a 3% reduction in the volume of homes sold). Industry statistics provided by the National Association of Realtors for the year ended December 31, 2000 indicated that the volume of existing home sales industry-wide declined by 3% and the average price of homes sold increased by 5%. Based on these statistics, we out-performed the industry-wide growth in the dollar volume of homes sold. Increases in royalties and franchise fees are recognized with minimal corresponding increases in expenses due to the significant operating leverage within our franchise operations. Such increases were partially offset by a year-over-year reduction of $10 million in gains recognized from the sale of portions of our preferred stock investments in NRT Incorporated. The increase in Adjusted EBITDA was further offset by an $11 million increase in corporate overhead allocations due to refined allocation methods. Excluding the reduction of $10 million in gains and the increase of $11 million in corporate overhead allocations, revenues and Adjusted EBITDA increased $32 million, or 6%, and $27 million, or 7%, respectively.

We also continued to add new franchise brokerages to our franchise system in 2000. The gross commissions added by our core franchise sales (exclusive of sales by NRT, our largest franchisee) were 14% higher. Revenue growth has been moderated by modestly declining volume and significantly reduced acquisition activity at NRT for the majority of the year. However, in December 2000, NRT acquired the largest independent real estate brokerage in California. Additionally, the pipeline of potential acquistions by NRT has grown significantly.

We believe that the combination of NRT acquisition opportunities and additional franchise sales should mitigate the currently anticipated industry-wide decline in existing home sales.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA decreased $1 million and $3 million, respectively. Domestic revenues and Adjusted EBITDA decreased $4 million and $7 million, respectively, and the Adjusted EBITDA margin was 35%, down 2% from 1999. Contributing to this decline were reduced billings and collections of insurance premiums. Additionally, we incurred costs of approximately $9 million during 2000 to consolidate our domestic operations in Tennessee. The majority of such costs were offset by economies and related cost savings realized from such consolidation. International revenues and Adjusted EBITDA increased $3 million and $4 million, respectively, primarily due to a 17% increase in international memberships. The Adjusted EBITDA margin internationally increased 2% to 18% in 2000. We project that improved market conditions, increased volume of direct mail insurance solicitations and the continued cost saving benefits of the consolidation of domestic operations will improve operating results throughout 2001.

RELOCATION

Revenues and Adjusted EBITDA increased $33 million, or 8%, and $20 million, or 16%, respectively, reflecting a continuing trend in our business operations from asset based to service based. Higher service based fees include increases of: (i) $14 million of referral fees, reflecting increased penetration in both destination and departure markets; (ii) $8 million of outsourcing fees resulting from expanded services; (iii) $10 million of international revenues resulting from increased marketing and sales efforts and (iv) $5 million of other ancillary service fees. Also contributing to the increase in revenues and Adjusted EBITDA was improved interest income of $13 million resulting from maintaining lower debt levels principally due to operating benefits realized from our investment in technology. Partially offsetting the increase in service fee revenues was a $14 million decline in corporate and government home sale revenues, principally due to a reduced volume of closings. Partially offsetting the increase in Adjusted EBITDA is a $7 million gain recognized in 1999 on the sale of a minority interest in an insurance subsidiary. Excluding such gain, revenues and Adjusted EBITDA increased $40 million, or 10%, and $27 million, or 23%, respectively.

In September 2000, we acquired Bradford & Bingley Relocation Services, a leading provider of global relocation management services in the United Kingdom. Such acquisition contributed $3 million to revenues and had no impact on Adjusted EBITDA.

MORTGAGE

Revenues increased $26 million, or 7%, while Adjusted EBITDA decreased $2 million, or 1%. Revenues from mortgage loans closed increased $16 million due to favorable production margins, partially offset by a reduction in mortgage loan closings. The average production fee increased 25 basis points, or 21%, due to a reduction in the direct costs per loan. Mortgage loan closings declined $3.4 billion, or 13%, to $22.1 billion, consisting of $20.2 billion in purchase mortgages and $1.9 billion in refinancing mortgages. The decline in loan closings was primarily the result of a $4.2 billion reduction in mortgage refinancing volume. This reduction was due to 1999's unprecedented industry-wide refinancing activity. Purchase mortgage closings in our retail lending business (where we interact directly with the consumer) increased $1.0 billion to $16.6 billion. Retail mortgage lending has been our primary focus and accounted for more than 80% of loan volume in 2000. We ranked as the fifth-largest retail mortgage lender by the National Mortgage News-Registered Trademark- for 2000.

During the fourth quarter of 2000, we entered into an expanded agreement with Merrill Lynch, under which Merrill Lynch has outsourced its mortgage origination and servicing operations to us, beginning January 1, 2001. Merrill Lynch closed approximately $5 billion in retail purchase mortgages during 2000. Assuming Merrill Lynch's loan volume was part of our operating results for the full year of 2000, we believe we would have ranked as the second largest retail mortgage lender in 2000.

Loan servicing revenues in 1999 included an $8 million gain on the sale of servicing rights. Excluding such gain, recurring loan servicing revenue increased $19 million, or 20%. The increase in loan servicing revenues was principally attributable to a corresponding increase in the average servicing portfolio, which grew approximately $14.3 billion, or 31%. The Adjusted EBITDA margin decreased principally because of lower loan origination volume during the first half of 2000.

As we anticipated, market conditions improved in the second half of 2000, producing more positive margin comparisons. We continue to expect improvement in our operating results during the first half of 2001.

MOVE.COM GROUP

Revenues increased $41 million, while Adjusted EBITDA decreased $72 million to a loss of $94 million. The increase in revenues principally reflects a significant increase in sponsorship revenues made possible by the launch of the move.com portal. The decline in Adjusted EBITDA primarily reflects our increased investment in marketing and development of the move.com network.

DIVERSIFIED SERVICES

Revenues and Adjusted EBITDA decreased $509 million, or 46%, and $79 million, or 35%, respectively. Revenues decreased primarily as a result of the 1999 dispositions of several businesses, the operating results of which were included through their respective disposition dates in 1999. The absence of such divested businesses from 2000 operations resulted in a reduction in revenues and Adjusted EBITDA of $502 million and $78 million, respectively. Excluding the impact of divested businesses on 1999 operating results, revenues and Adjusted EBITDA decreased $7 million and $1 million, respectively, in 2000. Jackson Hewitt, our tax preparation franchise business, and National Car Parks, our subsidiary in the United Kingdom that provides car parking services, contributed increases in revenues of $16 million and $18 million, respectively and increases in Adjusted EBITDA of $19 million each. Jackson Hewitt experienced a 33% increase in tax return volume and a 10% increase in the average price of a return. The favorable results of our operating subsidiaries were offset by $30 million of lower investment income in 2000 and $19 million of costs incurred to pursue Internet initiatives through our Cendant Internet Group.

INDIVIDUAL MEMBERSHIP (DISCONTINUED OPERATIONS)

Revenues decreased $152 million, or 17%, while Adjusted EBITDA increased $47 million, or 35%. During 1999, we disposed of four businesses which were included within our discontinued Individual Membership segment. Excluding the operating results of these businesses, revenues and Adjusted EBITDA increased $22 million, or 3%, and $31 million, or 21%, respectively. During 2000, our strategy was to focus on profitability by targeting our marketing efforts and reducing expenses incurred to reach potential new members. Accordingly, a favorable mix of products and programs with marketing partners in 2000 positively impacted revenues and Adjusted EBITDA. Additionally, we integrated Netmarket Group, an online membership business, in the fourth quarter of 2000, which contributed $12 million to revenues but also decreased Adjusted EBITDA by $7 million. Such increases were partially offset by a decrease in membership expirations during 2000 (revenue is generally recognized upon expiration of the membership), which was partially mitigated by a reduction in operating and marketing expenses, including commissions, which directly related to servicing fewer members.

RESULTS OF CONSOLIDATED OPERATIONS -- 1999 VS. 1998

Our revenues increased $56 million, or 1%, which reflected growth in a majority 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. A detailed discussion of revenue trends is included in "Reportable Operating Segments."

Our expenses increased $2.2 billion, or 53%, primarily as a result of the $2.9 billion charge recorded during 1999 for the settlement of the principal common stockholder class action lawsuit, partially offset by 1998 charges of $351 million recorded in connection with the PRIDES settlement and $433 million primarily recorded in connection with the termination of the proposed acquisition of American Bankers Insurance Group.

Expenses were also impacted by an increase in restructuring and other unusual charges and an increase in interest expense, as discussed below.

During 1999, we recorded (i) an unusual charge of $25 million, primarily representing 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 (ii) investigation-related costs of $21 million, primarily associated with professional fees and public relations costs incurred in connection with accounting irregularities in the former business units of CUC and resulting investigations into such matters.

During 1998, we recorded a charge of $53 million associated with the termination of certain former executives as well as investigation-related costs of $33 million, primarily associated with professional fees and public relations costs incurred in connection with accounting irregularities in the former business units of CUC and resulting investigations into such matters. Also due to such accounting irregularities, we were temporarily prohibited from accessing public debt markets in 1998. Accordingly, we recorded a charge of $35 million primarily in connection with fees associated with waivers and various financing arrangements. Such charges were partially offset by a non-cash credit of $67 million resulting from changes to the original estimate of restructuring costs recorded during 1997.

Our net interest expense increased $84 million, or 75%, primarily as a result of an increase in our average debt balance outstanding and a nominal increase in our cost of funds. In addition, the composition of our average debt outstanding during 1999 included longer term fixed rate debt carrying higher interest rates. The weighted average interest rate on long-term debt increased to 6.4% from 6.2%.

During 1999, we also recorded a net gain of $967 million in connection with the disposition of certain non-strategic businesses.

Our provision (benefit) for income taxes consisted of a tax benefit of $468 million in 1999, or an effective tax rate of 63.2%, compared to a provision of $135 million in 1998, or an effective tax rate of 34.3%. The effective tax rate variance represents the impact of the disposition of our Fleet segment in 1999, which was accounted for as a tax-free merger.

As a result of the above-mentioned items, income from continuing operations decreased $541 million.

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 and amortization and minority interest, adjusted to exclude certain items, which are of a non-recurring or unusual nature and are not measured 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.

	YEAR ENDED DECEMBER 31,							
	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	1999	1998	% CHANGE	1999	1998 (D)	% CHANGE	1999	1998
Travel (a)	$ 1,239	$ 1,163	7%	$ 593	$ 552	7%	48%	47%
Real Estate Franchise	571	456	25	424	349	21	74	77
Insurance/Wholesale (b)	575	544	6	180	138	30	31	25
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 (c)(e)	1,099	1,108	(1)	223	120	86	20	11
Fleet	207	387	*	81	174	*	39	45
Total	$ 4,521	$ 4,465		$ 1,783	$ 1,647			

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* Not meaningful.

(a) Adjusted EBITDA excludes a charge of $23 million in 1999 associated with an irrevocable contribution to an independent technology trust responsible for completing the transition of our lodging franchisees to a company sponsored property management system.

(b) Adjusted EBITDA excludes $11 million of losses in 1999 related to the dispositions of businesses.

(c) Adjusted EBITDA excludes charges in 1999 of (i) $2,894 million associated with the settlement of the principal common stockholder class action lawsuit, (ii) $21 million for investigation related costs, (iii) $7 million related to the termination of a proposed acquisition and (iv) $2 million principally related to the consolidation of European call centers in Ireland. Such charges were partially offset by a net gain of $978 million related to the dispositions of businesses.

(d) Adjusted EBITDA excludes a net credit of $67 million associated with changes to the estimate of previously recorded restructuring costs (comprised of $6 million, $1 million, $16 million, $47 million and $1 million of credits within our Travel, Real Estate Franchise, Relocation, Diversified Services and Fleet segments respectively) and $4 million of charges incurred within our Mortgage segment.

(e) Adjusted EBITDA excludes charges in 1998 of (i) $433 million primarily for the termination of the proposed acquisition of American Bankers Insurance Group, (ii) $351 million in connection with PRIDES settlement and (iii) $121 million of investigation related costs, including incremental financing costs and executive terminations.

TRAVEL

Revenues and Adjusted EBITDA increased $76 million, or 7%, and $41 million, or 7%, respectively. Franchise fees increased $39 million, or 7%, consisting of increases in lodging and car rental franchise fees of $26 million, or 7%, and $13 million, or 8%, respectively. Our franchise businesses experienced growth 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, or 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 largely offset by a $7 million decrease in gains from the sale of portions of our equity investment in Avis Group. Total expenses increased $35 million, or 6%, primarily due to increased volume; however, such increase included a $14 million increase in marketing and reservation fund expenses associated with our lodging franchise business unit that was offset by increased marketing and reservation revenue received from franchisees.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $115 million, or 25%, and $75 million, or 21%, respectively. Royalty fees for the CENTURY 21-Registered Trademark-, Coldwell Banker-Registered Trademark- and ERA-Registered Trademark- franchise brands collectively increased by $67 million, or 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. 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 our 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, 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.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased $31 million, or 6%, and $42 million, or 30%, respectively, 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, or 23%, and $15 million, respectively, primarily due to a 37% increase in customers. The Adjusted EBITDA margin for domestic operations was 37% versus 31%. The Adjusted EBITDA margin for international operations was 16% versus 7%. 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.

RELOCATION

Revenues and Adjusted EBITDA decreased $29 million, or 7%, and $3 million, or 2%, respectively. 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, or 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, or 12%, and Adjusted EBITDA decreased $6 million, or 3%. 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, or 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, or 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, or 63%, primarily because of increased purchase volume from our real estate franchisees. The Adjusted EBITDA margin decreased from 53% in 1998 to 46% in 1999. Adjusted EBITDA decreased 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.

MOVE.COM GROUP

Revenues increased $8 million, or 80%, to $18 million, while Adjusted EBITDA decreased $23 million to a loss of $22 million. These results reflect our increased investment in marketing and development of the portal and retention bonuses paid to Move.com Group employees.

DIVERSIFIED SERVICES

Revenues decreased $9 million, or 1%, and Adjusted EBITDA increased $103 million, or 86%. The April 1998 acquisition of National Car Park contributed incremental revenues and Adjusted EBITDA of $103 million and $48 million, respectively. Also contributing to an increase in revenues and Adjusted EBITDA 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 in January 1999, National Leisure Group and National Library of Poetry in May 1999, Spark Services and Global Refund Group in August 1999, Central Credit in September 1999 and Entertainment Publications and Green Flag Group 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 also reflects offsetting reductions in preferred alliance revenues and corporate expenses.

FLEET

On June 30, 1999, we completed the disposition of our Fleet business. 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.

INDIVIDUAL MEMBERSHIP (DISCONTINUED OPERATIONS)

Revenues and Adjusted EBITDA increased $59 million, or 7%, and $192 million, respectively, and Adjusted EBITDA margin improved to positive 15% from negative 7%. The revenue growth was principally due to a greater number of members and increases in the average price of a membership. The increase in the Adjusted EBITDA margin was 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 a 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.

In October 1999, we completed the divestiture of our North American Outdoor Group business unit, which was included in our operating results for the entire year of 1998 and through October 1999. Also, beginning September 15, 1999, certain online businesses were not consolidated into our discontinued Individual Membership segment operations as a result of our donation of Netmarket outstanding common stock to a charitable trust. However, Netmarket still accounted for a net increase in revenues and Adjusted EBITDA of $10 million and $23 million, respectively, due to growth in the business unit prior to the donation to the trust. Excluding the operating results of such businesses, revenues and Adjusted EBITDA increased $49 million and $169 million, respectively, and the Adjusted EBITDA margin increased to positive 21% from negative 3%. Additionally, revenues and Adjusted EBITDA in 1999 were incrementally benefited by $13 million and $5 million, respectively, from the April 1998 acquisition of a company that, among other services, provides members with access to their personal credit information.

LIQUIDITY AND CAPITAL RESOURCES

Based upon cash flows provided by our operations and access to liquidity through various other sources, including public debt and equity markets and financial institutions, we have sufficient liquidity to fund our current business plans and obligations.

CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2000	1999	CHANGE
Cash provided by (used in) continuing operations:			
Operating activities	$1,385	$3,172	$(1,787)
Investing activities	(1,172)	1,745	(2,917)
Financing activities	(483)	(4,788)	4,305
Effects of exchange rate changes on cash and cash equivalents	18	51	(33)
Net cash provided by (used in) discontinued operations	51	(14)	65
Net change in cash and cash equivalents	$ (201)	$ 166	$ (367)

Cash flows from operating activities decreased primarily due to a reduction of $1.1 billion in net proceeds received from the origination and sale of mortgage loans and also due to the absence in 2000 of operating results generated from businesses which were disposed of in 1999.

Cash flows from investing activities resulted in an outflow of $1.2 billion in 2000 compared to an inflow of $1.7 billion in 1999, primarily due to the absence in 2000 of $3.4 billion of net cash proceeds received from the disposition of businesses in 1999 and the funding in 2000 of $350 million to the stockholder litigation settlement trust. Such amounts were partially offset by the absence in 2000 of a $774 million cash use in 1999 related to our former Fleet segment and a net inflow of funds generated from advances on homes under management in 2000.

Cash flows used in financing activities decreased primarily due to a decrease of $2.6 billion in the repurchases of CD common stock and a decrease of $4.3 billion primarily due to a reduction in net borrowing requirements to fund our investment in assets under management and mortgage programs, partially offset by the absence in 2000 of $3.0 billion in proceeds received for debt repayment in connection with the disposal of our former Fleet segment.

CAPITAL EXPENDITURES

Capital expenditures during 2000 amounted to $217 million and were utilized to support operational growth, enhance marketing opportunities and develop operating efficiencies through technological improvements. We anticipate a capital expenditure investment during 2001 ranging from $275 million to $325 million primarily due to the acquisition of Avis Group and the pending acquisition of Fairfield.

STOCKHOLDER LITIGATION SETTLEMENT

On August 14, 2000, the U.S. District Court approved our agreement (the "Settlement Agreement") to settle the principal securities class action pending against us, which was brought on behalf of purchasers of all Cendant and CUC publicly traded securities, other than PRIDES, between May 1995 and August 1998. Under the Settlement Agreement, we will pay the class members approximately $2.85 billion in cash. Certain parties in the class action have appealed the District Court's orders approving the plan of allocation of the settlement fund and awarding of attorneys' fees and expenses to counsel for the lead plaintiffs. None of the appeals challenged the fairness of the $2.85 billion settlement amount. The U.S. Court of Appeals for the Third Circuit has issued a briefing schedule for the appeals which is nearly complete. No date for oral argument has been set. We intend to finance the $2.85 billion settlement amount with cash generated from our operations, borrowings under our existing credit facilities and new borrowings.

The Settlement Agreement required us to post collateral in the form of credit facilities and/or surety bonds by November 13, 2000. We also had the option of forming a trust established for the benefit of the plaintiffs in lieu of posting collateral. On November 13, 2000, we posted collateral in the form of letters of credit and surety bonds in the amounts of $1.71 billion and $790 million, respectively. We also made a cash deposit of approximately $350 million to the trust. The credit facilities under which we posted the collateral also required us to make minimum deposits to this trust through 2003 as discussed under debt financing.

DEBT FINANCING

Activities of our management and mortgage programs are autonomous and distinct from our other activities. Therefore, management believes it is more useful to review the debt financing of management and mortgage programs separately from the debt financing of our other activities.

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS

Our total long-term debt decreased approximately $900 million to $1.9 billion at December 31, 2000. Such decrease was attributable to principal payments totaling $500 million to reduce outstanding borrowings under our term loan facility and also the redemption of $400 million principal amount of 7 1/2% senior notes. At December 31, 2000, our long-term debt was principally comprised of $1.1 billion of 7 3/4% senior notes maturing in December 2003, $548 million of 3% convertible subordinated notes maturing in February 2002 and $250 million outstanding under our term loan facility.

We have a $1.75 billion three-year competitive advance and revolving credit facility maturing in August 2003 and a $750 million five-year revolving credit facility maturing in October 2001. The three-year facility contains the committed capacity to issue up to $1.75 billion in letters of credit, of which $1.71 billion was utilized as part of the collateral arrangements under the Settlement Agreement. Borrowings under these credit facilities bear interest at LIBOR, plus a margin of approximately 60 basis points. We are required to pay a per annum facility fee of .15% and .175% under the three-year facility and five-year facility, respectively. We are also required to pay a per annum utilization fee of .125% on the three-year facility if usage under the facility exceeds 33% of aggregate commitments. The interest rates and facility fees are subject to change based upon credit ratings assigned by nationally recognized debt rating agencies on our 7 3/4% senior notes. At December 31, 2000, we had approximately $800 million of availability under these facilities.

In connection with the $1.71 billion in letters of credit posted as collateral, we are required to make additional minimum deposits of $600 million, $800 million and $800 million during 2001, 2002 and 2003, respectively, to a trust established for the benefit of the plaintiffs in our principal common stockholder class action lawsuit. The escrow deposits will serve to reduce the amount of collateral previously posted by us, as required by the Settlement Agreement.

In February and March 2001, we issued $1.2 billion and $246 million, respectively, aggregate principal amount at maturity of zero coupon convertible senior notes to qualified institutional buyers in a private offering for aggregate gross proceeds of approximately $900 million. We used $250 million of such proceeds to extinguish outstanding borrowings under our term loan facility. The remaining proceeds are expected to be utilized to reduce other borrowings and for general corporate purposes. The notes mature in 2021 and bear interest at 2.5%. We will not make periodic payments of interest on the notes, but may be required to make nominal cash payments in specified circumstances. Each $1,000 principal amount at maturity will be convertible, subject to satisfaction of specific contingencies, into 33.4 shares of our CD common stock. The notes will not be redeemable by us prior to February 13, 2004, but will be redeemable thereafter at the issue price of $608.41 per note plus accrued discount through the redemption date. In addition, holders of the notes may require us to repurchase the notes on February 13, 2004, 2009 or 2014. In such circumstance, we may pay the purchase price in cash, shares of our CD common stock, or any combination thereof.

In February 2001, we entered into a $650 million term loan agreement with terms similar to our other revolving credit facilities. This term loan amortizes in three equal installments on August 22, 2002, May 22, 2003 and February 22, 2004. Borrowings under this facility bear interest at LIBOR plus a margin of 125 basis points. A portion of this term loan was used to finance the acquisition of Avis Group on March 1, 2001.

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 also require the maintenance of certain financial ratios. At December 31, 2000, we had complied with all the restrictive covenants. Our long-term debt credit ratings are BBB with Standard & Poor's, Baa1 with Moody's and BBB+ with Fitch IBCA. Our short-term debt ratings are P2 with Moody's and F2 with Fitch

IBCA. (A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time.)

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 by maintaining secured obligations, depending upon asset growth and financial market conditions. PHH debt is issued without recourse to us. PHH debt is not classified based on contractual maturities, but rather is included in liabilities under management and mortgage programs since the debt corresponds directly with the high quality related assets. PHH expects to continue to maximize its access to global capital markets by maintaining the quality of its assets under management. This is achieved by maintaining credit standards to minimize credit risk and the potential for losses.

PHH's debt decreased approximately $300 million to $2.0 billion at December 31, 2000. Such decrease was primarily attributable to a decrease in medium-term notes, partially offset by an increase in commercial paper. At December 31, 2000, PHH's outstanding debt was comprised of $1.6 billion of commercial paper, $292 million of secured obligations (with a total commitment of $500 million and renewable on an annual basis), $117 million of medium-term notes maturing through 2002 and $75 million of unsecured borrowings maturing in 2001.

During 2000, PHH filed a shelf registration statement registering an additional $2.625 billion of debt securities, which increased the amount available for issuing medium-term notes to approximately $3.0 billion at December 31, 2000. PHH issued $650 million of medium-term notes under this shelf registration in January 2001, bearing interest at a rate of 8 1/8% per annum and maturing in February 2003. The senior indenture under which the medium-term notes were issued prevents PHH from paying dividends and/or making intercompany loans to us if, after giving effect to those dividends or intercompany loans, PHH's debt to equity ratio exceeds 6.5 to 1. Furthermore, under the senior indenture, PHH's ratio of debt to tangible net worth must be maintained at or less than 10 to 1. A portion of the proceeds from this offering were used to finance the acquisition of Avis Group on March 1, 2001. Proceeds from future offerings will be used to finance assets under management and for general corporate purposes.

PHH manages its exposure to interest rate and liquidity risk by 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. To provide additional financial flexibility, PHH's current policy is to ensure that committed facilities aggregate 100 percent of the average amount of outstanding commercial paper.

As of December 31, 2000, PHH maintained $1.775 billion of committed and unsecured revolving credit facilities. These facilities comprise a $750 million syndicated revolving credit facility maturing in 2001, a $750 million syndicated revolving credit facility maturing in 2005 and $275 million of other revolving credit facilities maturing in 2001. Borrowings under these facilities bear interest at a rate of LIBOR, plus a margin of approximately 40 basis points. PHH is required to pay a per annum facility fee of approximately .125% under the facilities. The full amount of these facilities was undrawn and available to support the average outstanding commercial paper balance at December 31, 2000. On February 22, 2001, PHH renewed its $750 million syndicated revolving credit facility, which was due in 2001. The new facility bears interest at LIBOR plus an applicable margin, as defined in the agreement, and terminates on February 21, 2002. PHH is required to pay a per annum utilization fee of .25% if usage under the facility exceeds 25% of aggregate commitments. Under the new facility, any loans outstanding as of February 21, 2002 may be converted into a term loan with a final maturity of February 21, 2003. The facilities contain certain restrictive covenants, including restrictions on indebtedness of material subsidiaries, mergers, limitations on liens, liquidations and sale and leaseback transactions, and also require the maintenance of certain financial ratios. At December 31, 2000, PHH had complied with all the restrictive covenants. PHH's long-term credit ratings are A with Fitch IBCA, A- with Standard & Poor's and Baa1 with Moody's. PHH's short-term ratings are F1 with Fitch IBCA, A2 with Standard & Poor's and P2 with Moody's. (A

security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time.)

In addition to the above-mentioned sources of financing, PHH 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, 2000, PHH maintained the following agreements whereby managed assets were sold or transferred to third parties:

BISHOPS GATE RESIDENTIAL MORTGAGE TRUST. Under this revolving sales agreement, an unaffiliated bankruptcy remote special purpose entity, Bishops Gate, committed to purchase for cash, at PHH's option, mortgage loans originated by PHH on a daily basis, up to Bishops Gate's asset limit of $2.1 billion, until May 2001. PHH retains the servicing rights on the mortgage loans sold to Bishops Gate and arranges for the sale or securitization of the mortgage loans into the secondary market. Bishops Gate retains the right to select alternative sale or securitization arrangements. At December 31, 2000 and 1999, PHH was servicing approximately $1.0 billion and $813 million, respectively, of mortgage loans owned by Bishops Gate.

APPLE RIDGE FUNDING. Under these revolving sales agreements, certain relocation receivables are transferred for cash, on a revolving basis, to an unaffiliated bankruptcy remote special purpose entity, Apple Ridge, until March 31, 2007. PHH retains a subordinated residual interest and the related servicing rights and obligations in the relocation receivables. At December 31, 2000, PHH was servicing approximately $591 million of receivables under these agreements. At December 31, 1999, PHH had not transferred any assets to Apple Ridge.

We closely evaluate not only the credit of the banks providing PHH's sources of financing, but also the terms of the various agreements to ensure on-going availability. We believe 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 its 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 securitizations and its revolving credit facilities.

OTHER LIQUIDITY

During 2000, we received $375 million in cash in connection with the issuance of a mandatorily redeemable preferred interest, which is mandatorily redeemable 15 years from the date of issuance and may be redeemed by us after 5 years, or earlier in certain circumstances. Also during 2000, Liberty Media Corporation invested a total of $450 million in cash to purchase 24.4 million shares of CD common stock. Additionally, Liberty Media's Chairman, John C. Malone Ph.D, purchased one million shares of CD common stock for approximately $17 million in cash.

In February and March 2001, we issued 40 million and 6 million shares of our CD common stock, respectively, at $13.20 per share for aggregate proceeds of approximately $607 million, which reduced our availability under existing shelf registration statements to $1.6 billion. A portion of these proceeds were used to fund the acquisition of Avis Group on March 1, 2001. We anticipate utilizing any remaining proceeds to fund the pending acquisition of Fairfield.

On February 16, 2001, approximately 61 million shares of CD common stock were issued pursuant to the purchase contract underlying the PRIDES. See Note 17-Mandatorily Redeemable Trust Preferred Securities Issued by a Subsidiary Holding Solely Senior Debentures Issued by the Company for a detailed discussion regarding the issuances of PRIDES and the related settlement provisions.

Under our common share repurchase program, we have approximately $488 million remaining availability. We do not anticipate utilizing any of this availability during 2001.

STRATEGIC BUSINESS INITIATIVES

On March 1, 2001, we acquired all of the outstanding shares of Avis Group that were not currently owned by us at a price of $33.00 per share in cash, or approximately $967 million, including $30 million of transaction costs and expenses.

On November 2, 2000, we announced that we had entered into a definitive agreement to acquire all of the outstanding common stock of Fairfield Communities, one of the largest vacation ownership companies in the United States, at $15 per share, or approximately $635 million in the aggregate. The final acquisition price may increase to a maximum of $16 per share depending upon a formula based on the average trading price of CD common stock over a 20-day trading period prior to the date on which Fairfield stockholders meet to approve the transaction. The consideration is payable in cash or CD common stock, or a combination thereof, at the holder's election. We are not required, however, to pay more than 50% of the consideration in cash and have the right to substitute cash for any shares of Fairfield common stock instead of issuing CD common stock. Although no assurances can be given, we expect the transaction to close in early April 2001.

On February 16, 2001, we consummated the sale of certain businesses within our Move.com Group segment, including our Internet real estate portal, and also our Welcome Wagon International business included within our Diversified Services segment, to Homestore.com in exchange for approximately 21 million shares of Homestore common stock valued over $700 million. After the sale, our common equity ownership interest in Homestore was approximately 20%.

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 in addition to transactions previously announced. As part of our 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 CD common stock or other of our securities, borrowings, or a combination thereof. Prior to consummating any such possible acquisition, we will need to, among other things, 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, if necessary, 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 1999, the Emerging Issues Task Force released Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Interests in Securitized Financial Assets." EITF Issue No. 99-20 modifies the accounting for interest income and impairment of beneficial interests in securitization transactions for quarters beginning after March 15, 2001, whereby beneficial interests determined to have an other-than-temporary impairment are required to be written down to fair value. We plan to adopt EITF Issue No. 99-20 on January 1, 2001, which would result in a non-cash charge of $46 million ($27 million, after tax) to account for the cumulative effect of the accounting change in the first quarter of 2001.

In June 2000, the Financial Accounting Standards Board issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, will be required to be recorded on the balance sheet at fair value. If the derivative is designated in a fair-value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated in a cash-flow hedge, the changes in the fair value of the derivative will be recorded in other comprehensive income and will be recognized in the income statement when the hedged item affects earnings. SFAS No. 133 defines new requirements for designation

and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, the changes in fair value will be recognized in earnings.

As of January 1, 2001, we will record a $16 million ($11 million, after tax) non-cash charge as a cumulative transition adjustment to earnings relating to derivatives not designated as hedges prior to adopting SFAS No. 133 and to derivatives designated in fair-value-type hedges. The outcome of pending issues at the FASB and the Derivatives Implementation Group could impact the amount of the cumulative transition adjustment presented herein. The cumulative effect is based on management's interpretation of the accounting literature as of March 2001.

As provided for in SFAS No. 133, we will also reclassify certain investment securities as trading securities at January 1, 2001. This reclassification will result in a pre-tax benefit of approximately $10 million, which will be recorded in the first quarter of 2001.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a replacement of FASB Statement No. 125." SFAS No. 140 revises criteria for accounting for securitizations, other financial-asset transfers and collateral and introduces new disclosures, but otherwise carries forward most of the provisions of SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" without amendment. We adopted the disclosure requirements of SFAS No. 140 on December 31, 2000, as required. All other provisions of SFAS No. 140 will be adopted after March 31, 2001, as required by the standard. The impact of adopting the remaining provisions of this standard is not yet fully determinable.

FORWARD LOOKING STATEMENTS

Forward-looking statements in this Annual Report on Form 10-K are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives.

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

- the effect of economic conditions and interest rate changes on the economy on a national, regional or international basis and the impact thereof on our businesses;

- the effects of changes in current interest rates, particularly on our Real Estate Franchise and Mortgage segments;

- the resolution or outcome of our unresolved pending litigation relating to the previously announced accounting irregularities and other related litigation;

- our ability to develop and implement operational and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings;

- competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors;

- our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, including the acquisition of Avis Group and the pending acquisition of Fairfield, the compatibility of the operating systems of the combining companies, and the degree to

which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant;

- uncertainty relating to the proposed spin-off of our discontinued Individual Membership segment;

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

- competitive and pricing pressures in the vacation ownership and travel industries, including the car rental industry;

- changes in the vehicle manufacturer repurchase arrangements between vehicle manufacturers and Avis in the event that used vehicle values decrease; and

- changes in laws and regulations, including changes in accounting standards and privacy policy regulation.

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We use various financial instruments, particularly interest rate swaps, forward delivery commitments and futures and options contracts to manage and reduce the interest rate risk related specifically to our committed mortgage pipeline, mortgage loan inventory, mortgage servicing rights, mortgage-backed securities, debt and certain other interest bearing liabilities. Foreign currency forwards are also used to manage and reduce the foreign currency exchange rate risk related to our foreign currency denominated translational and transactional exposures.

We are exclusively an end user of these instruments, which are commonly referred to as derivatives. We do not engage in trading, market-making, or other speculative activities in the derivatives markets. Our 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 Note 22--Financial Instruments to our Consolidated Financial Statements.

Our principal market exposures are interest and foreign currency rate risks.

- Interest rate movements in one country as well as relative interest rate movements between countries can materially impact our profitability. Our 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 mortgage prepayments, mortgage loans held for sale, and anticipated mortgage production arising from commitments issued and also LIBOR and commercial paper interest rates due to their impact on variable rate borrowings and other interest rate sensitive liabilities. We anticipate that such interest rates will remain a primary market exposure for the foreseeable future.

- Our primary foreign currency rate exposure is to exchange rate fluctuations in the British pound sterling. We anticipate that such foreign currency exchange rate risk will remain a primary market exposure for the foreseeable future.

We assess our 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.

We use a discounted cash flow model in determining the fair value of relocation receivables, equity advances on homes, mortgage loans, 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 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 borrower's propensity to close their mortgage loan under the commitment is used as a primary assumption. For mortgage loans and commitments to fund mortgages forward delivery contracts and options, we use an option-adjusted spread ("OAS") model in determining the impact of interest rate shifts. We also utilize 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 value.

We use a duration-based model in determining the impact of interest rate shifts on our debt portfolio, certain other interest bearing liabilities 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.

We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities and derivatives. The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all our currency exposures at December 31, 2000.

Our 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.

We used December 31, 2000 and 1999 market rates on our instruments to perform the sensitivity analyses separately for each of our 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.

We have determined that the impact of a 10% change in interest and foreign currency exchange rates and prices on our 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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Company's Annual Proxy Statement under the sections titled "Executive Officers", "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 Annual 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 Annual 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 G-1 hereof.

ITEM 14(B) REPORTS ON FORM 8-K

On October 23, 2000, we filed a current report on Form 8-K to report under Item 5 third quarter 2000 financial results.

On October 26, 2000, we filed a current report on Form 8-K to report under Item 5 the reclassification of our Individual Membership segment as a discontinued operation and selected financial information thereof.

On November 3, 2000, we filed a current report on Form 8-K to report under Item 5 our agreement with Homestore.com, Inc. to sell certain businesses within our Move.com Group segment and Welcome Wagon International, Inc. and our agreement to acquire Fairfield Communities, Inc.

On November 20, 2000, we filed a current report on Form 8-K to report under Item 5 our agreement to acquire Avis Group Holdings, Inc.

On November 29, 2000, we filed a current report on Form 8-K to report under Item 5 the restatement of our consolidated financial statements at December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999 to reflect the reclassification of our Individual Membership segment as a discontinued operation.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENDANT CORPORATION

By: /s/ JAMES E. BUCKMAN
James E. Buckman
VICE CHAIRMAN AND GENERAL COUNSEL
Date: March 29, 2001

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	March 29, 2001
/s/ JAMES E. BUCKMAN (James E. Buckman)	Vice Chairman, General Counsel and Director	March 29, 2001
/s/ STEPHEN P. HOLMES (Stephen P. Holmes)	Vice Chairman and Director	March 29, 2001
/s/ KEVIN M. SHEEHAN (Kevin M. Sheehan)	Senior Executive Vice President and Chief Financial Officer	March 29, 2001
/s/ JOHN. T. MCCLAIN (John T. McClain)	Senior Vice President and Controller (Principal Accounting Officer)	March 29, 2001
/s/ MYRA J. BIBLOWIT (Myra J. Biblowit)	Director	March 29, 2001
/s/ THE HONORABLE WILLIAM S. COHEN (The Honorable William S. Cohen)	Director	March 29, 2001
/s/ LEONARD S. COLEMAN (Leonard S. Coleman)	Director	March 29, 2001
/s/ MARTIN L. EDELMAN (Martin L. Edelman)	Director	March 29, 2001

SIGNATURE	TITLE	DATE
/s/ DR. JOHN C. MALONE (Dr. John C. Malone)	Director	March 29, 2001
/s/ CHERYL D. MILLS (Cheryl D. Mills)	Director	March 29, 2001
/s/ THE RT. HON. BRIAN MULRONEY (The Rt. Hon. Brian Mulroney, P.C., L.L.D)	Director	March 29, 2001
/s/ ROBERT E. NEDERLANDER (Robert E. Nederlander)	Director	March 29, 2001
/s/ ROBERT W. PITTMAN (Robert W. Pittman)	Director	March 29, 2001
/s/ SHELI Z. ROSENBERG (Sheli Z. Rosenberg)	Director	March 29, 2001
(Robert F. Smith)	Director	March 29, 2001

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Cendant Corporation

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

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

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

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2000, the Company revised certain revenue recognition policies regarding the recognition of non-refundable one-time fees and pro rata refundable subscription revenue.

/s/ Deloitte & Touche LLP
New York, New York
March 12, 2001

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
REVENUES			
Service fees, net	$ 3,783	$ 4,302	$ 4,262
Fleet leasing (net of depreciation and interest costs of $0, $670 and $1,279)	--	30	89
Other	147	189	114
Net revenues	3,930	4,521	4,465
EXPENSES			
Operating	1,314	1,605	1,652
Marketing and reservation	589	596	622
General and administrative	484	537	544
Depreciation and amortization	330	347	303
Other charges (credits):			
Restructuring and other unusual charges	89	25	(67)
Investigation-related costs	23	21	33
Litigation settlement and related costs	(21)	2,894	351
Termination of proposed acquisitions	--	7	433
Executive terminations	--	--	53
Investigation-related financing costs	--	--	35
Interest, net	145	196	112
Total expenses	2,953	6,228	4,071
Net gain (loss) on dispositions of businesses	(8)	967	--
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	969	(740)	394
Provision (benefit) for income taxes	309	(468)	135
Minority interest, net of tax	84	61	51
INCOME (LOSS) FROM CONTINUING OPERATIONS	576	(333)	208
Discontinued operations:			
Income (loss) from discontinued operations, net of tax	68	104	(73)
Gain on disposal of discontinued operations, net of tax	16	174	405
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	660	(55)	540
Extraordinary loss, net of tax	(2)	--	--
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	658	(55)	540
Cumulative effect of accounting change, net of tax	(56)	--	--
NET INCOME (LOSS)	$ 602	$ (55)	$ 540
CD COMMON STOCK INCOME (LOSS) PER SHARE			
BASIC			
Income (loss) from continuing operations	$ 0.80	$ (0.44)	$ 0.25
Net income (loss)	$ 0.84	$ (0.07)	$ 0.64
DILUTED			
Income (loss) from continuing operations	$ 0.78	$ (0.44)	$ 0.24
Net income (loss)	$ 0.81	$ (0.07)	$ 0.61
MOVE.COM COMMON STOCK LOSS PER SHARE			
BASIC			
Loss from continuing operations	$ (1.76)		
Net loss	$ (1.76)		
DILUTED			
Loss from continuing operations	$ (1.76)		
Net loss	$ (1.76)		

See Notes to Consolidated Financial Statements.

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

	DECEMBER 31,	
	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 967	$ 1,168
Receivables (net of allowance for doubtful accounts of $56 and $68)	740	991
Deferred income taxes	53	1,305
Other current assets	624	771
Total current assets	2,384	4,235
Property and equipment (net of accumulated depreciation of $471 and $325)	1,273	1,279
Stockholder litigation settlement trust	350	--
Deferred income taxes	1,060	--
Franchise agreements (net of accumulated amortization of $264 and $216)	1,462	1,410
Goodwill (net of accumulated amortization of $371 and $286)	3,012	3,106
Other intangibles (net of accumulated amortization of $141 and $113)	643	655
Other assets	1,471	1,120
Total assets exclusive of assets under programs	11,655	11,805
Assets under management and mortgage programs		
Relocation receivables	329	530
Mortgage loans held for sale	879	1,112
Mortgage servicing rights	1,653	1,084
	2,861	2,726
TOTAL ASSETS	$14,516	$14,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$ 1,302	$ 1,192
Current portion of long-term debt	--	400
Stockholder litigation settlement	--	2,852
Deferred income	301	228
Net liabilities of discontinued operations	308	241
Total current liabilities	1,911	4,913
Long-term debt	1,948	2,445
Stockholder litigation settlement	2,850	--
Deferred income	411	413
Deferred income taxes	--	386
Other noncurrent liabilities	48	66
Total liabilities exclusive of liabilities under programs	7,168	8,223
Liabilities under management and mortgage programs		
Debt	2,040	2,314
Deferred income taxes	476	310
	2,516	2,624
Mandatorily redeemable preferred interest in a subsidiary	375	--
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,683	1,478
Commitments and contingencies (Note 18)		
Stockholders' equity		
Preferred stock, $.01 par value--authorized 10 million shares; none issued and outstanding	--	--
CD common stock, $.01 par value--authorized 2 billion shares; issued 914,655,918 and 870,399,635 shares	9	9
Move.com common stock, $.01 par value--authorized 500 million shares and none; issued and outstanding 2,181,586 shares and none; notional issued shares with respect to Cendant Group's retained interest 22,500,000 and none	--	--
Additional paid-in capital	4,540	4,102
Retained earnings	2,027	1,425
Accumulated other comprehensive loss	(234)	(42)
CD treasury stock, at cost, 178,949,432 and 163,818,148 shares	(3,568)	(3,288)
Total stockholders' equity	2,774	2,206

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$14,516	$14,531

See Notes to Consolidated Financial Statements.

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
OPERATING ACTIVITIES			
Net income (loss)	$ 602	$ (55)	$ 540
Adjustments to arrive at income (loss) from continuing operations	(26)	(278)	(332)
Income (loss) from continuing operations	576	(333)	208
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities from continuing operations:			
Depreciation and amortization	330	347	303
Non-cash portion of other charges, net	22	2,870	135
Net (gain) loss on dispositions of businesses	8	(967)	--
Deferred income taxes	(33)	289	(254)
Net change in assets and liabilities:			
Receivables	161	(184)	(129)
Income taxes	233	(133)	(98)
Accounts payable and other current liabilities	(86)	(478)	111
Deferred income	15	39	5
Other, net	(226)	(279)	(54)
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	1,000	1,171	227
MANAGEMENT AND MORTGAGE PROGRAMS:			
Depreciation and amortization	153	698	1,260
Origination of mortgage loans	(24,196)	(25,025)	(26,572)
Proceeds on sale of and payments from mortgage loans held for sale	24,428	26,328	25,792
	385	2,001	480
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	1,385	3,172	707
INVESTING ACTIVITIES			
Property and equipment additions	(217)	(254)	(331)
Funding of stockholder litigation settlement trust	(350)	--	--
Proceeds from sales of marketable securities	379	741	--
Purchases of marketable securities	(441)	(672)	--
Purchases of investments	(90)	(18)	(24)
Net assets acquired (net of cash acquired) and acquisition-related payments	(136)	(205)	(2,731)
Net proceeds from dispositions of businesses	4	3,365	314
Other, net	1	53	113
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	(850)	3,010	(2,659)

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
MANAGEMENT AND MORTGAGE PROGRAMS:			
Equity advances on homes under management	$ (2,505)	$ (7,608)	$ (6,484)
Repayment on advances on homes under management	2,877	7,688	6,624
Additions to mortgage servicing rights	(778)	(727)	(524)
Proceeds from sales of mortgage servicing rights	84	156	119
Investment in leases and leased vehicles	--	(2,378)	(2,447)
Payments received on investment in leases and leased vehicles	--	1,529	987
Proceeds from sales and transfers of leases and leased vehicles to third parties	--	75	183
	(322)	(1,265)	(1,542)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	(1,172)	1,745	(4,201)
FINANCING ACTIVITIES			
Principal payments on borrowings	(897)	(2,213)	(2,596)
Proceeds from borrowings	--	1,719	4,809
Proceeds from mandatorily redeemable preferred interest in a subsidiary	375	--	--
Proceeds from mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	91	--	1,447
Issuances of CD common stock	554	127	171
Issuances of Move.com common stock	49	--	--
Repurchases of CD common stock	(306)	(2,863)	(258)
Repurchases of Move.com common stock	(75)	--	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	(209)	(3,230)	3,573
MANAGEMENT AND MORTGAGE PROGRAMS:			
Proceeds from borrowings	4,208	5,263	4,300
Principal payments on borrowings	(5,420)	(7,838)	(3,090)
Net change in short-term borrowings	938	(2,000)	(93)
Proceeds received for debt repayment in connection with disposal of Fleet segment	--	3,017	--
	(274)	(1,558)	1,117
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	(483)	(4,788)	4,690
Effect of changes in exchange rates on cash and cash equivalents	18	51	(16)
Net cash provided by (used in) discontinued operations	51	(14)	(266)
Net increase (decrease) in cash and cash equivalents	(201)	166	914
Cash and cash equivalents, beginning of period	1,168	1,002	88
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 967	$ 1,168	$ 1,002
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest payments	$ 283	$ 447	$ 540
Income tax refunds, net	$ (67)	$ (46)	$ (23)

See Notes to Consolidated Financial Statements.

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
BALANCE AT JANUARY 1, 1998	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
Repurchases of CD 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
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
Repurchases of CD 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

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
BALANCE AT DECEMBER 31, 1999	870	$ 9	$ 4,102	$ 1,425	$ (42)	$ (3,288)	$ 2,206
COMPREHENSIVE INCOME:							
Net income	--	--	--	602	--	--	
Currency translation adjustment	--	--	--	--	(107)	--	
Unrealized loss on marketable securities, net of tax of ($40)	--	--	--	--	(65)	--	
Reclassification adjustments, net of tax of ($12)	--	--	--	--	(20)	--	
TOTAL COMPREHENSIVE INCOME							410
Issuances of CD common stock	28	--	476	--	--	--	476
Issuances of Move.com common stock	4	--	93	--	--	--	93
Exercise of stock options	17	--	56	--	--	26	82
Tax benefit from exercise of stock options	--	--	66	--	--	--	66
Repurchases of CD common stock	--	--	--	--	--	(306)	(306)
Repurchases of Move.com common stock	(2)	--	(100)	--	--	--	(100)
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	--	--	(108)	--	--	--	(108)
Rights issuable	--	--	(41)	--	--	--	(41)
Other	--	--	(4)	--	--	--	(4)
BALANCE AT DECEMBER 31, 2000	917	$ 9	$ 4,540	$ 2,027	$ (234)	$ (3,568)	$ 2,774

See 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 subsidiaries (collectively, "the Company"). In presenting the Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgement and available information. Accordingly, actual results could differ from those estimates. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS IN AFFILIATES

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

DEPRECIATION AND AMORTIZATION

Property and equipment are recorded at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. Useful lives range from 5 to 60 years for buildings and improvements and 3 to 10 years for furniture, fixtures and equipment. Amortization of leasehold improvements is computed utilizing the straight-line method over the estimated benefit period of the related assets or the lease term, if shorter, ranging from 2 to 15 years.

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. Other intangibles are amortized on a straight-line basis over the estimated periods to be benefited, ranging from 3 to 40 years.

GOODWILL

Goodwill, which represents the excess of cost over fair value of net assets acquired in purchase business combinations, is amortized on a straight-line basis over the estimated periods to be benefited, substantially ranging from 25 to 40 years.

ASSET IMPAIRMENTS

The Company periodically evaluates the recoverability of its long-lived assets, identifiable intangibles and goodwill, 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. This impairment

impacted the Company's Diversified Services segment and is classified as an operating expense in the Consolidated Statements of Operations.

DERIVATIVE 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 the value of mortgage servicing rights. As a matter of policy, the Company does not use derivatives for trading or speculative purposes.

- The differential to be paid or received on interest rate swaps hedging interest sensitive liabilities is accrued and recognized as an adjustment to interest expense in the Consolidated Statements of Operations.

- Gains and losses on foreign currency forwards that are effective as hedges of net assets in foreign subsidiaries are offset against currency translation adjustments as accumulated other comprehensive income (loss).

- Gains and losses on foreign currency hedges of anticipated transactions, forecasted earnings of foreign subsidiaries and hedges of certain monetary assets and liabilities are recognized in other revenues in the Consolidated Statements of Operations, on a mark-to-market basis, as exchange rates change.

- Gains and losses on forward delivery contracts and options used to reduce the risk of adverse price fluctuations affecting the Company's mortgage loans held for sale and anticipated mortgage production arising from commitments issued are deferred and included in the Company's lower of cost or market valuation of the hedged items.

- Gains and losses on derivative instruments used to manage the financial impact of interest rate movements associated with the Company's mortgage servicing portfolio are deferred and recorded as adjustments to the basis of the hedged item. Premiums paid/received on the hedged instruments are capitalized and amortized over the life of the contracts.

Although these contracts are effective economic hedges, many will not qualify for hedge accounting treatment upon the adoption of Statement of Financial Accounting Standards ("SFAS") No. 133.

REVENUE RECOGNITION

FRANCHISING. Franchise revenue principally consists of royalties, as well as marketing and reservation fees, which are primarily based on a percentage of franchisee revenue. Royalty, marketing and reservation fees are accrued as the underlying franchisee revenue is earned. Annual rebates given to certain franchisees on royalty fees are recorded as a reduction to revenues and are accrued in direct proportion to the recognition of the underlying gross franchise revenue. 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. Beginning on January 1, 2000, subscription revenue is recognized as revenue on a straight line basis over the subscription period during which delivery of publications and other services are provided to the subscribing members. Prior to 2000, the Company recognized subscription revenue as discussed in "Changes in Accounting Policy." Subscriptions are cancelable and refundable on a pro rata basis. Subscription

procurement costs are expensed as incurred. Such costs were $32 million, $31 million and $31 million for 2000, 1999 and 1998.

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. The Company's share of this excess is 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. 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.

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. 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. Temporary impairment is recorded through a valuation allowance in the period of occurrence.

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 appropriate. 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.

ADVERTISING EXPENSES

Advertising costs are generally expensed in the period incurred. Advertising expenses in 2000, 1999 and 1998 were $211 million, $175 million, and $151 million, respectively.

STOCK-BASED COMPENSATION

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, compensation expense is recognized when the exercise prices of the Company's employee stock options are less than the market prices of the underlying Company stock on the date of grant.

CHANGE IN ACCOUNTING POLICY

On January 1, 2000, the Company revised certain revenue recognition policies regarding the recognition of non-refundable one-time fees and the recognition of pro rata refundable subscription revenue as a result of the adoption of Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." The Company previously recognized non-refundable one-time fees at the time of contract execution and cash receipt. This policy was changed to the recognition of non-refundable one-time fees on a straight line basis over the life of the underlying contract. The Company previously recognized pro rata refundable subscription revenue equal to procurement costs upon initiation of a subscription. Additionally, the amount in excess of procurement costs was recognized over the subscription period. This policy was changed to the recognition of pro rata refundable subscription revenue on a straight line basis over the subscription period. Procurement costs will continue to be expensed as incurred. The percentage of annual revenues that were earned from non-refundable one-time fees and from pro rata refundable subscription revenue was not material to the Company's consolidated net revenues or to its consolidated income from continuing operations. The adoption of SAB No. 101 also resulted in a non-cash charge of approximately $89 million ($56 million, after tax) on January 1, 2000 to account for the cumulative effect of the accounting change.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 1999, the Emerging Issues Task Force ("EITF") released Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Interests in Securitized Financial Assets." EITF Issue No. 99-20 modifies the accounting for interest income and impairment of beneficial interests in securitization transactions for quarters beginning after March 15, 2001, whereby beneficial interests determined to have an other-than-temporary impairment are required to be written down to fair value. The Company plans to adopt EITF Issue No. 99-20 on January 1, 2001, which would result in a non-cash charge of $46 million ($27 million, after tax) to account for the cumulative effect of the accounting change in the first quarter of 2001.

In June 2000, the Financial Accounting Standards Board ("FASB") issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, will be required to be recorded on the balance sheet at fair value. If the derivative is designated in a fair-value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated in a cash-flow hedge, the changes in the fair value of the derivative will be recorded in other comprehensive income (loss) and will be recognized in the income statement when the hedged item affects earnings. SFAS No. 133 defines new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, the changes in fair value will be recognized in earnings.

The Company will record a non-cash charge of $16 million ($11 million, after tax) to account for the cumulative effect of the accounting change as of January 1, 2001 relating to derivatives not designated as hedges prior to adopting SFAS No. 133 and to derivatives designated in fair value-type hedges. The outcome of pending issues at the FASB and the Derivatives Implementation Group could impact the amount of the cumulative transition adjustment presented herein. The cumulative effect is based on the Company's interpretation of the accounting literature as of March 2001.

As provided for in SFAS No. 133, the Company will also reclassify certain financial investments as trading securities at January 1, 2001. This reclassification will result in a pre-tax benefit of approximately $10 million, which will be recorded in the first quarter of 2001.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a replacement of FASB Statement No. 125." SFAS No. 140 revises criteria for accounting for securitizations, other financial-asset transfers and collateral and introduces new disclosures, but otherwise carries forward most of the provisions of SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" without amendment. The Company adopted the disclosure requirements of SFAS No. 140 on December 31, 2000, as required. All other provisions of SFAS No. 140 will be adopted after March 31, 2001, as required by the standard. The impact of adopting the remaining provisions of this standard is not yet fully determinable.

2. EARNINGS PER SHARE

On March 21, 2000, the Company's stockholders approved a proposal authorizing a new series of common stock to track the performance of its Move.com Group segment. The Company's existing common stock was reclassified as CD common stock, which reflects the performance of the Company's other businesses and also a retained interest in the Move.com Group (collectively referred to as the "Cendant Group").

Earnings per share ("EPS") for periods after March 31, 2000, the date of the original issuance of Move.com common stock, has been calculated using the two-class method. The two-class method is an earnings allocation formula that determines EPS for each class of common stock according to the related earnings participation rights. Under the two-class method, basic EPS for Move.com common stock is calculated by dividing (a) the product of the earnings applicable to Move.com Group multiplied by the outstanding Move.com "fraction" by (b) the weighted average number of shares outstanding during the period. The Move.com "fraction" is a fraction, the numerator of which is the number of shares of Move.com common stock outstanding and the denominator of which is the number of shares that, if issued, would represent 100% of the equity (and would include the 22,500,000 notional shares of Move.com common stock representing Cendant Group's retained interest in Move.com Group) in the earnings or losses of Move.com Group.

The following table summarizes the Company's outstanding common stock equivalents which were antidilutive and therefore excluded from the computation of diluted EPS:

	DECEMBER 31,		
	2000	1999	1998
CD COMMON STOCK			
Options(a)	110	183	38
Warrants(b)	2	2	--
Convertible debt	--	18	18
FELINE PRIDES	63	41	--
MOVE.COM COMMON STOCK			
Options(c)	6		

(a) The weighted average exercise prices for antidilutive options at December 31, 2000, 1999 and 1998 were $22.27, $15.24 and $29.58, respectively.

(b) The weighted average exercise prices for antidilutive warrants at December 31, 2000 and 1999 were $21.31 and $16.77, respectively.

(c) The weighted average exercise price for antidilutive options at December 31, 2000 was $18.60.

Income (loss) per common share from continuing operations for each class of common stock was computed as follows:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
CD COMMON STOCK			
INCOME (LOSS) FROM CONTINUING OPERATIONS:			
Cendant Group	$ 638	$ (319)	$ 209
Cendant Group's retained interest in Move.com Group	(56)	(14)	(1)
Income (loss) from continuing operations for basic EPS	582	(333)	208
Convertible debt interest, net of tax	11	--	--
Income (loss) from continuing operations for diluted EPS	$ 593	$ (333)	$ 208
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	724	751	848
Stock options, warrants and non-vested shares	20	--	32
Convertible debt	18	--	--
Diluted	762	751	880

	YEAR ENDED DECEMBER 31, 2000
MOVE.COM COMMON STOCK	
LOSS FROM CONTINUING OPERATIONS:	
Move.com Group	$ (62)
Less: Cendant Group's retained interest in Move.com Group	(56)
Loss from continuing operations for basic and diluted EPS	$ (6)
WEIGHTED AVERAGE SHARES OUTSTANDING:	
Basic and Diluted	3

Income (loss) per share of CD common stock from discontinued operations is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
INCOME (LOSS) FROM DISCONTINUED OPERATIONS:			
Basic	$ 0.10	$ 0.14	$ (0.09)
Diluted	0.09	0.14	(0.09)
GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS:			
Basic	$ 0.02	$ 0.23	$ 0.48
Diluted	0.02	0.23	0.46

Basic and diluted loss per share of CD common stock from the cumulative effect of an accounting change was $0.08 for the year ended December 31, 2000.

3. ACQUISITIONS AND DISPOSITIONS OF BUSINESSES

ACQUISITIONS

AVIS GROUP HOLDINGS, INC. On November 13, 2000, the Company announced that it entered into a definitive agreement to acquire all of the outstanding shares of Avis Group Holdings, Inc. ("Avis Group") that are not currently owned by the Company. On March 1, 2001, the Company consummated the acquisition for $33.00 per share in cash, or approximately $967 million, including $30 million of transaction costs and expenses.

FAIRFIELD COMMUNITIES, INC. On November 2, 2000, the Company announced that it had entered into a definitive agreement to acquire all of the outstanding common stock of Fairfield Communities, Inc. ("Fairfield") at $15 per share, or approximately $635 million in aggregate. The final acquisition price may increase to a maximum of $16 per share depending upon a formula based on the average trading price of CD common stock over a 20-day trading period prior to the date on which Fairfield stockholders meet to approve the transaction. The consideration is payable in cash or CD common stock or a combination thereof, at the holder's election. The Company is not required, however, to pay more than 50% of the consideration in cash and has the right to substitute cash for any shares of Fairfield common stock instead of issuing CD common stock. Although no assurances can be given, the Company expects the transaction to close in early April 2001.

DISPOSITIONS

2000. During 2000, the Company entered into a definitive agreement (the "Homestore Transaction") with Homestore.com, Inc. ("Homestore") to sell certain businesses within its Move.com Group segment, including the Internet real estate portal, and its Welcome Wagon International, Inc. business included within the Diversified Services segment. On February 16, 2001, the Company consummated the sale in exchange for approximately 21 million shares of Homestore common stock valued over $700 million. The Company will account for its 20% investment in Homestore using the equity method of accounting.

During 2000, the Company recorded a net loss of $43 million in connection with the dispositions of certain non-strategic businesses.

1999. During 1999, the Company completed the sale of its Green Flag business unit and approximately 85% of its Entertainment Publications, Inc. business unit for cash of $401 million (including $37 million of dividends) and $281 million, respectively. The Company realized a net gain of approximately $27 million and $156 million ($8 million and $78 million, after tax), respectively.

During 1999, the Company also completed the disposition of its Fleet segment, whereby Avis Group acquired the net assets of the Fleet segment through the assumption of and subsequent repayment of $1.44 billion of intercompany debt and the issuance to the Company of $360 million of non-voting convertible preferred stock of Avis Fleet Leasing and Management Corporation, a wholly-owned subsidiary of Avis Group. Coincident with the closing of the transaction, Avis Group refinanced the assumed debt which was payable to the Company. Accordingly, the Company received additional consideration of $3.0 billion of cash and a $30 million receivable from Avis Group.

The Company realized a net gain on the disposal of its Fleet 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 equivalent to its common equity ownership percentage in Avis Group at the time of closing. The deferred net gain is included in deferred income in the Consolidated Balance Sheets at December 31, 2000 and 1999. The deferred gain is being recognized into income over forty years, which is consistent with the period Avis Group is amortizing the goodwill generated from the transaction. During 2000, the Company also recognized $35 million of the deferred gain due to the sale of VMS Europe by Avis Group in 2000. During 1999, the Company recognized $9 million of the deferred gain due to the sale of a portion of the Company's equity ownership in Avis Group in 1999.

The Company completed the dispositions of certain other businesses, including Central Credit, Inc., Global Refund Group, Spark Services, Inc., National Leisure Group and National Library of Poetry. Aggregate consideration received on such dispositions was comprised of approximately $265 million in cash, including $21 million of dividends. The Company realized a net gain of $60 million ($5 million loss, after tax) on the dispositions of these businesses.

4. DISCONTINUED OPERATIONS

On October 25, 2000, the Company announced its decision to spin-off to its CD common stockholders its Individual Membership segment, Cendant Membership Services, Inc. ("CMS"), by mid-2001. CMS provides customers with access to a variety of discounted products and services.

During 1999, the Company completed the sale of Cendant Software Corporation ("CDS"), which was classified as a discontinued operation for the year ended December 31, 1998, for net cash proceeds of $770 million.

During 1998, the Company completed the sale of Hebdo Mag International, Inc. ("Hebdo Mag"), which was classified as a discontinued operation for the year ended December 31, 1998. The Company received $315 million in cash and 7 million shares of CD common stock valued at $135 million (approximately $19 per share market value) on the date of sale.

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

STATEMENT OF OPERATIONS DATA:

	CMS			CDS		HEBDO MAG
	2000	1999	1998	1999	1998	1998
Net revenues	$743	$895	$836	$ --	$ 346	$202
Income (loss) before income taxes	$111	$166	$(79)	$ --	$ (57)	$ 17
Provision (benefit) for income taxes	43	62	(31)	--	(23)	8
Income (loss) from discontinued operations, net of tax	68	104	(48)	--	(34)	9
Gain on disposal of discontinued operations	26	--	--	299	24	155
Provision (benefit) for income taxes	10	--	--	125	(174)	(52)
Gain on disposal of discontinued operations, net of tax	16	--	--	174	198	207
	$ 84	$104	$(48)	$174	$ 164	$216

BALANCE SHEET DATA:

	CMS	
	2000	1999
Current assets	$ 344	$ 357
Goodwill	164	164
Other assets	148	96
Total liabilities	(964)	(858)
Net liabilities of discontinued operations	$ (308)	$ (241)

5. FRANCHISING AND MARKETING/RESERVATION ACTIVITIES

Franchising revenues received from lodging properties, car rental locations, tax preparation offices and real estate brokerage offices were $857 million, $839 million and $703 million for 2000, 1999 and 1998, respectively. The Company also receives marketing and reservation fees from several of its lodging and real estate franchisees, which are calculated based on a specified percentage of gross room revenues or based on a specified percentage of gross closed commissions earned on the sale of real estate. As provided in the franchise agreements and generally 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. Marketing and reservation fees, included within service fee revenues, of $290 million, $280 million and $228 million were recorded during 2000, 1999 and 1998, respectively, and are net of annual rebates of $45 million, $43 million and $35 million, respectively.

6. OTHER CHARGES

RESTRUCTURING AND OTHER UNUSUAL CHARGES

2000 RESTRUCTURING CHARGE. During the first quarter of 2000, the Company's management, with the appropriate level of authority, formally committed to various strategic initiatives. As a result, the Company incurred a restructuring charge of $60 million, of which $3 million is included in income (loss) from discontinued operations in the Consolidated Statements of Operations. The restructuring initiatives were aimed at improving the overall level of organizational efficiency, consolidating and rationalizing existing processes, reducing cost structures in the Company's underlying businesses and other related efforts. These initiatives primarily affected the Company's Travel and Insurance/ Wholesale segments. The initiatives are expected to be completed by the end of the first quarter of 2001. Liabilities associated with these initiatives are classified as a component of accounts payable and other current liabilities. The initial recognition of the charge and the corresponding utilization from inception is summarized by category as follows:

	2000 RESTRUCTURING CHARGE	CASH PAYMENTS	OTHER REDUCTIONS	BALANCE AT DECEMBER 31, 2000
Personnel related	$ 25	$ 18	$ 1	$ 6
Asset impairments and contract terminations	26	1	25	--
Facility related	9	2	1	6
Total	60	21	27	12
Reclassification for discontinued operations	(3)	(1)	--	(2)
Total related to continuing operations	$ 57	$ 20	$ 27	$ 10

Personnel related costs primarily include severance resulting from the consolidation of business operations and certain corporate functions. The Company formally communicated to 971 employees, representing a wide range of employee groups, as to their separation from the Company. As of December 31, 2000, approximately 855 employees were terminated. Asset impairments and contract terminations were incurred in connection with a change in the Company's strategic focus to an online business model and consisted of $25 million of asset impairments primarily associated with the exit of a timeshare software development business and $1 million of contract termination costs. Facility related costs consist of facility closures and lease obligations resulting from the consolidation of business operations.

2000 UNUSUAL CHARGES. During 2000, the Company also incurred unusual charges totaling $32 million. Such charges included $21 million of costs 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, $4 million of executive termination costs, $3 million of costs for the postponement of the initial public offering of Move.com common stock and $4 million of other costs.

1999 UNUSUAL CHARGE. During 1999, the Company incurred an unusual charge of $23 million 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.

1997 RESTRUCTURING CHARGES. During 1997, the Company incurred restructuring charges totaling $455 million substantially associated with the merger of HFS Incorporated ("HFS") and CUC International Inc. ("CUC") and the merger in October 1997 with Hebdo Mag. Cash outlays of $2 million, $8 million and $103 million were applied against this restructuring liability during 2000, 1999 and 1998, respectively. Additionally, the Company recorded a net increase of $2 million and a net decrease of $27 million to these charges during 1999 and 1998, respectively, primarily as a result of changes to the original estimate of costs to be incurred. Such adjustments were recorded in the periods in which events occurred or information became available requiring accounting recognition.

Liabilities of $59 million remained at December 31, 2000 and were primarily attributable to executive termination benefits, which the Company anticipates will be settled upon resolution of related contingencies.

During 1997, the Company also incurred restructuring charges of $283 million primarily associated with the merger in April 1997 of HFS and PHH Corporation ("PHH"). Cash outlays of $1 million, $5 million and $20 million were applied against this restructuring liability during 2000, 1999 and 1998, respectively. Additionally, the Company recorded a net decrease of $40 million to these charges during 1998 primarily as a result of a change in the original estimate of costs to be incurred. Such adjustment was recorded in the period in which events occurred or information became available requiring accounting recognition. Liabilities of $10 million remained at December 31, 2000 and were primarily attributable to executive termination benefits, which the Company anticipates will be settled upon resolution of related contingencies.

INVESTIGATION-RELATED COSTS

During 2000, 1999 and 1998, the Company incurred charges of $23 million, $21 million and $33 million, respectively, primarily for professional fees and public relations costs incurred in connection with accounting irregularities in the former business units of CUC and resulting investigations into such matters.

LITIGATION SETTLEMENTS AND RELATED COSTS

During 2000, the Company incurred charges of $20 million in connection with litigation asserting claims associated with accounting irregularities in the former business units of CUC and outside of its principal common stockholder class action lawsuit. During 1999, the Company incurred charges of approximately $2.89 billion in connection with the agreement to settle its principal common stockholder class action lawsuit. See Note 13--Stockholder Litigation Settlement for a detailed discussion regarding this settlement.

In connection with the settlement of the Company's class action lawsuit that was brought on behalf of the PRIDES holders who purchased their securities on or prior to April 15, 1998, holders were eligible to receive a "Right" for each PRIDES security held. Accordingly, the Company recorded a non-cash charge of $351 million during 1998. During 2000, the Company recorded a non-cash credit of $41 million, which represented an adjustment to the number of Rights to be issued. See Note 17--Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary Holding Solely Senior Debentures Issued by the Company for a detailed discussion regarding this settlement.

TERMINATION OF PROPOSED ACQUISITIONS

During 1999 and 1998, the Company incurred charges of $7 million and $433 million, respectively, primarily in connection with the termination of the proposed acquisition of RAC Motoring Services in 1999 and the proposed acquisition of American Bankers Insurance Group in 1998.

EXECUTIVE TERMINATIONS

During 1998, the Company incurred charges of $53 million related to the termination of certain former executives, primarily Walter A. Forbes, who resigned as Chairman and member of the Company's Board of Directors.

INVESTIGATION-RELATED FINANCING COSTS

In connection with the accounting irregularities in the former business units of CUC, the Company was temporarily prohibited from accessing public debt markets in 1998. As a result, the Company recorded a charge of $35 million primarily in connection with fees associated with waivers and various financing arrangements.

7. INCOME TAXES

The income tax provision (benefit) consists of:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
CURRENT			
Federal	$ 60	$ 229	$ (28)
State	19	3	18
Foreign	52	44	56
	131	276	46
DEFERRED			
Federal	193	(728)	71
State	(14)	(23)	17
Foreign	(1)	7	1
	178	(744)	89
PROVISION (BENEFIT) FOR INCOME TAXES	$ 309	$ (468)	$ 135

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Domestic	$ 759	$ (959)	$ 157
Foreign	210	219	237
Pre-tax income (loss)	$ 969	$ (740)	$ 394

Deferred income tax assets and liabilities are comprised of:

	DECEMBER 31,	
	2000	1999
CURRENT DEFERRED INCOME TAX ASSETS		
Stockholder litigation settlement	$ --	$ 1,058
Unrealized loss on marketable securities	46	--
Accrued liabilities and deferred income	24	169
Provision for doubtful accounts	22	18
Restructuring liabilities	11	17
Net operating loss carryforwards	--	75
Current deferred income tax assets	103	1,337
CURRENT DEFERRED INCOME TAX LIABILITIES		
Insurance retention refund	20	18
Franchise acquisition costs	12	10
Other	18	4
Current deferred income tax liabilities	50	32
CURRENT NET DEFERRED INCOME TAX ASSET	$ 53	$ 1,305

	DECEMBER 31,	
	2000	1999
NONCURRENT DEFERRED INCOME TAX ASSETS		
Stockholder litigation settlement	$ 922	$ --
Net operating loss carryforwards	616	84
State net operating loss carryforwards	193	151
Restructuring liabilities	19	29
Accrued liabilities and deferred income	19	29
Foreign tax credit carryforward	10	10
Valuation allowance (a)	(161)	(161)
Noncurrent deferred income tax assets	1,618	142
NONCURRENT DEFERRED INCOME TAX LIABILITIES		
Depreciation and amortization	539	511
Other	19	17
Noncurrent deferred income tax liabilities	558	528
NONCURRENT NET DEFERRED INCOME TAX ASSET (LIABILITY)	$ 1,060	$ (386)

(a) The valuation allowance at both December 31, 2000 and 1999 relates to deferred tax assets for state net operating loss carryforwards and foreign tax credit carryforwards of $151 million and $10 million, respectively. The valuation allowance will be reduced when and if the Company determines that the deferred income tax assets are likely to be realized.

	DECEMBER 31,	
	2000	1999
MANAGEMENT AND MORTGAGE PROGRAM DEFERRED INCOME TAX ASSETS		
Depreciation	$ 13	$ 7
Accrued liabilities	--	11
Other	4	--
Management and mortgage program deferred income tax assets	17	18
MANAGEMENT AND MORTGAGE PROGRAM DEFERRED INCOME TAX LIABILITIES		
Unamortized mortgage servicing rights	473	328
Accrued liabilities	20	--
Management and mortgage program deferred income tax liabilities	493	328
NET DEFERRED INCOME TAX LIABILITY UNDER MANAGEMENT AND MORTGAGE PROGRAMS	$ 476	$ 310

Net operating loss carryforwards at December 31, 2000 expire as follows: 2008, $4 million; 2009, $5 million; 2010, $8 million; 2018, $808 million and 2019, $935 million. The Company also has alternative minimum tax credit carryforwards of $16 million.

No provision has been made for U.S. federal deferred income taxes on approximately $302 million of accumulated and undistributed earnings of foreign subsidiaries at December 31, 2000 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,		
	2000	1999	1998
Federal statutory rate	35.0%	(35.0)%	35.0%
State and local income taxes, net of federal tax benefits	0.3	(1.8)	5.9
Amortization of non-deductible goodwill	1.6	1.9	4.5
Taxes on foreign operations at rates different than U.S. federal statutory rate	(1.5)	(4.1)	(6.4)
Nontaxable gain on disposal	(1.5)	(24.0)	--
Recognition of excess tax basis on assets held for sale	--	--	(2.2)
Other	(2.0)	(0.2)	(2.5)
	31.9%	(63.2)%	34.3%

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

	DECEMBER 31,	
	2000	1999
Land	$ 391	$ 402
Building and leasehold improvements	421	417
Furniture, fixtures and equipment	932	785
	1,744	1,604
Less: accumulated depreciation and amortization	471	325
	$ 1,273	$ 1,279

9. OTHER INTANGIBLES, NET

Other intangibles, net consisted of:

	DECEMBER 31,	
	2000	1999
Avis trademark	$ 402	$ 402
Other trademarks	162	161
Customer lists	159	140
Other	61	65
	784	768
Less: accumulated amortization	141	113
	$ 643	$ 655

10. 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 mortgage 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, 2000 and 1999, mortgage loans sold with recourse amounted to approximately $138 million and $52 million, respectively. The Company believes adequate allowances are maintained to cover any potential losses.

11. MORTGAGE SERVICING RIGHTS

Capitalized MSRs consisted of:

	AMOUNT
BALANCE, JANUARY 1, 1998	$ 373
Additions to MSRs	475
Additions to hedge	49
Amortization	(82)
Write-down/recovery	5
Sales	(99)
Deferred hedge, net	(85)
BALANCE, DECEMBER 31, 1998	636
Additions to MSRs	693
Additions to hedge	23
Amortization	(118)
Write-down/recovery	5
Sales	(161)
Deferred hedge, net	6
BALANCE, DECEMBER 31, 1999	1,084
Additions to MSRs	765
Additions to hedge	213
Amortization	(153)
Write-down/recovery	2
Sales	(127)
Deferred hedge, net	(131)
BALANCE, DECEMBER 31, 2000	$ 1,653

12. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consisted of:

	DECEMBER 31,	
	2000	1999
Accounts payable	$ 229	$ 314
Restructuring and other unusual	100	93
Accrued payroll and related	262	228
Income taxes payable	158	--
Advances from relocation clients	--	80
Other	553	477
	$ 1,302	$ 1,192

13. STOCKHOLDER LITIGATION SETTLEMENT

On August 14, 2000, the U.S. District Court approved the Company's agreement (the "Settlement Agreement") to settle the principal securities class action pending against the Company, which was brought on behalf of purchasers of all Cendant and CUC publicly traded securities, other than PRIDES, between May 1995 and August 1998. Under the Settlement Agreement, the Company will pay the class members approximately $2.85 billion in cash. Certain parties in the class action have appealed the District Court's orders approving the plan of allocation of the settlement fund and awarding of attorneys' fees and expenses to counsel for the lead plaintiffs. None of the appeals challenged the fairness of the $2.85 billion settlement amount. The U.S. Court of Appeals for the

Third Circuit has issued a briefing schedule for the appeals which is nearly complete. No date for oral argument has been set.

The Settlement Agreement required the Company to post collateral in the form of credit facilities and/or surety bonds by November 13, 2000. The Company also had the option of forming a trust established for the benefit of the plaintiffs in lieu of posting collateral. On November 13, 2000, the Company posted collateral in the form of letters of credit and surety bonds in the amounts of $1.71 billion and $790 million, respectively. The Company also made a cash deposit of approximately $350 million to the trust, which is classified as a noncurrent asset on the Consolidated Balance Sheet at December 31, 2000. The credit facilities under which the Company posted collateral also require the Company to make minimum deposits of $600 million, $800 million and $800 million to this trust during 2001, 2002 and 2003, respectively. Such deposits will serve to reduce the amount of collateral required to be posted under the Settlement Agreement.

At December 31, 2000, the Company reclassified the $2.85 billion settlement amount to noncurrent liabilities. Such amount is classified as noncurrent based upon the Company's current expectation of the timing of when the appeals process will be resolved and its ability to finance the $600 million minimum deposit due in 2001 with borrowings available under its $1.75 billion three-year competitive advance and revolving credit facility.

14. LONG-TERM DEBT AND BORROWING ARRANGEMENTS

Long-term debt consisted of:

	DECEMBER 31,	
	2000	1999
7 3/4% senior notes	$ 1,149	$ 1,148
3% convertible subordinated notes	548	547
Term loan facility	250	750
7 1/2% senior notes	--	400
Other	1	--
	1,948	2,845
Less: current portion	--	400
	$ 1,948	$ 2,445

7 3/4% SENIOR NOTES

During 1998, the Company issued $1.15 billion of senior notes due December 2003. Such 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 through the date of redemption. The redemption price will be equal to the greater of (i) 100% of the principal amount of the notes being redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (calculated at the interest rate on the notes on the date of issuance, regardless of any interest rate adjustment at any time) discounted at the treasury rate plus 50 basis points, plus accrued interest through the date of redemption.

3% CONVERTIBLE SUBORDINATED NOTES

During 1997, the Company completed a public offering of $550 million of 3% convertible subordinated notes due in February 2002. Each $1,000 principal amount of these notes is convertible into 32.65 shares of CD common stock subject to adjustment in certain events. The notes may be redeemed at the option of the Company at any time, in whole or in part, at the appropriate redemption prices, as defined in the applicable indenture, plus accrued interest through the redemption date. The notes will be subordinated in right of payment to all existing and future senior debt as defined in the applicable indenture of the Company.

TERM LOAN FACILITY

During 1999, the Company replaced its $3.25 billion 364-day term loan facility with a $1.25 billion two-year term loan facility. The new facility bears interest at a rate of LIBOR plus a margin of 100 basis points and is payable in quarterly installments through the first quarter of 2001. The weighted average interest rates on the facility were 7.4% and 6.2% at December 31, 2000 and 1999, respectively. The facility contains 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.

During 2000 and 1999, the Company made principal payments of $500 million in each year to reduce its outstanding borrowings under its two-year term loan facility.

During February 2001, the Company issued debt securities, maturing in 2021, in part to refinance outstanding borrowings under the two-year term loan facility at December 31, 2000 on a long-term basis. Accordingly, such amount remained classified as long-term debt at December 31, 2000. See Note 27--Subsequent Events for a detailed discussion regarding these debt securities.

7 1/2% SENIOR NOTES

During 1998, the Company issued $400 million of senior notes, which were due December 1, 2000. During the first quarter of 2000, the Company redeemed these notes at 100.695% of par plus accrued interest. In connection with the redemption, the Company recorded an extraordinary loss of $4 million ($2 million, after tax) in 2000.

DEBT MATURITIES

As of December 31, 2000, aggregate maturities of debt are as follows:

YEAR	AMOUNT
2001	$ --
2002	549
2003	1,149
2004	--
2005	--
Thereafter	250
	$1,948

OTHER CREDIT FACILITIES

The Company's other credit facilities consist of a $1.75 billion three-year competitive advance and revolving credit facility (the "Three-Year Facility") maturing in August 2003 and a $750 million five-year revolving credit facility (the "Five-Year Facility") maturing in October 2001. The Three-Year Facility contains the committed capacity to issue up to $1.75 billion in letters of credit, which can be used as part of the collateral required to be posted under the Settlement Agreement. Letters of credit of $1.71 billion were utilized for this purpose and were outstanding at December 31, 2000. As previously discussed, in connection with the $1.71 billion of collateral posted from this facility, the Company is required to make minimum deposits throughout 2003 to a trust established for the benefit of the plaintiffs in the Company's principal common stockholder class action lawsuit.

Borrowings under these credit facilities bear interest at LIBOR, plus a margin of approximately 60 basis points. The Company is required to pay a per annum facility fee of .15% and .175% under the Three-Year Facility and Five-Year Facility, respectively. The Company is also required to pay a per annum utilization fee of .125% on the Three-Year Facility if usage under the facility exceeds 33% of aggregate commitments. The interest rates and facility fees are subject to change based upon credit

ratings assigned by nationally recognized debt rating agencies on the Company's 7 3/4% senior notes and its two-year term loan facility.

There were no outstanding borrowings under these credit facilities at December 31, 2000 and 1999.

The facilities contain certain restrictive covenants, including restrictions on indebtedness of material subsidiaries, mergers, limitations on liens, liquidations and sale and leaseback transactions, and also require the maintenance of certain financial ratios.

15. LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS AND BORROWING ARRANGEMENTS

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,	
	2000	1999
Commercial paper	$ 1,556	$ 619
Secured obligations	292	345
Medium-term notes	117	1,248
Other	75	102
	$ 2,040	$ 2,314

COMMERCIAL PAPER

Commercial paper matures within 180 days and is supported by committed revolving credit agreements described below and short-term lines of credit. The weighted average interest rate on the Company's outstanding commercial paper at December 31, 2000 and 1999 was 6.7%.

SECURED OBLIGATIONS

Secured obligations are collateralized by 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. The weighted average interest rates on such obligations were 6.1% and 6.0% at December 31, 2000 and 1999, respectively. Mortgage loans financed under this agreement at December 31, 2000 and 1999 totaled $292 million and $345 million, respectively, and are included in mortgage loans held for sale in the Consolidated Balance Sheets.

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 6.8% and 6.4% at December 31, 2000 and 1999, respectively.

OTHER

Other liabilities under management and mortgage programs are comprised of an unsecured borrowing maturing in 2001.

CREDIT FACILITIES

As of December 31, 2000, the Company, through its PHH subsidiary, maintained $1.775 billion of committed and unsecured credit facilities. The facilities comprise a $750 million syndicated revolving credit facility maturing in 2001, a $750 million syndicated revolving credit facility maturing in 2005 and $275 million of other revolving credit facilities maturing in 2001. Borrowings under these facilities bear interest at a rate of LIBOR, plus a margin of approximately 40 basis points. The Company is

required to pay a per annum facility fee of approximately .125% under the facilities. There were no outstanding borrowings under these credit facilities at December 31, 2000 and 1999.

The facilities contain certain restrictive covenants, including restrictions on dividends paid to the Company and indebtedness of material subsidiaries, mergers, limitations on liens, liquidations, and sale and leaseback transactions, and also require the maintenance of certain financial ratios.

SECURITIZATION AGREEMENTS

During 2000 and 1999, the Company maintained revolving sales agreements under which certain managed assets were transferred to third parties.

MORTGAGE. Under this revolving sales agreement, an unaffiliated bankruptcy remote special purpose entity, Bishops Gate Residential Mortgage Trust (the "Buyer"), committed to purchase for cash, 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, until May 2001. 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, 2000 and 1999, the Company was servicing approximately $1.0 billion and $813 million, respectively, of mortgage loans owned by the Buyer.

RELOCATION. Under these revolving sales agreements, certain relocation receivables are transferred for cash, on a revolving basis, to an unaffiliated bankruptcy remote special purpose entity, Apple Ridge Funding LLC ("Apple Ridge"), until March 31, 2007. The Company retains a subordinated residual interest and the related servicing rights and obligations in the relocation receivables. At December 31, 2000, the Company was servicing approximately $591 million of receivables under these agreements. As of December 31, 1999, the Company had not transferred any assets to Apple Ridge.

16. MANDATORILY REDEEMABLE PREFERRED INTEREST IN A SUBSIDIARY

During 2000, a Company-formed limited liability corporation ("LLC") issued a mandatorily redeemable preferred interest ("Senior Preferred Interest") in exchange for $375 million in cash. The Senior Preferred Interest is classified as a mandatorily redeemable preferred interest in a subsidiary in the Consolidated Balance Sheet. The Senior Preferred Interest is mandatorily redeemable 15 years from the date of issuance and may be redeemed by the Company after 5 years, or earlier in certain circumstances. Distributions on the Senior Preferred Interest are based on the three-month LIBOR plus an applicable margin (1.77%) and are reflected as minority interest in the Consolidated Statement of Operations. Simultaneous with the issuance of the Senior Preferred Interest, the Company transferred certain assets to the LLC. After the sale of the Senior Preferred Interest, the Company owned 100% of both the common interest and the junior preferred interest in the LLC. In the event of default, holders of the Senior Preferred Interest have certain liquidation preferences.

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

During 1998, Cendant Capital I (the "Trust"), a wholly-owned subsidiary of the Company, issued 30 million PRIDES and 2 million trust preferred securities in exchange for gross proceeds of approximately $1.5 billion. The Trust invested these proceeds in 6.45% Senior Debentures issued by the Company and due in 2003 (the "Debentures"). The Debentures are the sole asset of the Trust. The obligations of the Trust related to the 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 PRIDES and the trust preferred securities, the Company recorded a liability of $43 million with a corresponding reduction to stockholders' equity, representing the present value of the total future contract adjustment payments to be made under the PRIDES. The PRIDES, upon issuance, consisted of 28 million Income PRIDES and 2 million Growth PRIDES, both 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 CD 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 also required to purchase CD 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 bear interest, in the form of preferred stock dividends, at the annual rate of 6.45% payable in cash. Payments under the forward purchase contract forming a part of the Income PRIDES will be made by 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%.

In connection with the accounting irregularities in the former business units of CUC, the Company reached an agreement to settle the class action lawsuit brought on behalf of purchasers of PRIDES securities on or prior to April 15, 1998. Under the PRIDES settlement, each holder was eligible to receive a "Right" with a calculated value of $11.71 per Right. Right holders may sell or exercise the Rights 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 are the same as the original PRIDES, except that the conversion rate was revised and fixed so that, at the time of the issuance of the Rights, the New PRIDES had a value equal to $17.57 more than the original PRIDES. Only holders who owned PRIDES at the close of business on April 15, 1998 were eligible to receive a new additional Right for each PRIDES security held.

During 2000, the Company also issued 4 million additional PRIDES (the "Additional PRIDES") with a face value of $50 per Additional PRIDES in exchange for approximately $91 million in cash proceeds. Only Additional Income PRIDES (having identical terms to the originally issued Income PRIDES) were issued. Of the Additional Income PRIDES, 3,619,374 were coupled with 5,429,061 Rights and immediately converted into 3,619,374 New Income PRIDES and 380,626 Additional Income PRIDES remained unexercised. Upon the issuance of the Additional Income PRIDES, the Company recorded a reduction to stockholders' equity of $108 million, representing the total future contract adjustment payments to be made.

Preferred stock dividends of $106 million ($66 million, after tax), $96 million ($60 million, after tax) and $80 million ($49 million, after tax) were recorded during 2000, 1999 and 1998, respectively, and are presented as minority interest, net of tax, in the Consolidated Statements of Operations.

Also pursuant to the PRIDES settlement, the Company agreed to offer up to an additional 15 million special PRIDES (the "Special PRIDES"), which could be issued by the Company at any time for cash. The Company offered the Special PRIDES at a price in cash equal to 105% of their theoretical value, or $20.56 per Special PRIDES, during the last 30 days prior to the expiration of the Rights in February 2001. The Special PRIDES have the same terms as the currently outstanding PRIDES and could be used to exercise Rights. Pursuant to such offer, the Company issued 104,890 Special PRIDES, for proceeds of approximately $2 million, which were immediately converted into 241,624 shares of CD common stock.

See Note 27--Subsequent Events for a detailed discussion regarding the satisfaction of the Company's obligation under the PRIDES.

18. COMMITMENTS AND CONTINGENCIES

The Company has noncancelable operating leases covering various facilities and equipment. Future minimum lease payments required under noncancelable operating leases as of December 31, 2000 are as follows:

YEAR	AMOUNT
2001	$ 88
2002	82
2003	70
2004	62
2005	50
Thereafter	156
	$ 508

Rental expense during 2000, 1999 and 1998 was $170 million, $189 million and $165 million, respectively. The Company incurred contingent rental expenses in 2000, 1999 and 1998 of $45 million, $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.

The Company's Fleet segment disposition in June 1999 was structured as a tax-free reorganization and, accordingly, no tax provision was 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.

The Company is involved in litigation asserting claims associated with the accounting irregularities discovered in former CUC business units outside of the principal common stockholder class action litigation (see Note 13--Stockholder Litigation Settlement). 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.

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

19. STOCKHOLDERS' EQUITY

ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAINS/(LOSSES) ON MARKETABLE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE LOSS
Balance, January 1, 1998	$ (38)	$ --	$ (38)
Current-period change	(11)	--	(11)
Balance, December 31, 1998	(49)	--	(49)
Current-period change	(9)	16	7
Balance, December 31, 1999	(58)	16	(42)
Current-period change	(107)	(85)	(192)
Balance, December 31, 2000	$ (165)	$ (69)	$ (234)

The currency translation adjustments exclude income taxes since they relate to indefinite investments in foreign subsidiaries.

CD COMMON STOCK TRANSACTIONS

During 2000, Liberty Media Corporation ("Liberty Media") invested a total of $450 million in cash to purchase 24.4 million shares of CD common stock. Additionally, Liberty Media's Chairman, John C. Malone, Ph.D., purchased one million shares of CD common stock for approximately $17 million in cash.

The Company is authorized to repurchase $2.8 billion under its common share repurchase program. During 2000, 1999 and 1998, the Company repurchased $306 million (17.5 million shares), $1.75 billion (90.4 million shares) and $258 million (13.4 million shares), respectively, of CD common stock under the program. The Company currently has approximately $488 million remaining availability for repurchases under this common share repurchase program.

During 1999, pursuant to a Dutch Auction self-tender offer to the Company's CD common stockholders, the Company repurchased 50 million shares of its CD common stock at a price of $22.25 per share.

MOVE.COM COMMON STOCK TRANSACTIONS

The Company issued shares of Move.com common stock in several private financings, including:

NRT INCORPORATED INVESTMENT. During 2000, NRT Incorporated ("NRT") purchased 319,591 shares of Move.com common stock for $31.29 per share or approximately $10 million in cash. During February 2001, the Company repurchased these shares from NRT for approximately $10 million in cash.

CHATHAM STREET HOLDINGS, LLC INVESTMENT. In connection with the recapitalization of NRT, the Company entered into an agreement with Chatham Street Holdings, LLC ("Chatham") during 1999 as consideration for certain amendments made with respect to the NRT franchise agreements, which amendments provided for additional payments of certain royalties to the Company. Pursuant to this agreement, Chatham was granted the right, until September 2001, to purchase 1,561,000 shares of Move.com common stock. During 2000, Chatham exercised this contractual right and purchased 1,561,000 shares of Move.com common stock for $16.02 per share or approximately $25 million in cash. In connection with such exercise, Chatham received warrants to purchase 780,500 shares of

Move.com common stock at $64.08 per share and 780,500 shares of Move.com common stock at $128.16 per share. Also during 2000, the Company invested $25 million in convertible preferred stock of WMC Finance Co. ("WMC"), an online provider of sub-prime mortgages and an affiliate of Chatham, and was granted an option to purchase approximately 5 million shares of WMC common stock.

During December 2000, Chatham sold these shares and warrants back to the Company in exchange for consideration consisting of $75 million in cash and the investment the Company held in WMC preferred stock valued at $25 million. The Company also agreed to pay Chatham an additional $15 million within 90 days after consummation of the Homestore Transaction.

LIBERTY DIGITAL, INC. INVESTMENT. During 2000, Liberty Digital, Inc. ("Liberty Digital") purchased 1,598,030 shares of Move.com common stock for $31.29 per share in exchange for consideration consisting of $10 million in cash and 813,215 shares of Liberty Digital Class A common stock valued at approximately $40 million. In the event Move.com common stock is not publicly traded by June 30, 2001, the Company will be required to exchange such shares for CD common stock. The Company is currently discussing repurchasing the Move.com common stock owned by Liberty Digital. However, an agreement has not yet been executed.

20. STOCK PLANS

Under its existing stock plans, the Company may grant stock options, stock appreciation rights and restricted shares to its employees, including directors and officers of the Company and its affiliates. Options granted under these plans generally have a ten-year term and have vesting periods ranging from 20% to 33% per year. The Company is authorized to grant up to 246 million shares of its common stock under these plans. At December 31, 2000 and 1999, approximately 53 million and 56 million shares, respectively, were available for future grants under the terms of these plans.

The annual activity of the Company's stock option plans consisted of:

	CD COMMON STOCK					
	2000		1999		1998	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	183	$ 15.24	178	$ 14.64	172	$ 18.66
Granted						
Equal to fair market value	37	19.33	30	18.09	84	19.16
Greater than fair market value	--	--	1	16.04	21	17.13
Canceled	(14)	18.93	(13)	19.91	(82)	29.36
Exercised	(19)	4.26	(13)	9.30	(17)	10.01
Balance at end of year	187	$ 16.90	183	$ 15.24	178	$ 14.64

	MOVE.COM COMMON STOCK			
	2000		1999	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	2	$ 11.59	--	$ --
Granted				
Less than fair market value	1	15.40	1	10.00
Equal to fair market value	3	24.21	1	13.16
Balance at end of year(a)	6	$ 18.59	2	$ 11.59

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(a) In connection with the Homestore Transaction, holders of options outstanding at December 31, 2000 will receive either cash or stock options of Homestore.

The table below summarizes information regarding the Company's stock options outstanding and exercisable as of December 31, 2000:

	CD COMMON STOCK				
	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
$0.01 to $10.00	60	4.7	$ 8.43	46	$ 8.05
$10.01 to $20.00	65	6.7	16.57	32	16.60
$20.01 to $30.00	42	6.9	22.46	22	22.81
$30.01 to $40.00	20	6.1	31.98	17	31.91
	187	6.0	$ 16.90	117	$ 16.60

	MOVE.COM COMMON STOCK				
	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
$0.01 to $10.00	1	8.8	$ 10.00	1	$ 10.00
$10.01 to $20.00	2	8.9	13.29	1	13.16
$20.01 to $30.00	3	9.2	23.97	--	24.40
$30.01 to $40.00	--	--	--	--	--
	6	9.0	$ 18.59	2	$ 13.29

The weighted-average grant-date fair value of CD common stock options granted during 2000 and 1999 were $9.99 and $11.36, respectively. The weighted-average grant-date fair value of Move.com common stock options granted during 2000 and 1999 were $24.37 and $7.28, respectively. The weighted-average grant-date fair value of CD common stock options granted during 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 CD common stock options granted during 1998, which were not repriced, was $10.16.

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:

	2000		1999		1998	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Net income (loss)	$ 602	$ 502	$ (55)	$ (213)	$ 540	$ 393
Basic income (loss) per share	0.84	0.70	(0.07)	(0.28)	0.64	0.46
Diluted income (loss) per share	0.81	0.68	(0.07)	(0.28)	0.61	0.46

The fair values of the Company's stock options are estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for stock options granted in 2000, 1999 and 1998:

	CD			MOVE.COM GROUP	
	2000	1999	1998	2000	1999
Dividend yield	--	--	--	--	--
Expected volatility	55.0%	60.0%	55.0%	--	--
Risk-free interest rate	5.0%	6.4%	4.9%	5.2%	6.4%
Expected holding period (years)	4.7	6.2	6.3	8.5	6.2

Although the Company generally grants employee stock options at fair value,

certain options were granted below fair value during 2000 and 1999. As such, compensation expense is being recognized over the applicable vesting period. The compensation expense recognized during 2000 and 1999 was not material.

Also during 2000, the Company issued 2 million restricted shares to certain of its employees, with a weighted-average grant-date fair value of $11.95. Deferred compensation of approximately $18 million was recorded, of which approximately $5 million was recognized as compensation expense during 2000.

21. 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 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 $27 million, $30 million and $22 million during 2000, 1999 and 1998, respectively.

The Company maintains a domestic non-contributory defined benefit pension plan covering certain eligible employees 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 $149 million and $145 million at December 31, 2000 and 1999, respectively. The fair value of the plan assets was $146 million and $147 million at December 31, 2000 and 1999, 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 segment and the freezing of pension benefits related to the Company's PHH subsidiary defined benefit pension plan.

22. FINANCIAL INSTRUMENTS

DERIVATIVES

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.

The Company enters into interest rate swap agreements to manage the contractual costs of debt financing and certain other interest bearing liabilities, resulting from interest rate movements. The terms of the swap agreements correlate with the maturity and rollover of the hedged items by effectively matching a fixed or floating interest rate with the stipulated interest stream generated from the hedged items.

At December 31, 1999, the Company had $610 million aggregate notional amount of interest rate swaps outstanding relating to liabilities under management and mortgage programs with weighted average receive and pay rates of 5.57% and 6.29%, respectively. The Company had no outstanding interest rate swaps at December 31, 2000.

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 and forecasted earnings of foreign subsidiaries. The principal currency hedged by the Company is the British pound sterling.

The Company enters into options and futures contracts on U.S. Treasury instruments and mortgage-backed securities to reduce the risk of adverse price fluctuations and interest rate risk associated with its mortgage loans held for sale and anticipated mortgage production arising from commitments issued. The Company is not required to satisfy margin or collateral requirements for any of these financial instruments.

The Company uses U.S. Treasury instruments, constant maturity treasury floors, LIBOR swaps, interest rate swaps and other derivative instruments to manage the financial impact of potential prepayment activity resulting from interest rate movements and associated with its mortgage servicing rights. The Company is required to deposit cash into margin accounts maintained by counterparties for unrealized losses on futures contracts.

FAIR VALUE

The carrying amounts of cash, cash equivalents, accounts receivable, relocation receivables, accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities.

The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market. In cases where

quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques, as appropriate.

The carrying amounts and estimated fair values of financial instruments, including derivative financial instruments at December 31, are as follows:

	2000			1999		
	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS						
Cash and cash equivalents	$ --	$ 967	$ 967	$ --	$1,168	$1,168
Marketable securities (a)	--	272	272	--	286	286
Preferred stock investments (b)	--	388	388	--	369	369
ASSETS UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Mortgage loans held for sale	--	879	909	--	1,112	1,124
Mortgage servicing rights	--	1,653	1,724	--	1,084	1,202
DEBT						
Current portion of debt	--	--	--	--	400	402
Long-term debt	--	1,948	1,883	--	2,445	2,443
LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Debt	--	2,040	2,040	--	2,314	2,314
MANDATORILY REDEEMABLE PREFERRED INTEREST IN A SUBSIDIARY	--	375	375	--	--	--
MANDATORILY REDEEMABLE PREFERRED SECURITIES ISSUED BY SUBSIDIARY HOLDING SOLELY SENIOR DEBENTURES ISSUED BY THE COMPANY	--	1,683	623	--	1,478	1,113
OFF BALANCE SHEET DERIVATIVES						
Foreign exchange forwards	91	1	1	173	(1)	(1)
OFF BALANCE SHEET DERIVATIVES RELATING TO MANAGEMENT AND MORTGAGE PROGRAMS						
ASSETS						
Commitments to fund mortgages	1,940	--	24	1,283	--	1
Forward delivery commitments (c)	2,776	(6)	(29)	2,434	6	20
Commitments to complete securitizations (c)	1,017	(2)	17	813	--	(2)
Option contracts	1,468	4	4	858	3	3
Treasury futures (d)	--	--	--	152	--	(5)
Constant maturity treasury floors (d)	6,105	18	177	4,420	57	13
Interest rate swaps (d)	1,105	--	6	350	--	(26)
Principal only swaps (d)	656	--	9	324	--	(15)
Swaptions	2,083	69	123	--	--	--
LIABILITIES						
Interest rate swaps	--	--	--	610	--	1
Foreign exchange forwards	161	(1)	(1)	21	--	--

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(a) Realized gains or losses on marketable securities, which the Company classified as available-for-sale, are calculated on a specific identification basis. The Company reported realized gains in other revenues in the Consolidated Statements of Operations of $32 million, $65 million and $27 million in 2000, 1999 and 1998, respectively (which included the change in net unrealized holding gains on trading securities of $8 million and $16 million in 1999 and 1998, respectively).

(b) It is not practicable to estimate the fair value of the Company's preferred stock investments (with carrying amounts aggregating $718 million), other than its investment in Avis Group, because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. Accordingly, amounts represent solely the Company's preferred stock investment in Avis Group.

(c) Carrying amounts and gains (losses) on 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.

(d) Carrying amounts and gains (losses) on mortgage servicing right hedge 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.

CREDIT RISK AND EXPOSURE

The Company is exposed to risk in the event of nonperformance by counterparties. 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 nonperformance by any of the counterparties and no material loss would be expected from such nonperformance. However, in the event of nonperformance, changes in fair value of the hedge instruments would be reflected in the Consolidated Statements of Operations during the period the nonperformance occurred. There were no significant concentrations of credit risk with any individual counterparties or groups of counterparties at December 31, 2000 and 1999.

23. TRANSFERS AND SERVICING OF FINANCIAL ASSETS

The Company sells receivables in securitizations of its residential mortgage loans and its relocation receivables and may retain the following interests in the securitized receivables: interest-only strips, principal-only strips, one or more subordinated tranches, and servicing rights. Gains or losses on the sale of these securitized receivables depend, in part, on the carrying amount of the financial assets transferred. Gains or losses relating to residential mortgages are allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Gains or losses relating to relocation receivables are based on the value of the assets sold. The Company generally estimates fair value based upon the present value of expected future cash flows. During 2000, the Company recognized pre-tax gains of $252 million and $1 million on the securitizations of residential mortgage loans and relocation receivables, respectively.

The Company receives annual servicing fees on residential mortgage loans of approximately 46 basis points of the outstanding balance arising after the investors have received the return for which they contracted. The Company receives servicing fees of approximately 75 basis points of the outstanding balance relating to the relocation receivables. The investors have no recourse to the Company's other assets for failure of debtors to pay when due. In certain cases, the Company's retained interests are subordinate to the investors' interests. The value of these retained interests is subject to the prepayment and interest rate risks of the transferred financial assets.

Key economic assumptions used during 2000 to measure the fair value of the Company's retained interests at the time of securitization were as follows:

	RESIDENTIAL MORTGAGE LOANS		
	MORTGAGE-BACKED SECURITIES	MSRS	RELOCATION RECEIVABLES
Weighted-average life (in years)	7.7 - 9.1	1.7 - 9.8	.1 - .3
Prepayment speed (annual rate)	9 - 11%	7 - 27%	--%
Discount rate (annual rate)	6 - 16%	7 - 14%	8%

Key economic assumptions used in subsequently measuring the fair value of the Company's retained interests at December 31, 2000 and the effect on the fair value of those interests from adverse changes in those assumptions are as follows:

	RESIDENTIAL MORTGAGE LOANS		
	MORTGAGE-BACKED SECURITIES	MSRS(A)	RELOCATION RECEIVABLES
Fair value of retained interests	$ 138	$ 1,409	$ 131
Weighted-average life (in years)	5.9	6.4	0.2
PREPAYMENT SPEED (ANNUAL RATE)	6 - 27%	15 - 39%	--%
Impact of 10% adverse change	$ (7)	$ (51)	$ --
Impact of 20% adverse change	(11)	(97)	--
DISCOUNT RATE (ANNUAL RATE)	6 - 15%	8.2%	8 - 9%
Impact of 10% adverse change	$ (5)	$ (46)	$ --
Impact of 20% adverse change	(9)	(87)	(1)
WEIGHTED AVERAGE YIELD TO MATURITY			
Impact of 10% adverse change	$ --	$ --	$ (1)
Impact of 20% adverse change	--	--	(2)

(a) Excludes fair value of MSR hedge position of $315 million.

These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption is calculated without changing any other assumption; in reality, changes in one assumption may result in changes in another, which may magnify or counteract the sensitivities.

The following table summarizes cash flow activity between securitization trusts and the Company during 2000:

	RESIDENTIAL MORTGAGE LOANS	RELOCATION RECEIVABLES
Proceeds from new securitizations	$ 21,937	$ 1,420
Proceeds from collections reinvested in securitization	--	2,322
Servicing fees received	228	4
Other cash flows received on retained interests(a)	22	131
Purchases of delinquent or forecasted loans	(95)	--
Servicing advances	(352)	--
Repayment of servicing advances	331	--
Cash received upon release of reserve account	--	2

(a) Represents cash flows received on retained interests other than servicing fees.

The following table presents information about delinquencies and components of securitized and other managed assets for 2000:

	TOTAL PRINCIPAL AMOUNT	PRINCIPAL AMOUNT 60 DAYS OR MORE PAST DUE(A)
Residential mortgage loans	$ 82,187	$ 773
Relocation receivables	879	20
Total securitized and other managed assets	$ 83,066	$ 793
Comprised of:		
Assets securitized(b)	$ 81,868	
Assets held for sale or securitization	811	
Assets held in portfolio	387	

(a) Amounts are based on total securitized and other managed assets at December 31, 2000.

(b) Represents the principal amounts of the assets. All retained interests in securitized assets have been excluded from the table.

24. RELATED PARTY TRANSACTIONS

NRT INCORPORATED

The Company maintains a relationship with NRT, a corporation created to acquire residential real estate brokerage firms. During 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. Under these agreements, the Company acquired $182 million of NRT preferred stock, of which $24 million will be convertible, at the Company's option, upon the occurrence of certain events, into no more than 50% of NRT's common stock. The Company also acquired an additional $50 million of NRT preferred stock in 2000. During 2000 and 1999, approximately $21 million and $8 million of the preferred dividend income increased the basis of the underlying preferred stock investment. Additionally, the Company sold $1 million and $2 million of its convertible preferred interest and recognized a gain of $10 million and $20 million during 2000 and 1999, respectively, which is also included in other revenue in the Consolidated Statements of Operations. Accordingly, at December 31, 2000, the Company owned $258 million of NRT preferred stock. The Company recognized preferred dividend income of $17 million, $16 million and $15 million during 2000, 1999 and 1998, respectively, which is included in other revenue in the Consolidated Statements of Operations. The Company accounts for this preferred stock investment using the cost method. During 2000, 1999 and 1998, total franchise royalties earned by the Company from NRT and its predecessors were $198 million, $172 million and $122 million, respectively. Certain officers of the Company serve on the Board of Directors of NRT.

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, 2000, the Company acquired $607 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 under which the Company has made upfront payments of $35 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.

The Company has the option to purchase from an investor group in NRT 6.6 million shares of NRT common stock for $20 million. The option is exercisable from August 11, 2002 to December 5, 2005 and conditional upon the investor group receiving an aggregate payment of $166 million from NRT on August 11, 2002. To exercise the option prior to August 11, 2002, the Company would be required to

satisfy NRT's obligation to pay this distribution. In addition, if NRT is unable to make the distribution to the investor group on August 11, 2002, the Company would be required to make the payment to the investor group on behalf of NRT and would receive additional preferred stock securities in NRT.

AVIS GROUP HOLDINGS, INC.

The Company continues to maintain a common equity interest in Avis Group. During 1999 and 1998, the Company sold approximately 2 million and 1 million shares, respectively, of Avis Group 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. During 2000, 1999 and 1998, the Company recorded its equity in the earnings of Avis Group of $17 million, $18 million and $14 million, respectively, as a component of other revenue in the Consolidated Statements of Operations. At December 31, 2000, the Company's common equity interest in Avis Group was approximately 18%.

In connection with the Company's disposition of its Fleet segment during 1999, the Company received as part of the total consideration, $360 million of non-voting convertible preferred stock in a subsidiary of Avis Group. During 2000 and 1999, the Company received dividends of $19 million and $9 million, respectively, 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, 2000, the Company accounts for its convertible preferred stock investment as an available for sale security. Conversion of the convertible preferred stock is at the Company's option subject to earnings and stock price thresholds with specified intervals of time. As of December 31, 2000, the conversion conditions have not been satisfied.

The Company licenses its Avis trademark to Avis Group pursuant to a 50-year master license agreement and receives royalty fees based upon 4% of Avis Group revenue, escalating to 4.5% of Avis Group revenue over a 5-year period. During 2000, 1999 and 1998, total franchise royalties earned by the Company from Avis Group were $103 million, $102 million and $92 million, respectively. In addition, the Company operates the telecommunications and computer processing system, which services Avis Group for reservations, rental agreement processing, accounting and fleet control, for which the Company charges Avis Group at cost. As of December 31, 2000 and 1999, the Company had accounts receivable of $49 million and $34 million, respectively, due from Avis Group. Certain officers of the Company serve on the Board of Directors of Avis Group.

Summarized historical financial information for Avis Group is presented as follows:

	YEAR ENDED DECEMBER 31,	
	2000	1999
Revenues	$4,244	$3,333
Vehicle depreciation and lease charges, net	1,695	1,175
Other expenses	2,333	1,992
Income before provision for income taxes	216	166
Provision for income taxes	95	73
Net income	$ 121	$ 93

	DECEMBER 31,	
	2000	1999
Vehicles, net	$6,967	$6,501
Other assets	3,447	4,577
Vehicle related debt and preferred membership interest	7,122	7,069
Other liabilities	2,147	2,977

25. SEGMENT INFORMATION

Management evaluates each segment's performance based upon a modified earnings before interest, income taxes, depreciation and amortization and minority interest calculation. For this purpose,

Adjusted EBITDA is defined as earnings before non-operating interest, income taxes, depreciation and amortization and minority interest, adjusted to exclude certain items which are of a non-recurring or unusual nature and are 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.

As of January 1, 2000, the Company refined its corporate overhead allocation method. Expenses that were previously allocated among segments based upon a percentage of revenue are now recorded by each specific segment if the expense is primarily associated with that segment. The Company determined this refinement to be appropriate subsequent to the completion of the Company's divestiture plan and based upon the composition of its business units in 2000.

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 and 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 to allow owners of weekly timeshare intervals to trade their owned weeks with other subscribers. In addition, the Company provides publications and other travel-related services to both developers and subscribers.

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.

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.

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), purchasing of a transferee's home which is sold within a specified time period for a price that is at least equivalent to the appraised value, certain home management services, assistance in locating a new home for the transferee at the transferee's destination, consulting services and other related services.

The transferee's 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.

MORTGAGE

Mortgage services primarily include the origination, sale and servicing of residential mortgage loans. 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 sell 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

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 parking 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.

YEAR ENDED DECEMBER 31, 2000

	TRAVEL(A)	REAL ESTATE FRANCHISE	INSURANCE/ WHOLESALE	RELOCATION
Net revenues(d)	$ 1,243	$ 593	$ 574	$ 448
Adjusted EBITDA	564	430	177	142
Depreciation and amortization	103	59	23	20
Segment assets	3,221	2,235	454	583
Capital expenditures	39	5	31	12

	MORTGAGE	MOVE.COM GROUP	DIVERSIFIED SERVICES(B)(C)	TOTAL
Net revenues(d)	$ 423	$ 59	$ 590	$ 3,930
Adjusted EBITDA	180	(94)	144	1,543
Depreciation and amortization	23	6	96	330
Segment assets	3,304	74	4,645	14,516
Capital expenditures	21	18	91	217

YEAR ENDED DECEMBER 31, 1999

	TRAVEL(A)	REAL ESTATE FRANCHISE	INSURANCE/ WHOLESALE	RELOCATION
Net revenues(d)	$ 1,239	$ 571	$ 575	$ 415
Adjusted EBITDA	593	424	180	122
Depreciation and amortization	99	59	19	17
Segment assets	3,204	2,102	393	1,033
Capital expenditures	55	--	19	21

	MORTGAGE	MOVE.COM GROUP	DIVERSIFIED SERVICES(B)(C)	FLEET	TOTAL
Net revenues(d)	$ 397	$ 18	$ 1,099	$ 207	$ 4,521
Adjusted EBITDA	182	(22)	223	81	1,783
Depreciation and amortization	19	2	117	15	347
Segment assets	2,817	22	4,960	--	14,531
Capital expenditures	48	2	86	23	254

YEAR ENDED DECEMBER 31, 1998

	TRAVEL(A)	REAL ESTATE FRANCHISE	INSURANCE/ WHOLESALE	RELOCATION
Net revenues(d)	$ 1,163	$ 456	$ 544	$ 444
Adjusted EBITDA	552	349	138	125
Depreciation and amortization	90	53	14	17
Segment assets	2,789	2,014	372	1,130
Capital expenditures	81	6	17	70

	MORTGAGE	MOVE.COM GROUP	DIVERSIFIED SERVICES	FLEET	TOTAL
Net revenues(d)	$ 353	$ 10	$ 1,108	$ 387	$ 4,465
Adjusted EBITDA	188	1	120	174	1,647
Depreciation and amortization	9	2	96	22	303
Segment assets	3,504	9	4,532	4,697	19,047
Capital expenditures	36	1	62	58	331

(a) Net revenues and Adjusted EBITDA include the equity in earnings from the Company's investment in Avis Group of $17 million, $18 million and $14 million in 2000, 1999 and 1998, 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 sale of a portion of the Company's equity interest. Segment assets include such equity method investment in the amount of $132 million, $118 million and $139 million at December 31, 2000, 1999 and 1998, respectively.

(b) Segment assets include the Company's equity investment of $1 million and $17 million in Entertainment Publication, Inc. at December 31, 2000 and 1999, respectively.

(c) Net revenues include gains of $33 million and $23 million during 2000 and 1999, respectively, on the sales of car parking facilities.

(d) Inter-segment net revenues were not significant to the net revenues of any one segment.

Provided below is a reconciliation of Adjusted EBITDA to income (loss) before income taxes and minority interest.

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Adjusted EBITDA	$ 1,543	$ 1,783	$ 1,647
Depreciation and amortization	(330)	(347)	(303)
Other (charges) credits:			
Restructuring and other unusual charges	(89)	(25)	67
Investigation-related costs	(23)	(21)	(33)
Litigation settlement and related costs	21	(2,894)	(351)
Termination of proposed acquisitions	--	(7)	(433)
Executive terminations	--	--	(53)
Investigation-related financing costs	--	--	(35)
Interest, net	(145)	(196)	(112)
Net gain (loss) on dispositions of businesses	(8)	967	--
Income (loss) before income taxes and minority interest	$ 969	$ (740)	$ 394

The geographic segment information provided below is classified based on the geographic location of the Company's subsidiaries.

	UNITED STATES	UNITED KINGDOM	ALL OTHER COUNTRIES	TOTAL
2000				
Net revenues	$ 3,226	$ 500	$ 204	$ 3,930
Assets	12,470	1,924	122	14,516
Net property and equipment	600	637	36	1,273
1999				
Net revenues	$ 3,482	$ 748	$ 291	$ 4,521
Assets	11,104	3,215	212	14,531
Net property and equipment	522	723	34	1,279
1998				
Net revenues	$ 3,458	$ 696	$ 311	$ 4,465
Assets	15,081	3,707	259	19,047
Net property and equipment	591	768	19	1,378

26. SELECTED QUARTERLY FINANCIAL DATA--(UNAUDITED)

Provided below is the selected unaudited quarterly financial data for 2000 and 1999. The underlying diluted per share information is calculated from the weighted average common and common stock equivalents 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 presented on the Consolidated Statements of Operations.

	2000			
	FIRST(A)	SECOND	THIRD(B)	FOURTH
Net revenues	$ 945	$ 973	$ 1,044	$ 968
Income from continuing operations	$ 111	$ 151	$ 188	$ 126
Income (loss) from discontinued operations, net of tax(g)	16	24	26	18
Extraordinary loss, net of tax	(2)	--	--	--
Cumulative effect of accounting change, net of tax	(56)	--	--	--
Net income	$ 69	$ 175	$ 214	$ 144
CD common stock per share information:				
Basic				
Income from continuing operations	$ 0.15	$ 0.21	$ 0.26	$ 0.17
Net income	$ 0.10	$ 0.25	$ 0.30	$ 0.20
Weighted average shares	717	722	725	731
Diluted				
Income from continuing operations	$ 0.15	$ 0.21	$ 0.25	$ 0.17
Net income	$ 0.09	$ 0.24	$ 0.29	$ 0.20
Weighted average shares	751	762	759	757
Move.com common stock per share information:				
Basic and Diluted				
Loss from continuing operations		$(0.67)	$ (0.55)	$ (0.54)
Net loss		$(0.67)	$ (0.55)	$ (0.54)
Weighted average shares		4	4	3
CD common stock market prices:				
High	$24 5/16	$18 3/4	$ 14 7/8	$12 9/16
Low	$16 3/16	$12 5/3	$ 10 5/8	$ 8 1/2

	1999			
	FIRST(C)	SECOND(D)	THIRD(E)	FOURTH(F)
Net revenues	$1,102	$ 1,171	$ 1,154	$ 1,094
Income (loss) from continuing operations	$ 167	$ 846	$ 233	$ (1,579)
Income (loss) from discontinued operations, net of tax(g)	195	16	(31)	98
Net income (loss)	$ 362	$ 862	$ 202	$ (1,481)
CD common stock per share information:				
Basic				
Income (loss) from continuing operations	$ 0.21	$ 1.10	$ 0.32	$ (2.22)
Net income (loss)	$ 0.45	$ 1.12	$ 0.28	$ (2.08)
Weighted average shares	800	770	726	711
Diluted				
Income (loss) from continuing operations	$ 0.20	$ 1.03	$ 0.30	$ (2.22)
Net income (loss)	$ 0.43	$ 1.05	$ 0.26	$ (2.08)
Weighted average shares	854	824	780	711
CD common stock market prices:				
High	2$2 7/16	$ 20 3/4	$ 22 5/8	$26 9/16
Low	1$5 5/16	$ 15 1/2	$ 17	$14 9/16

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(a) Includes (i) a restructuring charge of $57 million ($38 million, after tax or $0.05 per diluted share) in connection with various strategic initiatives and (ii) a non-cash credit of $41 million ($26 million, after tax or $0.03 per diluted share) in connection with an adjustment to the PRIDES settlement.

(b) Includes (i) a gain of $35 million ($35 million, after tax or $0.05 per diluted share) resulting from the recognition of a portion of the Company's previously recorded deferred gain from the sale of its fleet businesses, (ii) a charge of $20 million ($12 million, after tax or $0.02 per diluted share) in connection with litigation asserting claims associated with accounting irregularities in the former business units of CUC and outside of the principal common stockholder class action lawsuit and (iii) $3 million ($2 million, after tax) of losses in connection with the postponement of the initial public offering of Move.com common stock.

(c) Includes (i) a charge of $7 million ($4 million, after tax or $0.01 per diluted share) in connection with the termination of a proposed acquisition and (ii) a $1 million ($1 million, after tax) gain on the sale of a Company subsidiary.

(d) Includes (i) a net gain of $716 million ($688 million, after tax or $0.83 per diluted share) related to the dispositions of businesses and (ii) a charge of $23 million ($15 million, after tax or $0.02 per diluted share) in the connection with the transition of the Company's lodging franchisees to a Company sponsored property management system.

(e) Includes (i) a net gain of $83 million ($32 million after tax, or $0.04 per diluted share) related to the dispositions of businesses and (ii) a charge of $5 million ($3 million, after tax) principally related to the consolidation of European call centers in Ireland.

(f) Includes (i) a charge of $2,894 million ($1,839 million, after tax or $2.59 per diluted share) associated with the agreement to settle the principal common stockholder class action lawsuit, (ii) a net gain of $168 million ($72 million, after tax or $0.10 per diluted share) related to the dispositions of businesses and (iii) a $2 million ($1 million, after tax) credit associated with changes to the estimate of a previously recorded restructuring charge.

(g) Includes the after tax results of discontinued operations and the gain (loss) on disposal of discontinued operations.

27. SUBSEQUENT EVENTS

DEBT ISSUANCES

CONVERTIBLE SENIOR NOTES. During February and March 2001, the Company issued $1.2 billion and $246 million, respectively, aggregate principal amount at maturity of zero coupon convertible senior notes to qualified institutional buyers in a private offering for aggregate gross proceeds of approximately $900 million. The notes mature in 2021 and bear interest at 2.5%. The Company will not make periodic payments of interest on the notes, but may be required to make nominal cash payments in specified circumstances. Each $1,000 principal amount at maturity will be convertible, subject to satisfaction of specific contingencies, into 33.4 shares of CD common stock.

MEDIUM-TERM NOTES. During January 2001, PHH issued $650 million of medium-term notes under its existing shelf registration statement. These notes bear interest at a rate of 8 1/8% per annum and mature in February 2003.

DEBT REDEMPTION

During February 2001, the Company made a principal payment of $250 million to extinguish its outstanding borrowings under its existing term loan facility.

CREDIT FACILITIES

On February 22, 2001, the Company, through its PHH subsidiary, renewed its $750 million syndicated revolving credit facility, which was due in 2001. The new facility bears interest at LIBOR plus an applicable margin, as defined in the agreement, and terminates on February 21, 2002. The Company is required to pay a per annum utilization fee of .25% if usage under the facility exceeds 25% of aggregate committments. Under the new facility, any loans outstanding as of February 21, 2002 may be converted into a term loan with a final maturity of February 21, 2003.

On February 22, 2001, the Company entered into a $650 million term loan agreement with terms similar to its other revolving credit facilities. This term loan amortizes in three equal installments on August 22, 2002, May 22, 2003 and February 22, 2004. Borrowings under this facility bear interest at LIBOR plus a margin of 125 basis points.

PRIDES

On February 16, 2001, the purchase contracts underlying all PRIDES settled. Pursuant to the settlement, the Company agreed to issue approximately 61 million shares of its CD common stock in satisfaction of its obligation to deliver common stock to beneficial owners of the PRIDES.

CD COMMON STOCK

During February and March 2001, the Company issued 40 million and 6 million shares of its CD common stock, respectively, at $13.20 per share for aggregate proceeds of approximately $607 million.

EXHIBITS:

EXHIBIT NO.	DESCRIPTION
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 dated December 17, 1997 to the Registration Statement on Form S-4, Registration No. 333-34517, dated August 28, 1997)
3.2	Amended and Restated By-Laws 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
4.2	Indenture dated as of February 11, 1997, between CUC International Inc. and Marine Midland Bank, as trustee (Incorporated by reference to Exhibit 4(a) to the Company's Current Report on Form 8-K dated February 13, 1997)
4.3(a)	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 4.2 to the Company's Registration Statement on Form S-3, Registration No. 333-45227, dated January 29, 1998)
4.3(b)	Global Note (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 1998)
4.4(a)	Indenture dated November 6, 2000 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.0 to PHH Corporation's Current Report on Form 8-K dated December 12, 2000)
4.4(b)	Supplemental Indenture No. 1 dated November 6, 2000 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to PHH Corporation's Current Report on Form 8-K dated December 12, 2000)
4.4(c)	Supplemental Indenture No. 2 dated January 30, 2001 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to PHH Corporation's Current Report on Form 8-K dated February 8, 2001)
4.5	Indenture dated February 13, 2001 between the Company and The Bank of New York, as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 20, 2001)
4.6	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 (Incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
4.7	Resale Registration Rights Agreement dated as of February 13, 2001 between the Company and Lehman Brothers Inc.
10.1(a)	Agreement with Henry R. Silverman, dated June 30, 1996 and as amended through December 17, 1997 (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997)
10.1(b)	Amendment to Agreement with Henry R. Silverman, dated December 31, 1998 (Incorporated by reference to Exhibit 10.1(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998)
10.1(c)	Amendment to Agreement with Henry R. Silverman, dated August 2, 1999 (Incorporated by reference to Exhibit 10.1(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)

EXHIBIT NO.	DESCRIPTION
10.1(d)	Amendment to Agreement with Henry R. Silverman, dated May 15, 2000 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2000)
10.2(a)	Agreement with Stephen P. Holmes, dated September 12, 1997 (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997)
10.2(b)	Amendment to Agreement with Stephen P. Holmes, dated January 11, 1999 (Incorporated by reference to Exhibit 10.2(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998)
10.3(a)	Agreement with James E. Buckman, dated September 12, 1997 (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997)
10.3(b)	Amendment to Agreement with James E. Buckman, dated January 11, 1999 (Incorporated by reference to Exhibit 10.4(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998)
10.4	Agreement with Richard A. Smith, dated September 3, 1998
10.5	Agreement with John W. Chidsey, amended and restated March 8, 2000
10.6	Agreement with Samuel L. Katz, amended and restated June 5, 2000
10.7(a)	1987 Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.16 to the Company's Form 10-Q for the period ended October 31, 1996)
10.7(b)	Amendment to 1987 Stock Option Plan dated January 3, 2001
10.8	1990 Directors Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 1996)
10.9	1992 Directors Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 1996)
10.10	1994 Directors Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 1996)
10.11(a)	1997 Stock Option Plan (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 1997)
10.11(b)	Amendment to 1997 Stock Option Plan dated January 3, 2001
10.12(a)	1997 Stock Incentive Plan (Incorporated by reference to Appendix E to the Joint Proxy Statement/ Prospectus included as part of the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997)
10.12(b)	Amendment to 1997 Stock Incentive Plan dated March 27, 2000
10.12(c)	Amendment to 1997 Stock Incentive Plan dated March 28, 2000
10.12(d)	Amendment to 1997 Stock Incentive Plan dated January 3, 2001
10.13(a)	HFS Incorporated's Amended and Restated 1993 Stock Option Plan (Incorporated by reference to Exhibit 4.1 to HFS Incorporated's Registration Statement on Form S-8, Registration No. 33-83956)
10.13(b)	First Amendment to the Amended and Restated 1993 Stock Option Plan dated May 5, 1995 (Incorporated by reference to Exhibit 4.1 to HFS Incorporated's Registration Statement on Form S-8, Registration No. 33-094756)
10.13(c)	Second Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996 (Incorporated by reference to Exhibit 10.21(b) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995)

EXHIBIT NO.	DESCRIPTION
10.13(d)	Third Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996 (Incorporated by reference to Exhibit 10.21(c) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995)
10.13(e)	Fourth Amendment to the Amended and Restated 1993 Stock Option Plan dated May 20, 1996 (Incorporated by reference to Exhibit 4.5 to HFS Incorporated's Registration Statement on Form S-8, Registration No. 333-06733)
10.13(f)	Fifth Amendment to the Amended and Restated 1993 Stock Option Plan dated July 24, 1996 (Incorporated by reference to Exhibit 10.21(e) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995)
10.13(g)	Sixth Amendment to the Amended and Restated 1993 Stock Option Plan dated September 24, 1996 (Incorporated by reference to Exhibit 10.21(e) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995)
10.13(h)	Seventh Amendment to the Amended and Restated 1993 Stock Option Plan dated as of April 30, 1997 (Incorporated by reference to Exhibit 10.17(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
10.13(i)	Eighth Amendment to the Amended and Restated 1993 Stock Option Plan dated as of May 27, 1997 (Incorporated by reference to Exhibit 10.17(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997)
10.14	HFS Incorporated's 1992 Incentive Stock Option Plan and Form of Stock Option Agreement (Incorporated by reference to Exhibit 10.6 to HFS Incorporated's Registration Statement on Form S-1, Registration No. 33-51422)
10.15	1992 Employee Stock Plan (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-45183, dated January 29, 1998)
10.16	Deferred Compensation Plan (Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998)
10.17	Cendant Corporation Move.com Group 1999 Stock Option Plan
10.18	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)
10.19	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, dated January 29, 1998)
10.20	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) (Incorporated by reference to Exhibit 4(b) to the Company's Current Report on Form 8-K dated February 13, 1997)
10.21	Agreement and Plan of Merger between CUC International Inc. and HFS Incorporated, dated as of May 27, 1997 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated May 29, 1997)
10.22(a)	Five Year Competitive Advance and Revolving Credit 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 (Incorporated by reference to Exhibit (b)(1) to the Company's Schedule 14-D1 dated January 27, 1998)

EXHIBIT NO.	DESCRIPTION
10.22(b)	Amendment, dated as of October 30, 1998, to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of October 2, 1998, among the Company, the financial institutions parties thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 5, 1998)
10.22(c)	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 Current Report on Form 8-K dated February 16, 1999)
10.22(d)	Amendment to the Five Year Competitive Advance and Revolving Credit Agreement dated as of February 22, 2001, among the Company, the financial institutions parties thereto and The Chase Manhattan Bank, as Administrative Agent
10.23(a)	Three Year Competitive Advance and Revolving Credit Agreement dated as of August 29, 2000 among the Company, the lenders parties thereto, and The Chase Manhattan Bank, as Administrative Agent
10.23(b)	Amendment to the Three Year Competitive Advance and Revolving Credit Agreement, dated as of February 22, 2001, among the Company, the lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent
10.24	$650,000,000 Term Loan Agreement dated as of February 22, 2001, among the Company, the lenders therein and The Chase Manhattan Bank, as Administrative Agent.
10.25(a)	364-Day Competitive Advance and Revolving Credit Agreement dated March 4, 1997, as amended and restated through February 22, 2001, among PHH Corporation, the lenders thereto, and The Chase Manhattan Bank, as Administrative Agent
10.25(b)	Five-year Credit Agreement ("PHH Five-year Credit Agreement") dated February 28, 2000, among PHH Corporation, the Lenders, and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.24(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
10.25(c)	Amendment to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of February 22, 2001, among PHH Corporation, the financial institutions parties thereto and The Chase Manhattan Bank, as Administrative Agent
10.26	Agreement and Plan of Merger by and among Cendant Corporation, PHH Corporation, Avis Acquisition Corp. and Avis Group Holdings, Inc., dated as of November 11, 2000 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated November 17, 2000)
10.27	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 to Exhibit 1 to Registration Statement, Registration No. 33-63627)
10.28	Distribution Agreement between the Company and Credit Suisse; First Boston Corporation; Goldman Sachs & Co. and Merrill Lynch & Co., dated June 5, 1997 (Incorporated by reference to Exhibit 1 to Registration Statement, Registration No. 333-27715)
10.29	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. (Incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated March 3, 1998)

EXHIBIT NO.	DESCRIPTION
10.30	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 Exhibit 10.2 to HFS Incorporated's Registration Statement on Form S-1, Registration No. 33-51422)
10.31	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 Exhibit 10.3 to HFS Incorporated's Registration Statement on Form S-1, Registration No. 33-51422)
10.32	License Agreement dated as of November 1, 1991 between Franchise Systems Holdings, Inc. and Ramada Franchise Systems, Inc. (Incorporated by reference to Exhibit 10.4 to HFS Incorporated's Registration Statement on Form S-1, Registration No. 33-51422)
10.33	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 Exhibit 10.5 to HFS Incorporated's Registration Statement on Form S-1, Registration No. 33-51422)
10.34	The Company's 1999 Non-Employee Directors Deferred Compensation Plan (Incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges
21	Subsidiaries of Registrant
23	Consent of Deloitte & Touche LLP

Exhibit 4.1

CENDANT CORPORATION

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS OF STOCK. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS THE POWERS, DESIGNATIONS, PREFERENCES, AND RELATIVE, PARTICIPATING, OPTIONAL, OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	as tenants in common
TEN ENT	as tenants by the entireties
JT TEN	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT-D.....Custodian.....
(Cust)
(Minor) under Uniform Gifts to Minors Act.....
(State)

Additional abbreviations may also be used though not in the above list.

For value received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address including postal zip code of assignee

Shares of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises. Dated,

NOTICE:

THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

CD
CD COMMON STOCK
Par Value $.01
CD COMMON STOCK
Par Value $.01
INCORPORATED UNDER THE
LAWS OF THE STATE OF DELAWARE
THIS CERTIFICATE IS TRANSFERABLE
IN NEW YORK, NEW YORK
AND RIDGEFIELD PARK, NEW JERSEY
CUSIP 151313 10 3
SEE REVERSE FOR CERTAIN DEFINITIONS AND/OR RESTRICTIONS
This Certifies that
is the owner of
FULLY PAID AND NON-ASSESSABLE SHARES OF THE CD COMMON STOCK OF
Cendant Corporation transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the Certificate of Incorporation and By-laws of the Corporation and all amendments thereto. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers. Dated:

COUNTERSIGNED AND REGISTERED:
MELLON INVESTOR SERVICES LLC
TRANSFER AGENT AND REGISTRAR
BY
AUTHORIZED SIGNATURE

Secretary
Chairman, President &
Chief Executive Officer

RESALE REGISTRATION RIGHTS AGREEMENT

between

CENDANT CORPORATION

and

LEHMAN BROTHERS INC.

DATED AS OF FEBRUARY 13, 2001

RESALE REGISTRATION RIGHTS AGREEMENT, dated as of February 13, 2001, between Cendant Corporation, a Delaware corporation (together with any successor entity, herein referred to as the "Issuer"), and Lehman Brothers Inc. (the "Initial Purchaser").

Pursuant to the Purchase Agreement, dated February 7, 2001, between the Issuer and the Initial Purchaser (the "Purchase Agreement"), the Initial Purchaser has agreed to purchase from the Issuer $1,232,715,000 ($1,479,358,000 if the Initial Purchaser exercises the over-allotment option in full) in aggregate principal amount at maturity of Zero Coupon Senior Convertible Contingent Debt Securities (CODES SM) Notes due 2021 (the "Debentures"). The Debentures will be convertible into fully paid, nonassessable CD common stock, par value $.01 per share, of the Issuer (the "Common Stock") on the terms, and subject to the conditions, set forth in the Indenture (as defined herein). To induce the Initial Purchaser to purchase the Debentures, the Issuer has agreed to provide the registration rights set forth in this Agreement pursuant to Section 3(m) of the Purchase Agreement.

The parties hereby agree as follows:

1. DEFINITIONS. As used in this Agreement, the following capitalized terms shall have the following meanings:

AGREEMENT: This Resale Registration Rights Agreement.

APPLICABLE AMOUNT: With respect to each $1,000 principal amount at maturity of the Debentures, the sum of the initial issue price of such Debentures ($608.41) plus accrued original issue discount with respect to such Debentures through the date of determination.

BLUE SKY APPLICATION: As defined in Section 6(a) hereof.

BROKER-DEALER: Any broker or dealer registered under the Exchange Act.

BUSINESS DAY: A day other than a Saturday or Sunday or any day on which banking institutions in the city of New York are authorized or obligated by law or executive order to close.

CLOSING DATE: The date of this Agreement.

COMMISSION: Securities and Exchange Commission.

COMMON STOCK: As defined in the preamble hereto.

DAMAGES PAYMENT DATE: Each February 13 and August 13.

DEBENTURES: As defined in the preamble hereto.

EFFECTIVENESS PERIOD: As defined in Section 2(a)(iii) hereof.

EFFECTIVENESS TARGET DATE: As defined in Section 2(a)(ii) hereof.

EXCHANGE ACT: Securities Exchange Act of 1934, as amended.

HOLDER: A Person who owns, beneficially or otherwise, Transfer Restricted Securities.

HOLDER QUESTIONNAIRE: As defined in Section 2(b) hereof.

INDEMNIFIED HOLDER: As defined in Section 6(a) hereof.

INDENTURE: The Indenture, dated as of February 13, 2001, between the Issuer and The Bank of New York, as trustee (the "Trustee"), pursuant to which the Debentures are to be issued, as such Indenture is amended, modified or supplemented from time to time in accordance with the terms thereof.

INITIAL PURCHASER: As defined in the preamble hereto.

ISSUER: As defined in the preamble hereto.

LIQUIDATED DAMAGES: As defined in Section 3(a) hereof.

MAJORITY OF HOLDERS: Holders holding over 50% of the aggregate principal amount at maturity of Debentures outstanding; PROVIDED that, for purpose of this definition, a holder of shares of Common Stock which constitute Transfer Restricted Securities and issued upon conversion of the Debentures shall be deemed to hold an aggregate principal amount at maturity of Debentures (in addition to the principal amount at maturity of Debentures held by such holder) equal to the quotient of (x) the number of such shares of Common Stock held by such holder and (y) the conversion rate then in effect as determined in accordance with the Indenture.

NASD: National Association of Securities Dealers, Inc.

PERSON: An individual, partnership, corporation, unincorporated organization, trust, joint venture or a government or agency or political subdivision thereof.

PURCHASE AGREEMENT: As defined in the preamble hereto.

PROSPECTUS: The prospectus included in a Shelf Registration Statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

QUESTIONNAIRE DEADLINE: As defined in Section 2(b) hereof.

RECORD HOLDER: With respect to any Damages Payment Date, each Person who is a Holder on the 15th day preceding the relevant Damages Payment Date.

REGISTRATION DEFAULT: As defined in Section 3(a) hereof.

SALE NOTICE: As defined in Section 4(d) hereof.

SECURITIES ACT: Securities Act of 1933, as amended.

SHELF FILING DEADLINE: As defined in Section 2(a)(i) hereof.

SHELF REGISTRATION STATEMENT: As defined in Section 2(a)(i) hereof.

SUSPENSION NOTICE. As defined in Section 4(c) hereof.

SUSPENSION PERIOD. As defined in Section 4(b)(i) hereof.

TIA: Trust Indenture Act of 1939, as in effect on the date the Indenture is qualified under the TIA.

TRANSFER RESTRICTED SECURITIES: Each Debenture and each share of Common Stock issued upon conversion of Debentures until the earlier of:

(i) the date on which such Debenture or such share of Common Stock issued upon conversion has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement;

(ii) the date on which such Debenture or such share of Common Stock issued upon conversion is transferred in compliance with Rule 144 under the Securities Act or may be sold or transferred by a person who is not an affiliate of the Issuer pursuant to Rule 144 under the Securities Act (or any other similar provision then in force) without any volume or manner of sale restrictions thereunder; or

(iii) the date on which such Debenture or such share of Common Stock issued upon conversion ceases to be outstanding (whether as a result of redemption, repurchase and cancellation, conversion or otherwise).

UNDERWRITTEN REGISTRATION OR UNDERWRITTEN OFFERING: A registration in which securities of the Issuer are sold to an underwriter for reoffering to the public.

2. SHELF REGISTRATION.

(a) The Issuer shall:

(i) not later than 90 days after the date hereof (the "Shelf Filing Deadline"), cause to be filed a registration statement pursuant to Rule 415 under the Securities Act (the "Shelf Registration Statement"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities held by Holders that have provided the information required pursuant to the terms of Section 2(b) hereof;

(ii) use its reasonable best efforts to cause the Shelf Registration Statement to be declared effective by the Commission not later than 180 days after the date hereof (the "Effectiveness Target Date"); and

(iii) use its reasonable best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 4(b) hereof to the extent necessary to ensure that (A) it is available for resales by the Holders of Transfer Restricted Securities entitled to the benefit of this Agreement and (B) conforms with the requirements of this Agreement and the Securities Act and the rules and regulations of the Commission promulgated thereunder as announced from time to time for a period (the "Effectiveness Period") of:

(1) two years following the last date of original issuance of Debentures; or

(2) such shorter period that will terminate when (x) all of the Holders of Transfer Restricted Securities are able to sell all Transfer Restricted Securities immediately without restriction pursuant to Rule 144(k) under the Securities Act or any successor rule thereto, (y) when all Transfer Restricted Securities have ceased to be outstanding (whether as a result of redemption, repurchase and cancellation, conversion or otherwise) or (z) all Transfer Restricted Securities of Holders that complete and deliver in a timely manner the Holder Questionnaire are registered under the Shelf Registration Statement and have been disposed of in accordance with the Shelf Registration Statement.

(b) No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in the Shelf Registration Statement pursuant to this Agreement unless such Holder furnishes to the Issuer in writing, prior to or on the 20th Business Day after receipt of a request therefor (the "Questionnaire Deadline"), such information as the Issuer may reasonably request for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein and in any application to be filed with or under state securities laws (the form of which request is attached hereto as Exhibit A and is referred to herein as the "Holder Questionnaire"). In connection with all such requests for information from

Holders of Transfer Restricted Securities, the Issuer shall notify such Holders of the requirements set forth in the preceding sentence. Holders that do not complete the questionnaire and deliver it to the Issuer shall not be named as selling securityholders in the Prospectus or preliminary Prospectus included in the Shelf Registration Statement and therefore shall not be permitted to sell any Transfer Restricted Securities pursuant to the Shelf Registration Statement. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 3 hereof unless such Holder shall have provided all such reasonably requested information prior to or on the Questionnaire Deadline. Each Holder as to which the Shelf Registration Statement is being effected agrees to furnish promptly to the Issuer all information required to be disclosed in order to make information previously furnished to the Issuer by such Holder not materially misleading. Each Holder who intends to be named as a selling Holder in the Shelf Registration Statement shall promptly furnish to the Issuer in writing such other information as the Issuer may from time to time reasonably request in writing.

3. LIQUIDATED DAMAGES.

(a) If:

(i) the Shelf Registration Statement is not filed with the Commission prior to or on the Shelf Filing Deadline;

(ii) the Shelf Registration Statement has not been declared effective by the Commission prior to or on the Effectiveness Target Date;

(iii) except as provided in Section 4(b)(i) hereof, the Shelf Registration Statement is filed and declared effective but, during the Effectiveness Period, shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded within five Business Days by a post-effective amendment to the Shelf Registration Statement or a report filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act that cures such failure and, in the case of a post-effective amendment, is itself immediately declared effective; or

(iv) (A) prior to or on the 45th or 75th day, as the case may be, of any Suspension Period, such suspension has not been terminated or (B) Suspension Periods exceed an aggregate of 90 days in any 360 day period,

(each such event referred to in foregoing clauses (i) through (iv), a "Registration Default"), the Issuer hereby agrees to pay liquidated damages ("Liquidated Damages") with respect to the Transfer Restricted Securities from and including the day following the Registration Default to but excluding the day on which the Registration Default has been cured, accruing at a rate:

(A) in respect of the Debentures, to each holder of Debentures, (x) with respect to the first 90-day period during which a Registration Default shall have occurred and be continuing, equal to 0.25% per annum of the Applicable Amount of the Debentures, and (y) with respect to the period commencing on the 91st day following the day the Registration Default shall have occurred and be continuing,

equal to 0.50% per annum of the Applicable Amount of the Debentures; PROVIDED that in no event shall Liquidated Damages accrue at a rate per year exceeding 0.50% of the Applicable Amount of the Debentures; and

(B) in respect of any shares of Common Stock, to each holder of shares of Common Stock issued upon conversion of Debentures, (x) with respect to the first 90-day period in which a Registration Default shall have occurred and be continuing, equal to 0.25% per annum of the Applicable Amount of the converted Debentures, and (y) with respect to the period commencing the 91st day following the day the Registration Default shall have occurred and be continuing, equal to 0.50% per annum of the Applicable Amount of the converted Debentures; PROVIDED that in no event shall Liquidated Damages accrue at a rate per year exceeding 0.50% of the Applicable Amount of the converted Debentures.

(b) All accrued Liquidated Damages shall be paid in arrears to Record Holders by the Issuer on each Damages Payment Date by wire transfer of immediately available funds or by federal funds check. Following the cure of all Registration Defaults relating to any particular Debenture or share of Common Stock, the accrual of Liquidated Damages with respect to such Debenture or share of Common Stock will cease.

All obligations of the Issuer set forth in this Section 3 that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such Transfer Restricted Security shall have been satisfied in full.

The Liquidated Damages set forth above shall be the exclusive monetary remedy available to the Holders of Transfer Restricted Securities for such Registration Default.

4. REGISTRATION PROCEDURES.

(a) In connection with the Shelf Registration Statement, the Issuer shall comply with all the provisions of Section 4(b) hereof and shall use its best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto, shall as expeditiously as possible prepare and file with the Commission a Shelf Registration Statement relating to the registration on any appropriate form under the Securities Act.

(b) In connection with the Shelf Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities, the Issuer shall:

(i) Subject to any notice by the Issuer in accordance with this Section 4(b) of the existence of any fact or event of the kind described in Section 4(b)(iii)(D), use its reasonable best efforts to keep the Shelf Registration Statement continuously effective during the Effectiveness Period; upon the occurrence of any event that would cause the Shelf Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not be

effective and usable for resale of Transfer Restricted Securities during the Effectiveness Period, the Issuer shall file promptly an appropriate amendment to the Shelf Registration Statement or a report filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use its best efforts to cause such amendment to be declared effective and the Shelf Registration Statement and the related Prospectus to become usable for their intended purposes as soon as practicable thereafter. Notwithstanding the foregoing, the Issuer may suspend the effectiveness of the Shelf Registration Statement by written notice to the Holders for a period not to exceed an aggregate of 45 days in any 90-day period (each such period, a "Suspension Period") if:

(x) an event occurs and is continuing as a result of which the Shelf Registration Statement would, in the Issuer's reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and

(y) the Issuer reasonably determines that the disclosure of such event at such time would have a material adverse effect on the business of the Issuer (and its subsidiaries, if any, taken as a whole);

PROVIDED that in the event the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede the Issuer's ability to consummate such transaction, the Issuer may extend a Suspension Period from 45 days to 75 days; PROVIDED, HOWEVER, that Suspension Periods shall not exceed an aggregate of 90 days in any 360-day period.

(ii) Prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement effective during the Effectiveness Period; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in the Shelf Registration Statement or supplement to the Prospectus; provided that in no event will such method(s) of distribution take the form of an Underwritten Offering without the prior agreement of the Issuer, which agreement will not be unreasonably withheld.

(iii) Advise the underwriter(s), if any, and selling Holders promptly (but in any event within five Business Days) and, if requested by such Persons, to confirm such advice in writing:

(A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to the Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective,

(B) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto,

(C) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement under the Securities Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, or

(D) of the existence of any fact or the happening of any event, during the Effectiveness Period, that makes any statement of a material fact made in the Shelf Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Shelf Registration Statement or the Prospectus in order to make the statements therein not misleading.

If at any time the Commission shall issue any stop order suspending the effectiveness of the Shelf Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Issuer shall use its reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time and will provide to the Initial Purchaser and each Holder who is named in the Shelf Registration Statement prompt notice of the withdrawal of any such order.

(iv) Furnish to one counsel for the selling Holders and each of the underwriter(s), if any, before filing with the Commission, a copy of the Shelf Registration Statement and copies of any Prospectus included therein or any amendments or supplements to the Shelf Registration Statement or Prospectus (other than documents incorporated by reference after the initial filing of the Shelf Registration Statement), which documents will be subject to the review of such holders and underwriter(s), if any, for a period of at least five Business Days (in the case of the Shelf Registration Statement) and two Business Days (in the case of any amendment or supplement thereto), and the Issuer will not file the Shelf Registration Statement or Prospectus or any amendment or supplement to the Shelf Registration Statement or Prospectus (other than documents incorporated by reference) to which a selling Holder of Transfer Restricted Securities covered by the Shelf Registration Statement or the underwriter(s), if any, shall reasonably object prior to the filing thereof. A selling Holder or underwriter, if any, shall be

deemed to have reasonably objected to such filing if the Shelf Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission.

(v) Make available at reasonable times for inspection by one or more representatives of the selling Holders, designated in writing by a Majority of Holders whose Transfer Restricted Securities are included in the Shelf Registration Statement, any underwriter participating in any distribution pursuant to the Shelf Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s), all financial and other records, pertinent corporate documents and properties of the Issuer as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the Issuer's officers, directors, managers and employees to supply all information reasonably requested by any such representative or representatives of the selling Holders, underwriter, attorney or accountant in connection with the Shelf Registration Statement after the filing thereof and before its effectiveness, subject, upon the request of the Issuer, to the execution of a confidentiality agreement which is reasonable in the context of a registered public offering.

(vi) If requested by any selling Holders or the underwriter(s), if any, promptly incorporate in the Shelf Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation: (1) information relating to the "Plan of Distribution" of the Transfer Restricted Securities, (2) information with respect to the principal amount of Debentures or number of shares of Common Stock being sold to such underwriter(s), (3) the purchase price being paid therefor and (4) any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as reasonably practicable after the Issuer is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(vii) Furnish to each selling Holder and each of the underwriter(s), if any, upon their request, without charge, at least one copy of the Shelf Registration Statement, as first filed with the Commission, and of each amendment thereto (and any documents incorporated by reference therein or exhibits thereto (or exhibits incorporated in such exhibits by reference) as such Person may request).

(viii) Deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; subject to any notice by the Issuer in accordance with this Section 4(b) of the existence of any fact or event of the kind described in Section 4(b)(iii) (D), the Issuer hereby consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if

any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto.

(ix) The Issuer shall:

(A) upon request, furnish to each selling Holder and each underwriter, if any, in such substance and scope as they may reasonably request and as are customarily made by issuers to underwriters in primary underwritten offerings for selling security holders, upon the date of closing of any sale of Transfer Restricted Securities in an Underwritten Registration:

(1) a certificate, dated the date of such closing, signed by the Chief Financial Officer of the Issuer confirming, as of the date thereof, the matters set forth in Section 5(g) of the Purchase Agreement and such other matters as such parties may reasonably request;

(2) opinions, each dated the date of such closing, of counsel to the Issuer covering such of the matters as are customarily covered in legal opinions to underwriters in connection with underwritten offerings of securities; and

(3) customary comfort letters, dated the date of such closing, from the Issuer's independent accountants (and from any other accountants whose report is contained or incorporated by reference in the Shelf Registration Statement) to the extent deliverable in accordance with their professional standards, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten offerings of securities;

(B) set forth in full in the underwriting agreement, if any, indemnification provisions and procedures which provide rights no less protective than those set forth in Section 6 hereof with respect to all parties to be indemnified; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the selling Holders pursuant to this clause (ix).

(x) Before any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions in

the United States as the selling Holders or underwriter(s), if any, may reasonably request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; PROVIDED, HOWEVER, that the Issuer shall not be required (A) to register or qualify as a foreign corporation or a dealer of securities where it is not now so qualified or to take any action that would subject it to the service of process in any jurisdiction where it is not now so subject or (B) to subject themselves to taxation in any such jurisdiction if they are not now so subject.

(xi) Cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends (unless required by applicable securities laws); and enable such Transfer Restricted Securities to be in such denominations and registered in such names as the Holders or the underwriter(s), if any, may request at least two Business Days before any sale of Transfer Restricted Securities made by such underwriter(s).

(xii) Use its reasonable best efforts to cause the Transfer Restricted Securities covered by the Shelf Registration Statement to be registered with or approved by such other U.S. governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities.

(xiii) Subject to Section 4(b)(i) hereof, if any fact or event contemplated by Section 4(b)(iii)(D) hereof shall exist or have occurred, use its reasonable best efforts to prepare a supplement or post-effective amendment to the Shelf Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(xiv) Provide CUSIP numbers for all Transfer Restricted Securities not later than the effective date of the Shelf Registration Statement and provide the Trustee under the Indenture with certificates for the Debentures that are in a form eligible for deposit with The Depository Trust Company.

(xv) Cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter that is required to be retained in accordance with the rules and regulations of the NASD.

(xvi) Otherwise use its best efforts to comply with all applicable rules and regulations of the Commission and all reporting requirements under the rules and regulations of the Exchange Act.

(xvii) Cause the Indenture to be qualified under the TIA not later than the effective date of the Shelf Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the holders of Debentures to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its best efforts to cause the Trustee thereunder to execute all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner.

(xviii) Cause all Transfer Restricted Securities covered by the Shelf Registration Statement to be listed or quoted, as the case may be, on each securities exchange or automated quotation system on which similar securities issued by the Issuer are then listed or quoted.

(xix) Provide to each Holder upon written request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act after the effective date of the Shelf Registration Statement.

(c) Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice (a "Suspension Notice") from the Issuer of the existence of any fact of the kind described in Section 4(b)(iii)(D) hereof, such Holder will, and will use its reasonable best efforts to cause any underwriter(s) in an Underwritten Offering to, forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement until:

(i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 4(b)(xiii) hereof; or

(ii) such Holder is advised in writing by the Issuer that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus.

If so directed by the Issuer, each Holder will deliver to the Issuer (at the Issuer's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice of suspension.

(d) Upon the effectiveness of the Shelf Registration Statement, each Holder shall notify the Issuer at least three Business Days prior to any intended distribution of Transfer Restricted Securities pursuant to the Shelf Registration Statement (a "Sale Notice"), which notice shall be effective for five Business Days. Each Holder of Transfer Restricted Securities, by accepting the same, agrees to hold any communication by the Company in response to a Sale Notice in confidence.

5. REGISTRATION EXPENSES.

(a) All expenses incident to the Issuer's performance of or compliance with this Agreement shall be borne by the Issuer regardless of whether a Shelf Registration Statement becomes effective, including, without limitation:

(i) all registration and filing fees and expenses (including filings made by any Initial Purchaser or Holders with the NASD);

(ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws;

(iii) all expenses of printing (including printing of Prospectuses and certificates for the Common Stock to be issued upon conversion of the Debentures) and the Issuer's expenses for messenger and delivery services and telephone;

(iv) all fees and disbursements of counsel to the Issuer and, subject to Section 5(b) below, the Holders of Transfer Restricted Securities;

(v) all application and filing fees in connection with listing (or authorizing for quotation) the Common Stock on a national securities exchange or automated quotation system pursuant to the requirements hereof; and

(vi) all fees and disbursements of independent certified public accountants of the Issuer (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Issuer shall bear its internal expenses (including, without limitation, all salaries and expenses of their officers and employees performing legal, accounting or other duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Issuer.

(b) In connection with the Shelf Registration Statement required by this Agreement, including any amendment or supplement thereto, and any other documents delivered to any Holders, the Issuer shall reimburse the Initial Purchaser and the Holders of Transfer Restricted Securities being registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, which shall be Simpson Thacher & Bartlett, or such other counsel as may be chosen by a Majority of Holders for whose benefit the Shelf Registration Statement is being prepared.

6. INDEMNIFICATION AND CONTRIBUTION.

(a) The Issuer shall indemnify and hold harmless each Holder, such Holder's officers and employees and each person, if any, who controls such Holder within the meaning of the Securities Act (each, an "Indemnified Holder"), from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to resales of the Transfer Restricted Securities), to

which such Indemnified Holder may become subject, insofar as any such loss, claim, damage, liability or action arises out of, or is based upon:

(i) any untrue statement or alleged untrue statement of a material fact contained in (A) the Shelf Registration Statement or Prospectus or any amendment or supplement thereto or (B) any blue sky application or other document or any amendment or supplement thereto prepared or executed by the Issuer (or based upon written information furnished by or on behalf of the Issuer expressly for use in such blue sky application or other document or amendment on supplement) filed in any jurisdiction specifically for the purpose of qualifying any or all of the Transfer Restricted Securities under the securities law of any state or other jurisdiction (such application or document being hereinafter called a "Blue Sky Application"); or

(ii) the omission or alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading,

and shall reimburse each Indemnified Holder promptly upon demand for any legal or other expenses reasonably incurred by such Indemnified Holder in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; PROVIDED, HOWEVER, that the Issuer shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Shelf Registration Statement or Prospectus or amendment or supplement thereto or Blue Sky Application in reliance upon and in conformity with written information furnished to the Issuer by or on behalf of any Holder (or its related Indemnified Holder) specifically for use therein, provided, further, that the Issuer shall not be liable for any loss, liability, claim, damage or expense (1) arising from an offer or sale of Transfer Restricted Securities occurring during a Suspension Period, provided the Holder has received a Suspension Notice with respect to such Suspension Period, or (2) if the Holder fails to deliver at or prior to the written confirmation of sale, a Prospectus that is amended or supplemented, and such Prospectus, as amended or supplemented, would have corrected the untrue statement or omission or alleged untrue statement or omission of a material fact contained in the Prospectus delivered by the Holder, so long as the Prospectus, as amended or supplemented, has been delivered to such Holder prior to such time. The foregoing indemnity agreement is in addition to any liability which the Issuer may otherwise have to any Indemnified Holder.

(b) Each Holder, severally and not jointly, shall indemnify and hold harmless the Issuer, its officers and employees and each person, if any, who controls the Issuer within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Issuer or any such officer, employee or controlling person may become subject, insofar as any such loss, claim, damage or liability or action arises out of, or is based upon:

(i) any untrue statement or alleged untrue statement of any material fact contained in the Shelf Registration Statement or Prospectus or any amendment or supplement thereto or any Blue Sky Application; or

(ii) the omission or the alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading,

but in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Issuer by or on behalf of such Holder (or its related Indemnified Holder) specifically for use therein, and shall reimburse the Issuer and any such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by the Issuer or any such officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Holder may otherwise have to the Issuer and any such officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party in writing of the claim or the commencement of that action; PROVIDED, HOWEVER, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 6 except to the extent it has been materially prejudiced by such failure and, PROVIDED, FURTHER, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 6. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 6 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; PROVIDED, HOWEVER, that the Holders shall have the right to employ one separate firm to represent jointly the Holders and their officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Holders against the Issuer under this Section 6 if, in the reasonable judgment of the Holders seeking indemnification, it is advisable for the Holders and such officers, employees and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the Issuer. No indemnifying party shall:

(i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld) settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or

(ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss of liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 6 shall for any reason be unavailable or insufficient to hold harmless an indemnified party under Section 6(a) or 6(b) in respect of any loss, claim, damage or liability (or action in respect thereof) referred to therein, each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability (or action in respect thereof):

(i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer from the offering and sale of the Transfer Restricted Securities on the one hand and a Holder with respect to the sale by such Holder of the Transfer Restricted Securities on the other, or

(ii) if the allocation provided by clause (6)(d)(i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 6(d)(i) but also the relative fault of the Issuer on the one hand and the Holders on the other in connection with the statements or omissions or alleged statements or alleged omissions that resulted in such loss, claim, damage or liability (or action in respect thereof), as well as any other relevant equitable considerations.

The relative benefits received by the Issuer on the one hand and a Holder on the other with respect to such offering and such sale shall be deemed to be in the same proportion as the total net proceeds from the offering of the Debentures purchased under the Purchase Agreement (before deducting expenses) received by the Issuer, on the one hand, bear to the total net gain received by such Holder with respect to its sale of Transfer Restricted Securities on the other. The relative fault of the parties shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer on the one hand or the Holders on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Issuer and each Holder agree that it would not be just and equitable if the amount of contribution pursuant to this Section 6(d) were determined by PRO RATA allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the first sentence of this paragraph (d). The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 6 shall be deemed to include, for purposes of this Section 6, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending or preparing to defend any such action or claim. Notwithstanding the provisions of this Section 6, no Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Transfer Restricted Securities purchased by it were resold exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of any untrue or alleged untrue statement or

omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute as provided in this Section 6(d) are several and not joint.

7. RULE 144A. In the event the Issuer is not subject to Section 13 or 15(d) of the Exchange Act, the Issuer hereby agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding, to make available to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

8. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS. No Holder may participate in any Underwritten Registration hereunder unless such Holder:

(i) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements; and

(ii) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

9. SELECTION OF UNDERWRITERS. The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering if approved by the Issuer as provided in Section 4(b)(ii). In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by a Majority of Holders whose Transfer Restricted Securities are included in such offering; PROVIDED, that such investment bankers and managers must be reasonably satisfactory to the Issuer.

10. MISCELLANEOUS.

(a) REMEDIES. The Issuer acknowledges and agrees that any failure by the Issuer to comply with its obligations under Section 2 hereof may result in material irreparable injury to the Initial Purchaser or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchaser or any Holder may obtain such relief as may be required to specifically enforce the Issuer's obligations under Section 2 hereof. The Issuer further agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) INTENTIONALLY OMITTED.

(c) NO INCONSISTENT AGREEMENTS. The Issuer will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with

the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. In addition, the Issuer shall not grant to any of its security holders (other than the Holders of Transfer Restricted Securities in such capacity) the right to include any of its securities in the Shelf Registration Statement provided for in this Agreement other than the Transfer Restricted Securities. The Issuer has not previously entered into any agreement (which has not expired or been terminated) granting any registration rights with respect to its securities to any Person which rights conflict with the provisions hereof.

(d) AMENDMENTS AND WAIVERS. This Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, unless the Issuer has obtained the written consent of a Majority of Holders.

(e) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, facsimile transmission, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the registrar under the Indenture or the transfer agent of the Common Stock, as the case may be; and

(ii) if to the Issuer:

Cendant Corporation
9 West 57th Street
New York, New York 10019
Attention: Eric J. Bock, Esq.
Fax (212) 413-1923

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
4 Times Square
New York, New York 10036
Attention: Vincent J. Pisano, Esq.
Fax (917)-777-2718

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if transmitted by facsimile; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

(f) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; PROVIDED, HOWEVER, that (i) this Agreement shall not inure to the benefit of or be

binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities from such Holder and (ii) nothing contained herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities, in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement.

(g) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) SECURITIES HELD BY THE ISSUER OR THEIR AFFILIATES. Whenever the consent or approval of Holders of a specified percentage of Transfer Restricted Securities is required hereunder, Transfer Restricted Securities held by the Issuer or its "affiliates" (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(i) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(k) SEVERABILITY. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) ENTIRE AGREEMENT. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Issuer with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

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

CENDANT CORPORATION

By_____
NAME:
TITLE:

LEHMAN BROTHERS INC.

By_____
AUTHORIZED REPRESENTATIVE

EXHIBIT A

CENDANT CORPORATION

FORM OF SELLING SECURITYHOLDER NOTICE AND QUESTIONNAIRE

The undersigned beneficial holder of Zero Coupon Senior Convertible Debt Securities (CODESSM) due 2021 (the "Debentures") of Cendant Corporation (the "Issuer"), or CD common stock, par value $.01 per share (the "Shares" and together with the Debentures, the "Transfer Restricted Securities") of the Issuer understands that the Issuer has filed, or intends to file, with the Securities and Exchange Commission (the "Commission") a registration statement (the "Shelf Registration Statement"), for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Transfer Restricted Securities in accordance with the terms of the Registration Rights Agreement, dated as of February 13, 2001 (the "Registration Rights Agreement") between the Issuer and Lehman Brothers Inc. A copy of the Registration Rights Agreement is available from the Issuer upon request at the address set forth below. All capitalized terms not otherwise defined herein have the meaning ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Transfer Restricted Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Transfer Restricted Securities pursuant to the Shelf Registration Statement, a beneficial owner of Transfer Restricted Securities generally will be required to be named as a selling securityholder in the related Prospectus, deliver a Prospectus to purchasers of Transfer Restricted Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions, as described below). BENEFICIAL OWNERS THAT DO NOT COMPLETE THIS NOTICE AND QUESTIONNAIRE WITHIN 20 BUSINESS DAYS OF RECEIPT HEREOF AND DELIVER IT TO THE ISSUER AS PROVIDED BELOW WILL NOT BE NAMED AS SELLING SECURITYHOLDERS IN THE PROSPECTUS AND THEREFORE WILL NOT BE PERMITTED TO SELL ANY TRANSFER RESTRICTED SECURITIES PURSUANT TO THE SHELF REGISTRATION STATEMENT.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and the related Prospectus. Accordingly, holders and beneficial owners of Transfer Restricted Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and the related Prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Securityholder") of Transfer Restricted Securities hereby gives notice to the Issuer of its intention to sell or otherwise dispose of Transfer Restricted Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3) pursuant to the Shelf Registration Statement. The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Issuer, the Issuer's directors, the Issuer's officers who sign the Shelf Registration Statement and each person, if any, who controls the Issuer within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Shelf Registration Statement or the related Prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Issuer and represents and warrants that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full legal name of Selling Securityholder:

(b) Full legal name of registered holder (if not the same as (a) above) through which Transfer Restricted Securities listed in Item (3) below are held:

(c) Full legal name of DTC participant (if applicable and if not the same as (b) above) through which Transfer Restricted Securities listed in Item (3) are held:

2. Address for notices to Selling Securityholders:

Telephone:

Fax:

Contact Person:

3. Beneficial ownership of Transfer Restricted Securities:

(a) Type of Transfer Restricted Securities beneficially owned, and principal amount of Debentures or number of shares of Common Stock, as the case may be, beneficially owned:

(b) CUSIP No(s). of such Transfer Restricted Securities beneficially owned:

4. Beneficial ownership of the Issuer's securities owned by the Selling Securityholder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Issuer other than the Transfer Restricted Securities listed above in Item (3) ("Other Securities").

(a) Type and amount of Other Securities beneficially owned by the Selling Securityholder:

(b) CUSIP No(s). of such Other Securities beneficially owned:

4. Relationship with the Issuer

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Issuer (or their predecessors or affiliates) during the past three years.

State any exceptions here:

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Transfer Restricted Securities listed above in Item (3) pursuant to the Shelf Registration Statement only as follows (if at all). Such Transfer Restricted Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters, broker-dealers or agents. If the Transfer Restricted Securities are sold through underwriters or broker-dealers, the Selling Securityholder will be responsible for underwriting discounts or commissions or agent's commissions. Such Transfer Restricted Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at

negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions):

(i) on any national securities exchange or quotation service on which the Transfer Restricted Securities may be listed or quoted at the time of sale;

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Transfer Restricted Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Transfer Restricted Securities and deliver Transfer Restricted Securities to close out such short positions, or loan or pledge Transfer Restricted Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

Note: In no event will such method(s) of distribution take the form of an underwritten offering of the Transfer Restricted Securities without the prior agreement of the Issuer.

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Exchange Act and the rules and regulations promulgated thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Transfer Restricted Securities pursuant to the Shelf Registration Statement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Securityholder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons as set forth therein.

Pursuant to the Registration Rights Agreement, the Issuer has agreed under certain circumstances to indemnify the Selling Securityholders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the undersigned agrees to promptly notify the Issuer of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while

the Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and the related Prospectus. The undersigned understands that such information will be relied upon by the Issuer in connection with the preparation or amendment of the Shelf Registration Statement and the related Prospectus.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated:

Beneficial Owner

By: _____
Name:
Title:

Please return the completed and executed Notice and Questionnaire to Cendant Corporation at:

Cendant Corporation
9 West 57th Street
New York, New York 10019
Attention: James E. Buckman, Esq.

Exhibit 10.4

EMPLOYMENT AGREEMENT

This Employment Agreement dated as of September 3, 1998 by and between Cendant Corporation, a Delaware corporation ("Cendant") and Richard A. Smith (the "Executive").

WHEREAS, Cendant desires to employ the Executive as Chairman and Chief Executive Officer, Cendant Real Estate Division, 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 Chairman and Chief Executive Officer, Cendant Real Estate Division, 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 Board of Directors of Cendant (the "Board") and/or the CEO. Cendant acknowledges that such position is equivalent to the position of Vice Chairman of Cendant Corporation for purposes of compensation, employee benefits, officer perquisites and officer indemnification. 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 Parsippany, New Jersey (the "Business Office"), 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 June 30, 2001, 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 of Cendant, 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 $650,000, per annum, and thereafter will be eligible to receive annual increases as 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 for each fiscal year of Cendant during the Period of Employment based upon a target bonus equal to 100% of Base Salary, 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 its 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.

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 any Incentive Compensation Awards earned but unpaid as of the date of such termination. In such event (i) each of the Executive's then outstanding options to purchase shares of Cendant common stock which was granted on or after the date hereof will become immediately and fully vested and exercisable and, notwithstanding any term or provision relating to such option to the contrary, shall remain exercisable until the first to occur of the fifth (5th) anniversary of the Executive's termination of employment by reason of his becoming Disabled, and the original expiration date of such option and (ii) the Executive and each of his depend-

ents then covered under applicable health, medical, life and disability insurance benefit plans of Cendant at the time of the Executive's termination of employment shall remain eligible to continue to participate in such plans (subject to the Executive or such dependents continuing to pay the applicable employee portion of any premiums, co-payments, deductibles and similar costs) until the end of the plan year in which the Executive reaches, or would have reached, age sixty-two (62), or until such dependents would otherwise have become ineligible for such benefits under the terms of such plans, whichever is earlier. 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 180 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 an additional 90 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 any Incentive Compensation Awards earned but unpaid as of 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 (i) each of the Executive's then outstanding options to purchase shares of Cendant common stock which was granted on or after the date hereof will become immediately and fully vested and exercisable and, notwithstanding any term or provision relating to 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 fifth (5th) anniversary of the Executive's death, and the original expiration date of such option and (ii) each of the Executive's dependents then covered under applicable health, medical, life and disability insurance benefit plans of Cendant at the time of the Executive's death shall remain eligible to continue to participate in such plans (subject to such dependents continuing to pay the applicable employee portion of any premiums, co-payments, deductibles and similar costs) until the end of the plan year in which the Executive would have reached age sixty-two (62), or until such dependents would otherwise have become ineligible for such benefits under the terms of such plans, whichever is earlier.

SECTION VIII
EFFECT OF TERMINATION OF EMPLOYMENT

A. WITHOUT CAUSE TERMINATION; CONSTRUCTIVE DISCHARGE NOT IN CONNECTION WITH A CHANGE OF CONTROL TRANSACTION; AND RESIGNATION AFTER EXPIRATION OF PERIOD OF EMPLOYMENT. If the Executive's employment terminates due to either (i) a Without Cause Termination, (ii) a Constructive Discharge or (iii) a Resignation at any time following the expiration of the Period of Employment, as extended from time to time (each such term as defined below), and a Change of Control Transaction (as defined below) has not occurred within the past twenty-four (24) months, (A) Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) a lump sum amount equal to the Executive's then current Base Salary for the remainder of the Period of Employment (or, if greater, a period of one year) plus any and all Base Salary and Incentive Compensation Awards earned but unpaid through the date of such termination, (B) 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 relating to such options to the contrary, shall remain exercisable until the first to occur of the fifth (5th) anniversary of the Executive's termination of employment and the original expiration date of such option and (C) the Executive and each of his dependents then covered under applicable health, medical, life and disability insurance benefit plans of Cendant at the time of the Executive's termination of employment shall remain eligible to continue to participate in such plans (subject to the Executive or such dependents continuing to pay the applicable employee portion of any premiums, co-payments, deductibles and similar costs) until the end of the plan year in which the Executive reaches, or would have reached, age sixty-two (62), or until such dependents would otherwise have become ineligible for such benefits under the terms of such plans, whichever is earlier.

B. WITHOUT CAUSE TERMINATION AND CONSTRUCTIVE DISCHARGE IN CONNECTION WITH A CHANGE OF CONTROL TRANSACTION. If a Change in Control Transaction occurs and the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge within twenty-four (24) months after such Change in Control Transaction (i) Cendant will pay the Executive upon such termination a lump sum amount equal to the product of (A) the sum of the Executive's then current Base Salary and the Executive's target Incentive Compensation Award for the year in which such termination occurs, multiplied by (B) 300%, (ii) each of the Executive's then outstanding options to purchase shares of Cendant common stock which was granted on or after the date hereof will become immediately and fully vested and exercisable and, notwithstanding any term or provision relating to such options to the contrary, shall remain exercisable until the first to oc-

cur of the fifth (5th) anniversary of the Executive's termination of employment, and the original expiration date of such option and (iii) the Executive and each of his dependents then covered under applicable health, medical, life and disability insurance benefit plans of Cendant at the time of the Executive's termination of employment shall remain eligible to continue to participate in such plans (subject to the Executive or such dependents continuing to pay the applicable employee portion of any premiums, co-payments, deductibles and similar costs) until the end of the plan year in which the Executive reaches, or would have reached, age sixty-two (62), or until such dependents would otherwise have become ineligible for such benefits under the terms of such plans, whichever is earlier.

C. 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. Each outstanding stock options held by the Executive as of the date of termination will be treated in accordance with its terms. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

D. 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 (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) the Business Office is relocated to any location which is more than 30 miles from the city limits of Parsippany, New Jersey or (iii) either (A) the Executive no longer reports directly to the CEO or (B) Henry R. Silverman is no longer the CEO; PROVIDED, HOWEVER, that any Constructive Discharge under clause (iii) shall not be deemed to occur until the date which is six (6) months following the attainment of such clause (iii). 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, (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 or (v) during any period of time during which the Executive is employed primarily by the Cendant Real Estate Division (such division, collectively with each other business unit or division for which the Executive has direct reporting responsibility to the CEO, the "Division") there is consummated a transaction (or a series of transactions over a period of no more than one year) involving the divestiture by Cendant of all or a portion of the Division and, as a direct result of such transaction, the aggregate revenues for the Division are decreased by 50% (which decrease shall be measured by comparing the net revenues for the Division over the four fiscal calendar quarters of Cendant ending immediately prior to such transaction, against the aggregate revenues for the Division over the same period after excluding any portion of such revenues attributable to the portions of the Divi-

sion which are no longer owned by Cendant) and such decrease is solely and directly attributable to such transaction(s).

E. 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. After the Period of Employment, the Executive will cooperate as reasonably requested with Cendant and its affiliates in connection with any claims or legal actions in which Cendant or any of its affiliates is or may become a party. Cendant agrees to reimburse the Executive for any reasonable out-of-pocket expenses incurred by Executive by reason of such cooperation, including any loss of salary, and Cendant will make reasonable efforts to minimize interruption of the Executive's life in connection with his cooperation in such matters as provided for in this paragraph.

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 use his status with Cendant or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to Cendant or any of its affiliates.

ii. During the Restricted Period, 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, 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 in any way or manner 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.

iii. 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 information or operation of any business intended to compete with Cendant or any of its affiliates.

iv. 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.

v. 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 5% 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 cer-

tificate of incorporation and by-laws of Cendant, whichever affords the greater protection to the Executive.

SECTION XI
CERTAIN TAXES

Anything in this Agreement or in any other plan, program or agreement to the contrary notwithstanding and except as set forth below, in the event that (i) the Executive becomes entitled to any benefits or payments under Paragraph A of Section VIII hereof and (ii) it shall be determined that any payment or distribution by Cendant to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section XI) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section XI, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount. All determinations required to be made under this Section XI, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche LLP or such other certified public accounting firm as may be designated by Cendant.

SECTION XII
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 Ex-

ecutive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XIII
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 XIV
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede any prior employment agreement between Cendant and the Executive hereof (including, without limitation, that certain letter agreement between Cendant and the Executive dated as of the date hereof), and any such prior employment agreement will be deemed terminated without any remaining obligations of either party thereunder.

SECTION XV
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 and this Agreement will continue in full force and effect.

SECTION XVI
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 XVII
GOVERNING LAW

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

SECTION XVIII
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 XVIII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVIII 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 XIX
SURVIVAL

Sections IX, X, XI, XII, XIII and XVIII will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XX
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

RICHARD A. SMITH

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement, dated as of October 1, 1998, and amended and restated as of March 8, 2000 (the "Restatement Date"), by and between Cendant Corporation, a Delaware corporation ("Cendant") and John W. Chidsey (the "Executive").

WHEREAS, Cendant desires to employ the Executive as Chairman and Chief Executive Officer, Cendant Direct Marketing Division, 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 Chairman and Chief Executive Officer, Cendant Direct Marketing Division, 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 reasonably prescribed from time to time by the Board of Directors of Cendant (the "Board") and/or the CEO. Cendant acknowledges that such position is equivalent to the position of Vice Chairman of Cendant Corporation for purposes of employee benefits, officer perquisites, officer indemnification and compensation. 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 Parsip-

pany, New Jersey (the "Business Office"), except for normal and reasonable business travel in connection with his duties hereunder, it being understand that the Executive may be required to spend a reasonable portion of his time in Cendant's Stamford, Connecticut offices.

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement (the "Period of Employment") will end on December 31, 2001, 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 of Cendant, the Executive will be compensated as follows:

i. BASE SALARY.

Effective as of January 1, 1999, Cendant will pay the Executive a fixed base salary ("Base Salary") of not less than $650,000, per annum, and as of January 1, 2000 will be eligible to receive annual increases as 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 for each fiscal year of Cendant during the Period of Employment based upon a target bonus equal to 100% of Base Salary, 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 its 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.

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. Without limiting the generality of the foregoing, Cendant acknowledges that, subject to the approval of the Committee, it may implement a supplemental life insurance program (the "Insurance Program") intended to provide senior executive officers with life insurance with a death benefit of up to $5,000,000. Subject to the establishment of the Insurance Program, the Executive shall participate in the Insurance Program on terms no less favorable than applicable to any other senior executive officer of Cendant.

B. OTHER COMPENSATION.

Subject to the approval of the Committee, as soon as practicable, Cendant shall amend the terms of each option to purchase shares of Cendant common stock previously granted to the Executive which is indicated on Annex A hereto, to provide that each such option shall, effective as of the expiration or termination of the Period of Employment (other than an expiration or termination of the Period of Employment in connection with a Termination for Cause (as defined be-

low)), become fully vested and exercisable, and remain outstanding and exercisable until the original expiration date of such option.

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 earned but unpaid Base Salary, any earned but unpaid Incentive Compensation Awards and the Extended Benefits (as defined below). In such event, each of the Executive's then outstanding options to purchase shares of Cendant common stock which was granted on or after the Restatement Date will become immediately and fully vested and exercisable and, notwithstanding any term or provision relating to such option to the contrary, shall remain exercisable until 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 180 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 an additional 90 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 earned but unpaid Base Salary, any earned but unpaid Incentive Compensation Awards, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, and the Extended Benefits. In addition, in such event, each of the Executive's then outstanding options to purchase shares of Cendant common stock which was granted on or after the Restatement Date will become immediately and fully vested and exercisable and, notwithstanding any term or provision relating to 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 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 during the Period of Employment (i) Cendant will pay the Executive upon such termination a lump sum amount equal to the product of (A) the sum of the Executive's then current Base Salary and the Executive's target Incentive Compensation Award for the year in which such termination occurs, multiplied by (B) 300%, (ii) Cendant will pay the Executive upon such termination any and all Base Salary and Incentive Compensation Awards earned but unpaid through the date of such termination, (iii) each of the Executive's then outstanding options to purchase shares of Cendant common stock which was granted on or after the Restatement Date will become immediately and fully vested and exercisable (if not already vested and exercisable) as of the date of such termination and, notwithstanding any term or provision relating to such options to the contrary, shall remain exercisable until the original expiration date of such option and (iv) the Executive will receive the Extended Benefits.

B. TERMINATION FOR CAUSE; RESIGNATION. If the Executive's employment terminates due to a Termination for Cause or a Resignation (other than a Resignation under paragraph C of this Section VIII), 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. Each outstanding stock options held by the Executive as of the date of termination will be treated in accordance with its terms. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

C. RESIGNATION AFTER EXPIRATION OF PERIOD OF EMPLOYMENT. If each of (i) the Executive's employment terminates due to a Resignation at any time following the expiration of the Period of Employment, as extended from time to time and (ii) Cendant does not offer to extend the Period of Employment on terms and conditions either (A) substantially equivalent to the then existing terms and conditions applicable to his employment or (B) no less favorable in the aggregate than the terms and conditions applicable to the employment of any other senior officer of Cendant (other than the Chief Executive Officer), then (1) Cendant will pay the Executive an amount equal to the Executive's then current Base Salary and (2) each of the Executive's then outstanding options to purchase shares of Cendant common stock which were granted on or after the date hereof, whether or not then vested, will become immediately vested (to the extent not already vested) as of the date of such termination and will, notwithstanding any term or provision relating to such options to the contrary, remain exercisable until the original expiration date of such option. In addition, upon any Resignation following the expiration of the Period of Employment, the Executive will receive the Extended Benefits.

D. 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 (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) or (ii) the Business Office is relocated to

any location which is both (A) more than 30 miles from the city limits of Parsippany, New Jersey and (B) outside of the borough of Manhattan, New York City. 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. "Extended Benefits" means health and dental insurance benefits under the applicable employee benefit plan sponsored by Cendant (or any other comparable plan or arrangement) for the Executive and his covered dependents for a period of three years following the Executive's termination of employment, subject to the terms of the applicable employee benefit plan and applicable law, and further subject to the payment by the Executive of applicable employee premium contributions, co-payments, deductibles and similar costs.

D. CONDITIONS TO PAYMENT AND ACCELERATION. All payments and benefits due to the Executive under this Section VIII shall be made as soon as practicable; PROVIDED, HOWEVER, that such payments and benefits 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. After the Period of Employment, the Executive will cooperate as reasonably requested with Cendant and its affiliates in connection with any claims or legal actions in which Cendant or any of its affiliates is or may become a party. Cendant agrees to reimburse the Executive for any reasonable out-of-pocket expenses incurred by Executive by reason of such cooperation, including any loss of salary, and Cendant will make reasonable efforts to minimize interruption of the Executive's life in connection with his cooperation in such matters as provided for in this paragraph

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 one year period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not use his status with Cendant or any of its affiliates to obtain loans, goods or services from another organization on terms that

would not be available to him in the absence of his relationship to Cendant or any of its affiliates.

ii. During the Restricted Period, the Executive will not make any statements or perform any acts intended to advance the interest of any existing competitors (or any entity which the Executive knows to be a prospective competitor) of the direct marketing business of Cendant or any of its affiliates or in any way injuring the interests of the direct marketing business of Cendant or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board, 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 in any way or manner with the business of the direct marketing 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 the direct marketing business of 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.

iii. 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 information or operation of any business intended to compete with Cendant or any of its affiliates.

iv. 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 (if such person is within the Executive's control) 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.

v. 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 5% 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
CERTAIN TAXES

In the event that the Executive becomes entitled to any benefits or payments pursuant to this Agreement or otherwise in connection with a change in the control of Cendant or the Executive's termination of employment with Cendant (such benefits or payments excluding the Gross-Up Payment collectively, the "Total Payments") that are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes, including any interest or penalties imposed with respect to such taxes, and including any federal, state and local income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments. All determinations required to be made under this Section XI, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm which was, immediately prior to the applicable change in the control of Cendant, Cendant's independent auditor.

SECTION XII
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 XIII
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 XIV
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede any prior employment agreement between Cendant and the Executive hereof, including, without limitation, that certain letter agreement between Cendant and the Executive dated as of April 30, 1998 (but excluding the Memorandum to the Executive from Henry R. Silverman dated as of January 15, 1998 regarding certain compensation arrangements applicable in 1998) and any such prior employment agreement will be deemed terminated without any remaining obligations of either party thereunder.

SECTION XV
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 and this Agreement will continue in full force and effect.

SECTION XVI
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 XVII
GOVERNING LAW

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

SECTION XVIII
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 XVIII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVIII 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 XIX
SURVIVAL

Sections IX, X, XI, XII, XIII and XVIII will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XX
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: Henry R. Silverman
Title: President & Chief Executive Officer

JOHN W. CHIDSEY

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement dated as of April 1, 1999, and amended and restated as of June 5, 2000, 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 Chief Executive Officer, Cendant Internet Group, 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, 2003, 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 100% 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 (or, if greater, the sum of then current base salary plus then current target incentive compensation award of any other senior officer of Cendant who reports directly to the CEO) multiplied by three (3) 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), (iii) the occurrence of a Change of Control Transaction (as defined below) or (iv) the Period of Employment expires on December 31, 2003 and Cendant does not offer to extend such Period of Employment on substantially similar professional and economic terms by at least two, and not more than three, additional year(s). 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. re-

lating 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 thirty (30) month 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 information 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 eq-

uity 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: Chief Administrative Officer

SAMUEL L. KATZ

AMENDMENT TO
AMENDED AND RESTATED 1987 STOCK OPTION PLAN
OF CENDANT CORPORATION

The Amended and Restated 1987 Stock Option Plan of Cendant Corporation (the "Plan) is hereby amended as follows:

1. The first sentence of Section 2 of the Plan is hereby amended and restated to read, in its entirety, as follows:

> Options may be granted under the Plan to purchase in the aggregate not more than [45,578,125] shares of Common Stock, $01 par value per share, of the Company ("Common Stock"), which shares may, in the discretion of the Board of Directors, consist either in whole or in part of authorized or unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company.

2. RATIFICATION. Except as expressly set forth in this Amendment, the Plan is hereby ratified and confirmed without modification.

3. EFFECTIVE DATE. This Amendment shall be effective as of January 3, 2001.

Exhibit 10.11(b)

AMENDMENT TO
AMENDED AND RESTATED 1987 STOCK OPTION PLAN
OF CENDANT CORPORATION

The Amended and Restated 1987 Stock Option Plan of Cendant Corporation (the "Plan) is hereby amended as follows:

1. The first sentence of Section 2 of the Plan is hereby amended and restated to read, in its entirety, as follows:

> Options may be granted under the Plan to purchase in the aggregate not more than [45,578,125] shares of Common Stock, $01 par value per share, of the Company ("Common Stock"), which shares may, in the discretion of the Board of Directors, consist either in whole or in part of authorized or unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company.

2. RATIFICATION. Except as expressly set forth in this Amendment, the Plan is hereby ratified and confirmed without modification.

3. EFFECTIVE DATE. This Amendment shall be effective as of January 3, 2001.

Exhibit 10.12(b)

AMENDMENT TO
AMENDED AND RESTATED
1997 STOCK INCENTIVE PLAN
OF CENDANT CORPORATION

The Amended and Restated 1997 Stock Incentive Plan of Cendant Corporation (the "Plan") is hereby amended as follows:

1. The first sentence of Section 3 of the Plan is hereby amended and restated to read, in its entirety, as follows:

> The total number of shares of Common Stock reserved and available for grant under the Plan shall be [forty] million [(40,000,000)].

2. RATIFICATION. Except as expressly set forth in this Amendment, the Plan is hereby ratified and confirmed without modification.

3. EFFECTIVE DATE. This Amendment shall be effective as of March 27, 2000.

AMENDMENT TO
AMENDED AND RESTATED
1997 STOCK INCENTIVE PLAN
OF CENDANT CORPORATION

The Amended and Restated 1997 Stock Incentive Plan of Cendant Corporation (the "Plan") is hereby amended as follows:

1. The Section 1(h) of the Plan is hereby amended and restated to read, in its entirety, as follows:

> "Common Stock" means common stock, par value $0.01 per share, of the Corporation [CONSISTING OF EITHER THE SERIES DESIGNATED AS CD COMMON STOCK OR THE SERIES DESIGNATED AS MOVE.COM COMMON STOCK. FOR AWARDS MADE PRIOR TO THE FIRST ISSUANCE OF MOVE.COM COMMON STOCK, "COMMON STOCK" SHALL REFER TO CD COMMON STOCK.]

2. Section 3 of the Plan is hereby amended by adding a new sentence to be inserted after the first sentence of such section which shall read, in its entirety, as follows:

> [OF THE TOTAL NUMBER OF SHARES OF COMMON STOCK RESERVED AND AVAILABLE FOR GRANT UNDER THE PLAN, FIVE MILLION (5,000,000) SHARES SHALL BE RESERVED AND AVAILABLE FOR GRANTS OF AWARDS UTILIZING THE SERIES OF COMMON STOCK DESIGNATED AS MOVE.COM COMMON STOCK.]

3. The first sentence of the third paragraph of Section 3 of the Plan is hereby amended and restated to read, in its entirety, as follows:

> In the event of any change in corporate capitalization, such as a stock split or a corporate transaction, or any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Corporation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Corporation, the Committee or Board may make such substitution or adjustments in the aggregate number [,] AND kind [,CLASS AND/OR SERIES] of shares reserved for issuance under the Plan, in the number, kind [,CLASS AND/OR SERIES] and option price of shares subject to outstanding Stock Options and Stock Appreciation Rights, in the number [,] AND kind [CLASS AND/OR SERIES] of shares subject to other outstanding Awards granted under the Plan and/or such other equitable substitution or adjustments as it may determine to be appropriate in its sole discretion; PROVIDED, however, that the number of shares subject to any Award shall always be a whole number.

4. RATIFICATION. Except as expressly set forth in this Amendment, the Plan is hereby ratified and confirmed without modification.

5. EFFECTIVE DATE. This Amendment shall be effective as of March 28, 2000.

EXHIBIT 10.12(d)

AMENDMENT TO
AMENDED AND RESTATED 1997 STOCK INCENTIVE PLAN
OF CENDANT CORPORATION

The Amended and Restated 1997 Stock Incentive Plan of Cendant Corporation (the "Plan") is hereby amended as follows:

1. The first sentence of Section 3 of the Plan is hereby amended and restated to read, in its entirety, as follows:

> The total number of shares of Common Stock reserved and available for grant under the Plan shall be [FIFTY] [(50,000,000)] million.

2. RATIFICATION. Except as expressly set forth in this Amendment, the Plan is hereby ratified and confirmed without modification.

3. EFFECTIVE DATE. This Amendment shall be effective as of January 3, 2001.

CENDANT CORPORATION
MOVE.COM GROUP
1999 STOCK OPTION PLAN
AS ASSUMED BY CENDANT CORPORATION FROM MOVE.COM, INC. AND AMENDED AND RESTATED EFFECTIVE AS OF MARCH 21, 2000.

SECTION 1. PURPOSE; DEFINITIONS

The purpose of the Plan is to give Cendant Corporation (the "Corporation") a competitive advantage in attracting, retaining and motivating its employees, including employees of Move.com Group, and to provide the Corporation and its Affiliates with a stock plan providing incentives to plan participants directly linked to the performance of the Move.com Group businesses and increases in Move.com Group shareholder value. The Plan was formerly an obligation of Move.com, Inc. and has been assumed by Cendant Corporation and equitably adjusted such that, among other things, existing and future grants of options hereunder shall be options to purchase shares of that series of common stock of the Corporation designated "Move.com Stock".

For purposes of the Plan, the following terms are defined as set forth below:

(a) "AFFILIATE" means a corporation or other entity controlled by, controlling or under common control with the Corporation.

(b) "BOARD" means the Board of Directors of the Corporation.

(c) "CAUSE" means an optionee's (1) failure to substantially perform his or her duties as an employee of the Corporation or any Affiliate (other than any such failure resulting from incapacity due to physical or mental illness); (2) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Corporation or any Affiliate; (3) 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 (4) negligence in the performance of his or her duties. Notwithstanding the foregoing, if an optionee is a party to an employment agreement with the Corporation or any Affiliate that contains a definition of "Cause," such definition shall apply to such Stock Options granted to such optionee under the Plan except to the extent otherwise provided by the Committee in the agreement relating to any Stock Option. Any determination regarding the existence of "Cause" shall be made by the Committee in its sole discretion and any such determination shall be binding on the optionee, the Corporation and any Affiliate.

(d) "CENDANT" means Cendant Corporation, a Delaware corporation.

(e) "CHANGE-OF-CONTROL TRANSACTION" means any transaction or series of transactions consummated in any twelve (12) month period pursuant to or as a result of which (i) any person or entity other than Cendant is or becomes, directly or indirectly, the beneficial owner of 50% or

more of the Common Stock (or other securities of the Corporation having generally the right to vote for election of the Board), (ii) the Corporation or any Subsidiary 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 the Corporation and its Subsidiaries (taken as a whole) to any third party, other than Cendant, the Corporation or a wholly-owned Subsidiary thereof, (iii) control of 50% or more of the business of the Corporation shall be sold, assigned or otherwise transferred directly or indirectly to any third party other than Cendant, (iv) there is consummated a merger or consolidation of the Corporation with any other corporation other than Cendant, other than (A) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such event continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such event or (B) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no person or entity becomes the beneficial owner or more than 50% or more of the combined voting power of the Corporation's then outstanding securities or (v) the shareholders of the Corporation approve a plan of liquidation or dissolution. Notwithstanding anything to the contrary contained herein, an exchange of the Corporation's equity securities for an equity security issued by the parent corporation of the Corporation commonly referred to as a "tracking stock" shall not be a Change of Control Transaction as contemplated hereby, nor shall any changes of ownership of such "tracking stock."

After an exchange of Common Stock for "tracking stock" the term "Change-of-Control Transaction" shall be deemed to mean: any transaction or series of transactions consummated within any twelve (12) month period pursuant to or as a result of which (i) Cendant or any Subsidiary of Cendant 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 the Move.com Group (the "Group") as such group is defined in the Cendant Certificate of Incorporation from time to time (taken as a whole) to any third party, other than Cendant, the Corporation or a wholly-owned Subsidiary thereof, (ii) control of 50% or more of the business of the Group shall be sold, assigned or otherwise transferred directly or indirectly to any third party other than Cendant or (iii) there is consummated a merger or consolidation of the Group with any other corporation other than Cendant, other than (A) a merger or consolidation which would result in the voting securities of the parent corporation of the Group outstanding immediately prior to such event continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the parent corporation of the Group or such surviving entity or any parent thereof outstanding immediately after such event or (B) a merger or consolidation effected to implement a recapitalization of Cendant or the Group (or similar transaction) in which no person or entity becomes the beneficial owner or more than 50% or more of the combined voting power of Cendant's then outstanding securities or (iv) the shareholders of Cendant approve a plan of liquidation or dissolution of Cendant or of the Group (except for a liquidation of the Group

resulting in more than 50% of the assets of the Group remaining under the ownership or control of Cendant).

(f) "CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(g) "COMMISSION" means the Securities and Exchange Commission or any successor agency.

(h) "COMMITTEE" means the Committee referred to in Section 2.

(i) "COMMON STOCK" means Move.com Stock, a series of common stock of the Corporation, par value $0.01 per share, intended to track the performance of Move.com.

(j) "CORPORATION" means Cendant Corporation, a Delaware corporation.

(k) "DISABILITY" means permanent and total disability as determined under procedures established by the Committee for purposes of the Plan.

(l) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(m) "FAIR MARKET VALUE" means, as of any given date, the fair market value of the Common Stock as determined by the Committee in good faith and in its sole discretion, taking into account, to the extent applicable, the trading price of the Common Stock on the New York Stock Exchange, or, if not listed on such exchange, on any other national securities exchange on which the Common Stock is listed, or on NASDAQ, or in any other regular public trading market for the Common Stock which may exist as of such date, or, if not publicly-traded, taking into account such other financial and valuation considerations which it deems appropriate. The determination of the Committee shall be conclusive in determining the fair market value of the Common Stock and shall be final and binding on all parties.

(n) "MOVE.COM" means the Move.com Group.

(o) "PLAN" means this Cendant Corporation Move.com Group 1999 Stock Option Plan, as set forth herein and as hereinafter amended from time to time.

(p) "RETIREMENT" means retirement from active employment with the Corporation or an Affiliate at or after age 65.

(q) "STOCK OPTION" means any option granted under Section 5.

(r) "SUBSIDIARY" means any corporation in an unbroken chain of corporations, beginning with the Corporation, if each of the corporations other than the last corporation in the

unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(s) "TERMINATION OF EMPLOYMENT" means the termination of the optionee's active employment with the Corporation and its Affiliates. An optionee employed by an Affiliate shall also be deemed to incur a Termination of Employment if such Affiliate ceases to be an Affiliate and the optionee does not immediately thereafter become an employee of the Corporation or another Affiliate. Temporary absences from employment because of illness, vacation or leave of absence and transfers among the Corporation and its Affiliates shall not be considered Terminations of Employment.

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

SECTION 2. ADMINISTRATION

The Plan shall be administered by the Compensation Committee or such other committee of the Board as the Board may from time to time designate or, if no such committee is designated, the Board (the "Committee").

The Committee shall have plenary authority to grant Stock Options pursuant to the terms of the Plan to employees of the Corporation and its Affiliates.

Among other things, the Committee shall have the authority, subject to the terms of the Plan:

(a) To select the employees to whom Stock Options may from time to time be granted;

(b) To determine the number of shares of Common Stock to be covered by each Stock Option granted hereunder;

(c) To determine the terms and conditions of any Stock Option granted hereunder (including, but not limited to, the option price (subject to Section 5(a) hereof), any vesting condition, restriction or limitation (which may be related to the performance of the optionee, the Corporation or any Affiliate) and any vesting acceleration or forfeiture waiver regarding any Stock Option and the shares of Common Stock relating thereto), based on such factors as the Committee shall determine;

(d) To modify, amend or adjust the terms and conditions of any Stock Option, at any time or from time to time, including extending the expiration date of options during any period in which exercises are not permitted either by law or pursuant to a corporate policy;

(e) To determine to what extent and under what circumstances Common Stock and other amounts payable with respect to a Stock Option may be deferred; and

(f) To determine under what circumstances a Stock Option may be settled in cash or Common Stock under Section 5(e).

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable, to interpret the terms and provisions of the Plan and any Stock Option issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

The Committee may act only by a majority of its members then in office, except that the members thereof may authorize any one or more of their number or any officer of the Corporation to execute and deliver documents on behalf of the Committee.

Any determination made by the Committee or pursuant to authority delegated as contemplated by the provisions of the Plan with respect to any Stock Option shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Stock Option or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Corporation and optionees.

Any authority granted to the Committee may also be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

SECTION 3. COMMON STOCK SUBJECT TO PLAN

(a) STOCK AUTHORIZED. The total number of shares of Common Stock initially reserved and available for grant under the Plan shall be six million (6,000,000). No optionee may be granted Stock Options under the Plan covering in the aggregate more than 50% of the total number of shares of Common Stock authorized for issuance under the Plan over any consecutive two (2) year period. Shares subject to a Stock Option under the Plan may be authorized and unissued shares or may be treasury shares.

If any Stock Option terminates without being exercised, shares of Common Stock subject to such Stock Options shall again be available for distribution in connection with Stock Options under the Plan.

(b) ADJUSTMENT OF SHARES. In the event of any change in corporate capitalization, such as a stock split or a corporate transaction, or any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Corporation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), any partial or complete liquidation of the Corporation or any exchange of the Corporation's common securities for securities to be issued by the Corporation's parent corporation, including but not limited to securities commonly referred to as a "tracking stock", the Committee or Board may make such substitution or adjustments in the aggregate number and kind of shares reserved

for issuance under the Plan, the limit on options that may be granted to an individual optionee under paragraph (a) above in the number, the kind and option price of shares subject to outstanding Stock Options granted under the Plan and/or such other equitable substitution or adjustments as it may determine to be appropriate in its sole discretion, taking into account the application of generally accepted accounting principles and any resultant accounting charge as a result of such substitution or adjustments; PROVIDED, HOWEVER, that the number of shares subject to any Stock Option shall always be a whole number.

SECTION 4. ELIGIBILITY

All active employees of the Corporation and its subsidiaries employed primarily in the Move.com business, and those other active employees of the Corporation designated from time to time by the Committee in its sole discretion are eligible to be granted Stock Options under the Plan.

SECTION 5. STOCK OPTIONS

Stock Options granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options shall be evidenced by option agreements, the terms and provisions of which may differ. The grant of a Stock Option shall occur on the date the Committee by resolution selects an individual to be a participant in any grant of a Stock Option, determines the number of shares of Common Stock to be subject to such Stock Option to be granted to such individual and specifies the terms and provisions of the Stock Option (or such later date as is specified in such resolution). The Corporation shall notify an optionee of any grant of a Stock Option, and a written option agreement or agreements shall be duly executed and delivered by the Corporation to the optionee. Such agreement or agreements shall become effective upon execution by the Corporation.

Except as otherwise provided by direction of the Committee in the letter or agreement documenting such Stock Options, Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Committee shall deem desirable:

(a) OPTION PRICE. The option price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee and set forth in the option agreement, and shall not be less than the Fair Market Value of the Common Stock subject to the Stock Option on the date of grant.

(b) OPTION TERM. The term of each Stock Option shall be fixed by the Committee.

(c) EXERCISABILITY. Except as otherwise provided herein, Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be

determined by the Committee. If the Committee provides that any Stock Option is exercisable only in installments, the Committee may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Committee may determine. In addition, the Committee may at any time accelerate the exercisability of any Stock Option.

(d) ACCELERATED EXERCISABILITY. Notwithstanding the provisions of subsection (c) above, upon the consummation of a Change-of-Control Transaction, each Stock Option granted shall become immediately exercisable with respect to 25% of the unvested portion thereof (rounded down to the nearest whole share), on a PRO RATA basis according to the scheduled vesting dates. For example, if a Stock Option to purchase 1,000 shares has been granted with a vesting schedule providing for one-third of such Stock Option to be vested on each of the first three anniversaries of the date of grant of such Stock Option, and a Change-of-Control Transaction is finally consummated between the first and the second vesting date (i.e., 334 shares are then vested and 666 shares are unvested), 166 of the next shares to vest will be vested immediately, 583 shares will vest on the second anniversary of the date of grant and 583 shares will vest on the third anniversary of the date of grant.

(e) METHOD OF EXERCISE. Subject to the provisions of this Section 5, Stock Options may be exercised, in whole or in part, at any time during the option term by giving written notice of exercise to the Corporation specifying the number of shares of Common Stock subject to the Stock Option to be purchased.

Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Corporation may accept. If approved by the Committee, payment, in full or in part, may also be made in the form of unrestricted Common Stock already owned by the optionee of the same class as the Common Stock subject to the Stock Option (based on the Fair Market Value of the Common Stock on the date the Stock Option is exercised); PROVIDED, HOWEVER, that such already owned shares have been held by the optionee for at least six (6) months at the time of exercise.

In the discretion of the Committee, payment for any shares subject to a Stock Option may also be made by delivering a properly executed exercise notice to the Corporation, together with a copy of the irrevocable instructions to a broker to deliver promptly to the Corporation the amount of sale or loan proceeds necessary to pay the purchase price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Corporation may enter into agreements for coordinated procedures with one or more brokerage firms.

In addition, in the discretion of the Committee, payment for any shares subject to a Stock Option may also be made by instructing the Committee to withhold a number of such shares having a Fair Market Value on the date of exercise equal to the aggregate exercise price of such Stock Option.

No shares of Common Stock shall be issued until full payment therefor has been made. An optionee shall have no rights as a shareholder of the Corporation solely by virtue of the issuance of a Stock Option as contemplated by this Plan; provided, however, that, except with respect to (i) any deferral option shares pursuant to Section 5(k) below and (ii) any option shares for which share certificates have not been issued or delivered as contemplated under Section 8(a) below, an optionee shall have all of the rights of a shareholder of the Corporation holding the class or series of Common Stock that is subject to such Stock Option (including, if applicable, the right to vote the shares and the right to receive dividends), when and if the optionee has given written notice of exercise, has paid in full for such shares.

(f) TRANSFERABILITY OF STOCK OPTIONS. Stock Options shall be transferable by the optionee only pursuant to the following methods: (i) by will or the laws of descent and distribution; (ii) pursuant to a domestic relations order, as defined in the Code or Title I of the Employee Retirement Income Security Act, as amended, or the regulations thereunder; or (iii) subject to such conditions as the Committee may prescribe from time to time, and upon written approval of the Secretary of the Corporation, as a gift to family members of the optionee or trusts for the benefit of family members of the optionee. Except to the extent provided in this Section 5(f), Stock Options may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise), shall not be subject to execution, attachment or similar process, and may be exercised during the lifetime of the holder thereof only by such holder.

(g) TERMINATION BY DEATH OR DISABILITY. Unless otherwise determined by the Committee in its sole discretion, if an optionee's employment terminates by reason of death or Disability, any Stock Option held by such optionee may thereafter be exercised, whether or not it was exercisable at the time of such termination, for a period of twelve (12) months (or such other period as the Committee may specify in the option agreement) from the date of such termination or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(h) TERMINATION BY REASON OF RETIREMENT. Unless otherwise determined by the Committee in its sole discretion, if an optionee's employment terminates by reason of Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of such Retirement, or on such accelerated basis as the Committee may determine, for a period of twelve (12) months (or such other period as the Committee may specify in the option agreement) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter. Any Stock Option not vested as of the date of such Retirement and not accelerated by action of the Committee shall be canceled as of the date of such Retirement.

(i) CAUSE. If an optionee incurs a Termination of Employment for Cause, any Stock Option held by such optionee, whether or not then exercisable, shall be

immediately and automatically canceled as of the date of such Termination of Employment and shall then be of no further force or effect.

(j) OTHER TERMINATION. Unless otherwise determined by the Committee in its sole discretion, if an optionee incurs a Termination of Employment for any reason other than death, Disability or Retirement, any Stock Option held by such optionee, to the extent then exercisable, or on such accelerated basis as the Committee may determine, may be exercised for the lesser of thirty (30) days from the date of such Termination of Employment or the balance of such Stock Option's term. Any Stock Option not vested as of the date of such Termination of Employment and not accelerated by action of the Committee shall be canceled as of the date of such Termination of Employment.

(k) DEFERRAL OF OPTION SHARES. The Committee may from time to time establish procedures pursuant to which an optionee may elect to defer, until a time or times later than the exercise of an Option, receipt of all or a portion of the shares subject to such Option and/or to receive cash at such later time or times in lieu of such deferred shares, all on such terms and conditions as the Committee shall determine. If any such deferrals are permitted, then notwithstanding Section 5(e) above, an optionee who elects such deferral shall not have any rights as a stockholder with respect to such deferred shares unless and until certificates representing such shares are actually delivered to the optionee with respect thereto, except to the extent otherwise determined by the Committee.

No Stock Option granted hereunder shall be an "incentive stock option" as defined in Section 422 of the Code.

SECTION 6. TERM, AMENDMENT AND TERMINATION

The Plan will terminate ten (10) years after the effective date of the Plan. Under the Plan, Stock Options outstanding as of such date shall not be affected or impaired by the termination of the Plan.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair the rights of an optionee under a Stock Option theretofore granted without the optionee's or recipient's consent.

The Committee may amend the terms of any Stock Option theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any holder without the holder's consent.

Subject to the above provisions, the Board shall have authority to amend the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Stock Options which qualify for beneficial treatment under such rules without stockholder approval.

SECTION 7. UNFUNDED STATUS OF PLAN

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation.

SECTION 8. GENERAL PROVISIONS

(a) The Committee may require each person purchasing or receiving shares pursuant to a Stock Option to represent to and agree with the Corporation in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Corporation shall not be required to issue or deliver any certificate or certificates for shares of Common Stock under the Plan prior to fulfillment of all of the following conditions:

(1) Listing or approval for listing upon notice of issuance of such shares on the New York Stock Exchange, Inc., or such other securities exchange as may at the time be the principal market for the Common Stock;

(2) Any registration or other qualification of such shares of the Corporation under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and

(3) Obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) Nothing contained in the Plan shall prevent the Corporation or any Affiliate from adopting other or additional compensation arrangements for its employees.

(c) Adoption of the Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Corporation or any Affiliate to terminate the employment of any employee at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of an optionee for federal income tax purposes with respect to any Stock Option under the Plan, the optionee shall pay to the Corporation, or make arrangements satisfactory to the Corporation regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Corporation, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Stock Option that gives rise to the withholding requirement. The obligations of the Corporation under the Plan shall be conditional on such payment or

arrangements, and the Corporation and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the optionee. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(e) The Committee shall establish such procedures as it deems appropriate for an optionee to designate a beneficiary to whom any amounts payable in the event of the optionee's death are to be paid or by whom any rights of the optionee, after the optionee's death, may be exercised.

(f) In the case of a grant of a Stock Option to any employee of an Affiliate of the Corporation, the Corporation may, if the Committee so directs, issue or transfer the shares of Common Stock, if any, covered by the Stock Option to the Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer the shares of Common Stock to the employee in accordance with the terms of the Stock Option specified by the Committee pursuant to the provisions of the Plan.

(g) The Plan and all Stock Options made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

(h) Anything in this Plan to the contrary notwithstanding, the Board may, without further approval by the shareholders, substitute new options for, or assume, prior options of any corporation which engages with the Corporation or any of its Affiliates in a transaction to which Section 424(a) of the Code would apply (assuming for such purpose that the option assumed or substituted were an incentive stock option), or any parent or any subsidiary of such corporation.

SECTION 9. EFFECTIVE DATE OF PLAN

The Plan became effective on October 29, 1999, the date upon which the Plan was approved by the Board of Directors of Move.com, Inc.

AMENDMENT (this "AMENDMENT"), dated as of February 22, 2001, to the FIVE YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT dated as of October 2, 1996 (as amended, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), by and among CENDANT CORPORATION, a Delaware corporation (the "BORROWER"), the financial institutions parties thereto (the "LENDERS"), THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H:
- - - - - - - - - - -

WHEREAS, the Borrower has requested that certain provisions of the Credit Agreement be amended as set forth herein; and

WHEREAS, the Lenders are willing to agree to such amendments on the terms set forth herein;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the undersigned hereby agree as follows:

I. DEFINED TERMS. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

II. AMENDMENTS TO SECTION 1.

(a) Section 1 of the Credit Agreement is hereby amended by adding thereto the following definitions in their appropriate alphabetical order:

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

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

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

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

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

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

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

"FAIRFIELD" shall mean Fairfield Communities, Inc., a Delaware corporation.

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

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

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

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

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

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

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

(4) any proceeds of any of the foregoing.

"PURCHASE MONEY NOTE" means a promissory note of a Securitization Entity evidencing a line of credit, which may be irrevocable, from Avis or any of its Subsidiaries to a Securitization Entity or representing the deferred purchase price for the purchase of assets by such Securitization Entity from Avis or any of its Subsidiaries, in

each case in connection with a Qualified Securitization Transaction, which note is repayable from cash available to the Securitization Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of Eligible Vehicles, Eligible Leases, Fleet Receivables or a beneficial interest therein.

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

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

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

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

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

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

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

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

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

(b) Section 1 of the Credit Agreement is hereby amended by deleting the definitions of the following defined terms in their respective entireties and substituting in lieu thereof the following definitions:

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

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

"CONSOLIDATED TOTAL INDEBTEDNESS" shall mean (i) the total amount of Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis using GAAP principles of consolidation, which is, at the dates as of which Consolidated Total Indebtedness is to be determined, includable as liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries, plus (ii) without duplication of any items included in Indebtedness pursuant to the foregoing clause (i), indebtedness of others which the Borrower or any of its Consolidated Subsidiaries has directly or indirectly assumed or guaranteed (but only to the extent so assumed or

guaranteed) or otherwise provided credit support therefor, including without limitation, Guaranties; PROVIDED that any Avis Securitization Indebtedness shall not be deemed Indebtedness for the purposes of this definition. In addition, for purposes of this definition, the amount of Indebtedness at any time shall be reduced (but not to less than zero) by the amount of Excess Cash.

III. AMENDMENTS TO SECTION 2.

Section 2.20 of the Credit Agreement is hereby amended by inserting after "All payments by the Borrower hereunder and under the Notes shall be made in Dollars in Federal or other immediately available funds" the words "without deduction, setoff or counterclaim".

IV. AMENDMENTS TO SECTION 6.

(a) Section 6.1 of the Credit Agreement is hereby amended by deleting Section 6.1(h) in its entirety and substituting in lieu thereof the following:

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

(b) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(i):

(i) any Avis Securitization Indebtedness;

(c) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(j):

(j) any Indebtedness of Fairfield or its Subsidiaries issued, outstanding or permitted to exist pursuant to the terms of the Fairfield Debt Documents as of the date of the Fairfield Merger, including any amendments, supplements, modifications, extensions, renewals, restatements, refundings or substitutions thereof and any agreements that replace, refund, refinance or substitute any part of the indebtedness evidenced by the Fairfield Debt Documents;

(d) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(k):

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

(e) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(l):

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

(f) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(j):

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

(g) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(k):

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

(h) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(l):

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

(i) Section 6.6 of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

SECTION 6.6 SALE AND LEASEBACK. Enter into any arrangement with any Person or Persons, whereby in contemporaneous transactions the Borrower or any of its Subsidiaries sells essentially all of its right, title and interest in a material asset and the Borrower or any of its Subsidiaries acquires or leases back the right to use such property except that the Borrower and its Subsidiaries may enter into sale-leaseback transactions relating to assets not in excess of $200,000,000 in the aggregate on a cumulative basis, and except (a) any arrangements of Fairfield or any of its Subsidiaries existing as of the date of the Fairfield Merger and any renewals, extensions or modifications thereof, or

replacements or substitutions therefor, so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect, and (b) in connection with the issuance of Avis Securitization Indebtedness.

V. EFFECTIVE DATE. This Amendment shall become effective on the date (the "EFFECTIVE DATE") on which the Borrower, the Administrative Agent and the Required Lenders under the Credit Agreement shall have duly executed and delivered to the Administrative Agent this Amendment, and the Administrative Agent shall have received evidence of the effectiveness of each of (i) the Term Loan Agreement, dated as of February 22, 2001, among the Borrower, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (ii) the Amendment, dated as of February 22, 2001, to the Three Year Competitive Advance and Revolving Credit Agreement dated August 29, 2000, by and among the Borrower, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (iii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of March 4, 1997, as amended and restated through February 28, 2000, by and among PHH, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (iv) the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended and restated through February 22, 2001, among PHH, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, and (v) the Amendment, dated as of February 22, 2001, to the Credit Agreement, dated as of June 30, 1999, as amended and restated as of June 22, 2000, among Avis, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent.

VI. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants that (a) each of the representations and warranties in Section 3 of the Credit Agreement shall be, after giving effect to this Amendment, true and correct in all material respects as if made on and as of the Effective Date (unless such representations and warranties are stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date) and (b) after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

VII. NO OTHER AMENDMENTS; CONFIRMATION. Except as expressly amended hereby, the provisions of the Credit Agreement and each of the Fundamental Documents are and shall remain in full force and effect.

VIII. GOVERNING LAW. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

IX. COUNTERPARTS. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Amendment may be delivered by facsimile transmission of the relevant signature pages hereof.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

CENDANT CORPORATION

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: _____
Name:
Title:

ABN-AMRO BANK N.V. NEW YORK BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

THE BANK OF NEW YORK

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: _____
Name:
Title:

BAYERISCHE HYPO-UND VEREINSBANK AG, NEW YORK BRANCH

By: _____
Name:
Title:

BAYERISCHE LANDESBANK GIROZENTRALE CAYMAN ISLANDS BRANCH

By: _____
Name:
Title:

CIBC INC.

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

COMERICA BANK

By: _____
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: _____
Name:
Title:

CREDIT SUISSE FIRST BOSTON

By: _____
Name:
Title:

By: _____
Name:
Title:

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK,
CAYMAN ISLAND BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST HAWAIIAN BANK

By: _____
Name:
Title:

THE FUJI BANK, LIMITED

By: _____
Name:
Title:

GENERAL ELECTRIC CAPITAL CORPORATION

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED
NEW YORK BRANCH

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY

By: _____
Name:
Title:

PNC BANK, N.A.

By: _____
Name:
Title:

ROYAL BANK OF CANADA

By: _____
Name:
Title:

THE SAKURA BANK, LIMITED

By: _____
Name:
Title:

THE SANWA BANK, LIMITED

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED,

By: _____
Name:
Title:

SUMMIT BANK

By: _____
Name:
Title:

THE TOKAI BANK LIMITED
NEW YORK BRANCH

By: _____
Name:
Title:

U.S. BANK

By: _____
Name:
Title:

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

BNP PARIBAS

By: _____
Name:
Title:

YASUDA TRUST & BANKING COMPANY, LTD.

By: _____
Name:
Title:

Exhibit 10.23(a)

EXECUTION COPY

$1,750,000,000

THREE YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT

Dated as of August 29, 2000

among

CENDANT CORPORATION

as Borrower

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

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

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

CHASE SECURITIES INC., as Lead Arranger

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SCHEDULES

EXHIBITS

THREE YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT (the "AGREEMENT") dated as of August 29, 2000, among CENDANT CORPORATION, a Delaware corporation (the "BORROWER"), the Lenders referred to herein and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent (the "ADMINISTRATIVE AGENT") for the Lenders.

INTRODUCTORY STATEMENT

The Borrower has requested that the Lenders establish a $1,750,000,000 committed revolving credit facility pursuant to which Revolving Credit Loans may be made to, and Letters of Credit issued for the account of, the Borrower (of which not more than the amounts described herein at any time shall consist of Letters of Credit, with an exception for the Settlement Letter of Credit). In addition, the Borrower has requested that the Lenders provide a procedure pursuant to which each Lender may bid on an uncommitted basis on short-term borrowings by the Borrower.

Subject to the terms and conditions set forth herein, the Administrative Agent is willing to act as agent for the Lenders, and each Lender is willing to make Loans to the Borrower, to issue the Settlement Letter of Credit for the account of the Borrower and to participate in other Letters of Credit.

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.

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

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

"ALTERNATE BASE RATE" shall mean, for any day, a rate per annum (rounded upwards to the nearest 1/16 of 1% if not already an integral multiple of 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect for such day, (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1% or (c) the Base CD Rate in effect for such day plus 1%. For purposes hereof, "PRIME RATE" shall mean the rate per annum publicly announced by the Administrative Agent from time to time as its prime rate in effect at its principal office in New York City. For purposes of this Agreement, any change in the Alternate Base Rate due to a change in the Prime Rate shall be effective on the date such change in the Prime Rate is announced as effective. "FEDERAL FUNDS EFFECTIVE RATE" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. "BASE CD RATE" shall mean the sum of (a) the product of (i) the Average Weekly Three-Month Secondary CD Rate times (ii) a fraction of which the numerator is 100% and the denominator is 100% minus the aggregate rates of (A) basic and supplemental reserve requirements in effect on the date of effectiveness of such Average Weekly Three-Month Secondary CD Rate, as set forth below, under Regulation D of the Board applicable to certificates of deposit in units of $100,000 or more issued by a "member bank" located in a "reserve city" (as such terms are used in Regulation D) and (B) marginal reserve requirements in effect on such date of effectiveness under Regulation D applicable to time deposits of a "member bank" and (b) the Assessment Rate. "AVERAGE WEEKLY THREE-MONTH SECONDARY CD RATE" shall mean the three-month secondary certificate of deposit ("CD") rate for the most recent weekly period covered therein in the Federal Reserve Statistical release entitled "Weekly Summary of Lending and Credit Measures (Averages of daily figures)" released in the week during which occurs the day for which the CD rate is being determined. The CD rate so reported shall be in effect, for the purposes of this definition, for each day of the week in which the release date of such publication occurs. If such publication or a substitute containing the foregoing rate information is not published by the Federal Reserve for any week, such average rate shall be determined by the Administrative Agent on the basis of quotations received by it from three New York City negotiable certificate of deposit dealers of recognized standing on the first Business Day of the week succeeding such week for which such rate information is not published. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or Federal Funds Effective Rate, or both, for any reason, including, without limitation, the inability or failure of the Administrative Agent to obtain sufficient bids or publications in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Average Weekly Three-Month Secondary CD Rate shall be effective on the effective date of such change in the CD Rate. Any change in the Alternate Base Rate due to a change in the Federal

Funds Effective Rate shall be effective on the effective date of such change in the Federal Funds Effective Rate.

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

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

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

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

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

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

"BUSINESS DAY" shall mean any day other than a Saturday, Sunday or other day on which banks in the State of New York are permitted to close; PROVIDED, HOWEVER, that when used in connection with a LIBOR Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits on the London Interbank Market.

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

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

"CASH EQUIVALENTS" shall mean any of the following, to the extent acquired for investment and not with a view to achieving trading profits: (i) obligations fully backed by the full faith and credit of the United States of America maturing not in excess of twelve months from the date of acquisition, (ii) commercial paper maturing not in excess

of twelve months from the date of acquisition and rated "P-1" by Moody's or "A-1" by S&P on the date of such acquisition, (iii) the following obligations of any Lender or any domestic commercial bank having capital and surplus in excess of $500,000,000, which has, or the holding company of which has, a commercial paper rating meeting the requirements specified in clause (ii) above: (a) time deposits, certificates of deposit and acceptances maturing not in excess of twelve months from the date of acquisition, or (b) repurchase obligations with a term of not more than thirty (30) days for underlying securities of the type referred to in clause (i) above, (iv) money market funds that invest exclusively in interest bearing, short-term money market instruments: (a) having an average remaining maturity of not more than twelve months and (b)(1) rated at least "P-1" by Moody's or "A-1" by S&P or (2) which are issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof, and (v) municipal securities: (a) for which the pricing period in effect is not more than twelve months long and (b) rated at least "P-1" by Moody's or "A-1" by S&P.

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

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

"CLOSING DATE" shall mean the date on which the conditions precedent to the effectiveness of this Agreement as set forth in Section 4.1 have been satisfied or waived, which shall in no event be later than September 30, 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.

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

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

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

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

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

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

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

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

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

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

"CONSOLIDATED EBITDA" shall mean, without duplication, for any period for which such amount is being determined, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) provision for taxes based on income, (iii) depreciation expense, (iv) Consolidated Interest Expense, (v) amortization expense, (vi) other non-cash items reducing Consolidated Net Income, plus (vii) any cash contributions by the Borrower and its Subsidiaries during such period into the Settlement Trust to the extent such cash contributions reduce Consolidated Net Income for such period minus (viii) any cash expenditures during such period to the extent such cash expenditures (x) did not reduce Consolidated Net Income for such period and (y) were applied against reserves that constituted non-cash items which reduced Consolidated Net Income during prior periods, all as determined on a consolidated basis for the Borrower and its Consolidated

Subsidiaries in accordance with GAAP. Notwithstanding the foregoing, in calculating Consolidated EBITDA pro forma effect shall be given to each acquisition of a Subsidiary or any entity acquired in a merger in any relevant period for which the covenants set forth in Sections 6.7 and 6.8 are being calculated as if such acquisition had been made on the first day of such period.

"CONSOLIDATED INTEREST EXPENSE" shall mean for any period for which such amount is being determined, total interest expense paid or payable in cash (including that properly attributable to Capital Leases in accordance with GAAP but excluding in any event all capitalized interest and amortization of debt discount and debt issuance costs) of the Borrower and its Consolidated Subsidiaries on a consolidated basis including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net cash costs (or minus net profits) under Interest Rate Protection Agreements MINUS, without duplication, any interest income of the Borrower and its Consolidated Subsidiaries on a consolidated basis during such period.

"CONSOLIDATED NET INCOME" shall mean, for any period for which such amount is being determined, the net income (or loss) of the Borrower and its Consolidated Subsidiaries during such period determined on a consolidated basis for such period taken as a single accounting period in accordance with GAAP, provided that there shall be excluded (i) income (loss) of any Person (other than a Consolidated Subsidiary of the Borrower) in which the Borrower or any of its Consolidated Subsidiaries has any equity investment or comparable interest, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or its Consolidated Subsidiaries by such Person during such period, (ii) the income of any Consolidated Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by that Consolidated Subsidiary of the income is not at the time permitted by operation of the terms of its charter, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Consolidated Subsidiary, (iii) any extraordinary after-tax gains and (iv) any extraordinary or unusual pretax losses.

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

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

"CONSOLIDATED TOTAL INDEBTEDNESS" shall mean (i) the total amount of Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis using GAAP principles of consolidation, which is, at the dates as of

which Consolidated Total Indebtedness is to be determined, includable as liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries, plus (ii) without duplication of any items included in Indebtedness pursuant to the foregoing clause (i), indebtedness of others which the Borrower or any of its Consolidated Subsidiaries has directly or indirectly assumed or guaranteed (but only to the extent so assumed or guaranteed) or otherwise provided credit support therefor, including without limitation, Guaranties. For purposes of this definition, the amount of Indebtedness at any time shall be reduced (but not to less than zero) by the amount of Excess Cash.

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

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

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

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

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

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

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

"EXISTING 364-DAY CREDIT AGREEMENT" shall have the meaning assigned to such term in Section 4.1(h).

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

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

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

"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 Closing Date.

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

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

"GUARANTY" shall mean, as to any Person, any direct or indirect obligation of such Person guaranteeing or intended to guarantee any Indebtedness, Capital Lease, dividend or other monetary obligation ("primary obligation") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance

or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services, in each case, primarily for the purpose of assuring the owner of any such primary obligation of the repayment of such primary obligation or (d) as a general partner of a partnership or a joint venturer of a joint venture in respect of indebtedness of such partnership or such joint venture which is treated as a general partnership for purposes of Applicable Law. The amount of any Guaranty shall be deemed to be an amount equal to the stated or determinable amount (or portion thereof) of the primary obligation in respect of which such Guaranty is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder); PROVIDED, HOWEVER, that the amount of any Guaranty shall be limited to the extent necessary so that such amount does not exceed the value of the assets of such Person (as reflected on a consolidated balance sheet of such Person prepared in accordance with GAAP) to which any creditor or beneficiary of such Guaranty would have recourse. Notwithstanding the foregoing definition, the term "Guaranty" shall not include any direct or indirect obligation of a Person as a general partner of a general partnership or a joint venturer of a joint venture in respect of Indebtedness of such general partnership or joint venture, to the extent such Indebtedness is contractually non-recourse to the assets of such Person as a general partner or joint venturer (other than assets comprising the capital of such general partnership or joint venture).

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

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

"INDEBTEDNESS" shall mean (without double counting), at any time and with respect to any Person, (i) indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase price of property or services purchased (other than amounts constituting trade payables arising in the ordinary course and payable within 180 days); (ii) indebtedness of others which such Person has directly or indirectly assumed or guaranteed (but only to the extent so assumed or guaranteed) or otherwise provided credit support therefor, including without limitation, Guaranties; (iii) indebtedness of others secured by a Lien on assets of such Person, whether or not such Person shall have assumed such indebtedness (but only to the extent of the fair market value of such assets); (iv) obligations of such Person in respect of letters of credit, acceptance facilities, or drafts or similar instruments issued or accepted by banks and other financial institutions for the account of such Person (other than trade payables arising in the ordinary course and payable within 180 days); or (v) obligations of such Person under Capital Leases.

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

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

"INTEREST PERIOD" shall mean (a) as to any LIBOR Borrowing, the period commencing on the date of such Borrowing, and ending on the numerically corresponding day (or, if there is no numerically corresponding day or if the date of the LIBOR Borrowing is the last day of any month, on the last day) in the calendar month that is 1, 2, 3, 6 or, subject to each Lender's approval, 12 months thereafter, as the Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing and ending on the earliest of (i) the next succeeding March 31, June 30, September 30 or December 31, (ii) the Maturity Date and (iii) the date such Borrowing is refinanced with a Borrowing of a different Interest Rate Type in accordance with Section 2.6 or is prepaid in accordance with Section 2.13 and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; PROVIDED, HOWEVER, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of LIBOR Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) no Interest Period 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 its Affiliates, and/or such other of the Lenders as may be designated in writing by the Borrower and which agree in writing to act as such in accordance with the terms hereof, PROVIDED that, with respect to the Settlement Letter of Credit, "Issuing Lender" shall mean each of the Lenders hereunder.

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

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

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

"LETTER OF CREDIT" shall mean any Letter of Credit issued pursuant to Section 2.24.

"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 Dollar deposits approximately equal in principal amount to (a) in the case of a Revolving Credit Borrowing, Chase's portion of such LIBOR Borrowing and (b) in the case of a Competitive Borrowing, a principal amount that would have been Chase's portion of such Competitive Borrowing had such Competitive Borrowing been a Revolving Credit Borrowing, and for a maturity comparable to such Interest Period, are offered to the principal London office of Chase in immediately available funds in the London Interbank Market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

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

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

"LIBOR LOAN" shall mean any LIBOR Competitive Loan or LIBOR Revolving Credit Loan.

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

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

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

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

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

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

"MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole (it is understood that, for purposes of this definition, the accounting irregularities and errors disclosed in the Borrower's report on Form 10-K for the period ending December 31, 1999 filed with the Securities and Exchange Commission and the class action lawsuits disclosed therein and other class action lawsuits arising as a result of the accounting irregularities and errors disclosed therein do not constitute a Material Adverse Effect).

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

"MATURITY DATE" shall mean August 29, 2003.

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

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

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

"OBLIGATIONS" shall mean the obligation of the Borrower to make due and punctual payment of principal of, and interest on, the Loans, the Facility Fee, the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"SETTLEMENT LETTER OF CREDIT" shall have the meaning assigned to such term in Section 2.24(l).

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

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

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

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

"SUBSIDIARY" shall mean with respect to any Person, any corporation, association, joint venture, partnership or other business entity (whether now existing or hereafter organized) of which at least a majority of the voting stock or other ownership interests having ordinary voting power for the election of directors (or the equivalent) is, at the time as of which any determination is being made, owned or controlled by such Person or one or more subsidiaries of such Person or by such Person and one or more subsidiaries

of such Person; PROVIDED that for purposes of Sections 6.1, 6.5, 6.6, 6.7 and 6.8 hereof, PHH and its Subsidiaries shall be deemed not to be Subsidiaries of the Borrower except that (a) Consolidated Net Worth shall be calculated in accordance with the definition thereof and (b) in calculating Consolidated EBITDA for any fiscal quarter the amount of any cash dividends or any other cash distributions actually paid by PHH or any Subsidiary of PHH to the Borrower and its Subsidiaries (excluding the Subsidiaries of PHH) (i) during such period and (ii) up to the time of the delivery of the certificate pursuant to Section 5.1(c) hereof related to such period shall be included in such calculation. Any such cash dividends and distributions received from PHH and its Subsidiaries in one period and included in calculating Consolidated EBITDA for any prior period shall not be included in calculating Consolidated EBITDA for any fiscal quarter ending on or after the first anniversary of the date such dividends and distributions are received.

"SURETY BONDS" shall mean the surety bonds issued for the account of the Borrower to guarantee the Borrower's payment and funding obligations to the Settlement Trust.

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

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

2. THE LOANS

SECTION 2.1. COMMITMENTS.

(a) Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Credit Loans to the Borrower, at any time and from time to time on and after the Closing Date and until the earlier of the Maturity Date and the termination of the Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Lender's Commitment minus the sum of such Lender's pro rata share of the then current L/C Exposure plus the amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Lender's Commitment pursuant to Section 2.18 subject, however, to the conditions that (a) at no time shall (i) the sum of (A) the outstanding aggregate principal amount of all Revolving Credit Loans made by all Lenders plus (B) the then current L/C Exposure plus (C) the outstanding aggregate principal amount of all Competitive Loans made by all Lenders exceed (ii) the Total Commitment and (b) at all times the outstanding aggregate principal amount of all Revolving Credit Loans made by each Lender shall equal the product of (i) the percentage that its Commitment represents of the Total Commitment times (ii) the outstanding aggregate principal amount of all Revolving Credit Loans made pursuant to a notice given by the Borrower under Section 2.5. The Commitments of the Lenders may be terminated or reduced from time to time pursuant to Section 2.12 or Article 7.

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

SECTION 2.2. LOANS.

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

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

(c) Subject to Section 2.6, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by making funds available at the offices of the Administrative. Agent's Agent Bank Services Department, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention: Sharon Hambousi, for credit to Cendant Corporation Clearing Account, Account No. 144812905 (Reference: Cendant Corporation Credit Agreement dated as of August 29, 2000) no later than 1:00 P.M. New York City time (2:00 P.M. New York City time, in the case of an ABR Borrowing) in Federal or other immediately available funds. Upon receipt of the funds to be made available by the Lenders to fund any Borrowing hereunder, the Administrative Agent shall disburse such funds by depositing them into an account of the Borrower maintained with the Administrative Agent. Competitive Loans shall be made by the Lender or Lenders whose Competitive Bids therefor are accepted pursuant to Section 2.4 in the

amounts so accepted and Revolving Credit Loans shall be made by all the Lenders pro rata in accordance with Section 2.1 and this Section 2.2.

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

SECTION 2.3. USE OF PROCEEDS.

The proceeds of the Loans shall be used for working capital and general corporate purposes of the Borrower and its Subsidiaries, including, without limitation, for acquisitions, support of the Borrower's commercial paper program and refinancing of the Borrower's indebtedness under the Existing 364-Day Credit Agreement.

SECTION 2.4. COMPETITIVE BID PROCEDURE.

(a) In order to request Competitive Bids, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request in the form of Exhibit E-1, to be received by the Administrative Agent (i) in the case of a LIBOR Competitive Borrowing, not later than 10:00 a.m., New York City time, four Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before a proposed Competitive Borrowing. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit E-1 may be rejected in the Administrative Agent's sole discretion, and the Administrative Agent shall promptly notify the Borrower of such rejection by telecopier. Such request for Competitive Bids shall in each case refer to this Agreement and specify (i) whether the Borrowing then being requested is to be a LIBOR Borrowing or a Fixed Rate Borrowing, (ii) the date of such Borrowing (which shall be a Business Day) and the aggregate principal amount thereof, which shall be in a minimum principal amount of $10,000,000 and in an integral multiple of $5,000,000, and (iii) the Interest Period with respect thereto (which may not end after the Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Administrative Agent shall invite by telecopier (in the form set forth in Exhibit E-2) the Lenders to bid, on the terms and subject to the conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may, in its sole discretion, make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent via telecopier, in the form of Exhibit E-3, (i) in the case of a LIBOR Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing. Multiple bids will be accepted by the Administrative Agent. Competitive Bids that do not conform substantially to the format of Exhibit E-3 may be rejected by the Administrative Agent after conferring with, and upon the instruction of, the Borrower, and the Administrative Agent shall notify the Lender making such nonconforming bid of such

rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (i) the principal amount (which shall be in a minimum principal amount of $10,000,000 and in an integral multiple of $5,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make to the Borrower, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make the Competitive Loan or Loans and (iii) the Interest Period or Interest Periods with respect thereto. If any Lender shall elect not to make a Competitive Bid, such Lender shall so notify the Administrative Agent via telecopier (i) in the case of LIBOR Competitive Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; PROVIDED, HOWEVER, that failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Loan as part of such proposed Competitive Borrowing. A Competitive Bid submitted by a Lender pursuant to this paragraph (b) shall be irrevocable.

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

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

than $10,000,000 because of the provisions of clause (D) above, such Competitive Loan shall be in a minimum principal amount of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (D), the amounts shall be rounded to integral multiples of $1,000,000 in a manner that shall be in the discretion of the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

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

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

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

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

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

SECTION 2.5. REVOLVING CREDIT BORROWING PROCEDURE.

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

have given notice in accordance with this Section 2.5 of its election to refinance a Revolving Credit Borrowing prior to the end of the Interest Period in effect for such Borrowing, then the Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.5 and of each Lender's portion of the requested Borrowing.

SECTION 2.6. REFINANCINGS.

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

SECTION 2.7. FEES.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, commencing September 30, 2000, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "FACILITY FEE"), at the rate per annum from time to time in effect in accordance with Section 2.22, on the average daily amount of the Commitment of such Lender, whether used or unused, during the preceding quarter (or shorter period commencing with the

date hereof, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the Closing Date, shall be payable in arrears and shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Lender as provided herein.

(b) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, commencing September 30, 2000, and on the date on which the Commitment of such Lender shall be terminated as provided herein and, if applicable, the date on which the Obligations have been paid in full, a utilization fee (a "UTILIZATION Fee"), at a rate per annum equal to 0.125%, on the amount of the Commitment of such Lender (or, following termination of the Commitments, if applicable, the Commitment of such Lender in effect immediately prior to such termination), whether used or unused, for each day during the preceding quarter (or shorter period commencing with the Closing Date, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated) on which the aggregate principal amount of Loans and L/C Exposure exceeds 33% of the aggregate amount of the Total Commitments. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Utilization Fee due to each Lender shall be payable in arrears and shall cease to accrue on the date on which the Obligations, including any outstanding Loans, have been paid in full and the Commitments terminated.

(c) The Borrower agrees to pay the Administrative Agent, for its own account, the fees at the times and in the amounts provided for in the letter agreement dated July 20, 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). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Revolving Credit Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.9.

(b) The Borrower unconditionally promises to pay to the Administrative Agent, for the account of each Lender that makes a Competitive Loan, on the last day of the Interest Period applicable to such Competitive Loan, the principal amount of such Competitive Loan. The Borrower further unconditionally promises to pay interest on each such Competitive Loan for the period from and including the date of Borrowing of such Competitive Loan on the

unpaid principal amount thereof from time to time outstanding at the applicable rate per annum determined as provided in, and payable as specified in, Section 2.9.

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

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

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

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

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

SECTION 2.9. INTEREST ON LOANS.

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

(b) Subject to the provisions of Section 2.10, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the applicable margin, if any, for ABR Loans from time to time in effect pursuant to Section 2.22.

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

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

SECTION 2.10. INTEREST ON OVERDUE AMOUNTS.

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

SECTION 2.11. ALTERNATE RATE OF INTEREST.

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

Loan. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.12. TERMINATION AND REDUCTION OF COMMITMENTS.

(a) The Commitments of all of the Lenders shall be automatically terminated on the earlier of (a) the Maturity Date and (b) September 30, 2000 if the Closing Date has not occurred on or prior to such date.

(b) The Total Commitment shall automatically be reduced to $1,250,000,000 on the date that is the second anniversary of the Closing Date.

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

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

SECTION 2.13. PREPAYMENT OF LOANS.

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

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

paragraph shall be applied to outstanding ABR Loans up to the full amount thereof before they are applied to outstanding LIBOR Revolving Credit Loans.

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

SECTION 2.14. EURODOLLAR RESERVE COSTS.

The Borrower shall pay to the Administrative Agent for the account of each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of, or including, Eurocurrency Liabilities (as defined in Regulation D of the Board), additional interest on the unpaid principal amount of each LIBOR Loan made to the Borrower by such Lender, from the date of such Loan until such Loan is paid in full, at an interest rate per annum equal at all times during the Interest Period for such Loan to the remainder obtained by subtracting (i) LIBOR for such Interest Period from (ii) the rate obtained by multiplying LIBOR as referred to in clause (i) above by the Statutory Reserves of such Lender for such Interest Period. Such additional interest shall be determined by such Lender and notified to the Borrower (with a copy to the Administrative Agent) not later than five Business Days before the next Interest Payment Date for such Loan, and such additional interest so notified to the Borrower by any Lender shall be payable to the Administrative Agent for the account of such Lender on each Interest Payment Date for such Loan.

SECTION 2.15. RESERVE REQUIREMENTS; CHANGE IN CIRCUMSTANCES.

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

Agreement or any LIBOR Loan or Fixed Rate Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBOR Loan or Fixed Rate Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) in respect thereof by an amount deemed in good faith by such Lender to be material, then the Borrower shall pay such additional amount or amounts as will compensate such Lender for such increase or reduction to such Lender upon demand by such Lender.

(b) If, after the date of this Agreement, any Lender shall have determined in good faith that the adoption after the date hereof of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any Lending Office of such Lender) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of its obligations hereunder to a level below that which such Lender (or its holding company) could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies or the policies of its holding company, as the case may be, with respect to capital adequacy) by an amount deemed by such Lender to be material, then, from time to time, the Borrower shall pay to the Administrative Agent for the account of such Lender such additional amount or amounts as will compensate such Lender for such reduction upon demand by such Lender.

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

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

(e) Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition that (i) would cause it to incur any increased cost under this Section 2.15, Section 2.16, Section 2.21 or Section 2.24(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 discretion, the making, funding or maintaining of such Loans or Letters of Credit through such other Lending Office would not otherwise materially adversely affect such Loans or Letters of Credit or such Lender.

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

SECTION 2.16. CHANGE IN LEGALITY.

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

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

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

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

SECTION 2.17. REIMBURSEMENT OF LENDERS.

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

(b) In the event the Borrower fails to prepay any Loan on the date specified in any prepayment notice delivered pursuant to Section 2.13(a), the Borrower on demand by any Lender shall pay to the Administrative Agent for the account of such Lender any amounts

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

SECTION 2.18. PRO RATA TREATMENT.

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

SECTION 2.19. RIGHT OF SETOFF.

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

of such setoff and application. The rights of each Lender under this Section 2.19 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 2.20. MANNER OF PAYMENTS.

All payments by the Borrower hereunder and under the Notes shall be made in Dollars in Federal or other immediately available funds without deduction, setoff or counterclaim at the office of the Administrative Agent's Agent Bank Services Department, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention: Sharon Hambousi, for credit to Cendant Corporation Clearing Account, Account No. 144812905 (Reference: Cendant Corporation Credit Agreement dated August 29, 2000) no later than 12:00 noon, New York City time, on the date on which such payment shall be due. Interest in respect of any Loan hereunder shall accrue from and including the date of such Loan to, but excluding, the date on which such Loan is paid or refinanced with a Loan of a different Interest Rate Type.

SECTION 2.21. UNITED STATES WITHHOLDING.

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

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

subject to United States withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrower or the Administrative Agent may withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States.

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

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

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

SECTION 2.22. CERTAIN PRICING ADJUSTMENTS.

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

S&P/Moody's Rating Equivalent of the Borrower's senior UNSECURED LONG-TERM DEBT	Facility Fee (IN BASIS POINTS)	Applicable LIBOR SPREAD (IN BASIS POINTS)
A/A2 or better	8.0	29.5

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-/A3	10.0	40.0
BBB+/Baa1	12.5	50.0
BBB/Baa2	15.0	60.0
BBB-/Baa3	17.5	70.0
BB+/Bal or lower	32.5	117.5

In the event the S&P rating on the Borrower's senior unsecured long-term debt is not equivalent to the Moody's rating on such debt, the lower rating will determine the Facility Fee and applicable LIBOR Spread. In the event that the Borrower's senior unsecured long-term debt is rated by only one of S&P and Moody's, then that single rating shall be determinative. In the event that the Borrower's senior unsecured long-term debt is not rated by either S&P or Moody's, then the Facility Fee and the applicable LIBOR Spread shall be deemed to be calculated as if the lowest rating category set forth above applied. Any increase in the Facility Fee or the applicable LIBOR Spread determined in accordance with the foregoing table shall become effective on the date of announcement or publication by the Borrower or either such rating agency of a reduction in such rating or, in the absence of such announcement or publication, on the effective date of such decreased rating, or on the date of any request by the Borrower to either of such rating agencies not to rate its senior unsecured long-term debt or on the date either of such rating agencies announces it shall no longer rate the Borrower's senior unsecured long-term debt. Any decrease in the Facility Fee or applicable LIBOR Spread shall be effective on the date of announcement or publication by either of such rating agencies of an increase in rating or in the absence of announcement or publication on the effective date of such increase in rating. The applicable margin for ABR Loans shall be 1% less than the applicable LIBOR Spread (but not less than 0%).

SECTION 2.23. INTENTIONALLY OMITTED.

SECTION 2.24. LETTERS OF CREDIT.

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

$250,000,000, and (D) an Issuing Lender shall be prohibited from issuing Letters of Credit hereunder upon the occurrence and during the continuance of an Event of Default.

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

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

(b) Whenever the Borrower desires the issuance of a Letter of Credit, it shall deliver to the Administrative Agent and the applicable Issuing Lender a written notice no later than 1:00 p.m. (New York time) at least five Business Days prior to the proposed date of issuance provided, however, that the Borrower and the Administrative Agent and such Issuing Lender may agree to a shorter time period. That notice shall specify (i) the Issuing Lender for such Letter of Credit, (ii) the proposed date of issuance (which shall be a Business Day under the laws of the jurisdiction of the applicable Issuing Lender), (iii) the face amount of the Letter of Credit, (iv) the expiration date of the Letter of Credit and (v) the name and address of the beneficiary. Such notice shall be accompanied by a brief description of the underlying transaction and upon the request of the applicable Issuing Lender, the Borrower shall provide additional details regarding the underlying transaction. Concurrently with the giving of written notice of a request for the issuance of a Letter of Credit, the Borrower shall specify a precise description of the documents and the verbatim text of any certificate to be presented by the beneficiary of such Letter of Credit which, if presented by such beneficiary prior to the expiration date of the Letter of Credit, would require the applicable Issuing Lender to make payment under the Letter of Credit; provided that the applicable Issuing Lender, in its reasonable discretion, may require customary changes in any such documents and certificates. Upon issuance of any Letter of Credit, the applicable Issuing Lender shall notify the Administrative Agent of the issuance of such Letter of Credit. Promptly after receipt of such notice, the Administrative Agent shall notify each Lender of the issuance and the amount of each such Lender's respective participation therein.

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

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

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

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

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

(B) with respect to the issuance, amendment or transfer of each Letter of Credit and each drawing made thereunder,

documentation and processing charges in accordance with such Issuing Lender's standard schedule for such charges in effect at the time of such issuance, amendment, transfer or drawing, as the case may be; and

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

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

(iii) Promptly upon receipt by any Issuing Lender or the Administrative Agent (as applicable) of any amount described in clause (i)(A) or (ii) of this Section 2.24(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.

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

(A) any Issuing Lender or any Lender shall be subject to any tax, levy, charge or withholding of any nature (other than withholding tax imposed by the United States of America or any political subdivision or taxing authority thereof or therein or any other tax, levy, charge or withholding (i) that is measured with respect to the overall net income of such Issuing Lender or such Lender (or is imposed in lieu of a

tax on net income) or of a Lending office of such Issuing Lender or such Lender, and that is imposed by the United States of America, or by the jurisdiction in which such Issuing Lender or such Lender is incorporated, or in which such Lending Office is located, managed or controlled or in which such Issuing Lender or such Lender has its principal office (or any political subdivision or taxing authority thereof or therein) or (ii) that is imposed solely by reason of such Issuing Lender or such Lender failing to make a declaration of, or otherwise to establish, non-residence, or to make any other claim for exemption, or otherwise to comply with any certification, identification, information, documentation or reporting requirements prescribed under the laws of the relevant jurisdiction, in those cases where such Issuing Lender or such Lender may properly make the declaration or claim or so establish non-residence or otherwise comply) or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this Section 2.24, 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 the Issuing Lender or such Lender may, at any time, notify the Borrower, and the Borrower shall pay on demand such amounts as such Issuing Lender or such Lender may specify to be necessary to compensate such Issuing Lender or such Lender for such additional cost or reduced receipt. The determination by any Issuing Lender or any Lender, as the case may be, of any amount due pursuant to this Section 2.24 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.

(g) If at any time when an Event of Default shall have occurred and be continuing, any Letters of Credit shall remain outstanding, then either the applicable Issuing Lender(s) or the Required Lenders may, at their option, require the Borrower to deposit Cash Equivalents in a Cash Collateral Account in an amount equal to the full amount of the L/C

Exposure or to furnish other security acceptable to the Administrative Agent and the applicable Issuing Lender(s). Any amounts so delivered pursuant to the preceding sentence shall be applied to reimburse the applicable Issuing Lender(s) for the amount of any drawings honored under Letters of Credit issued by it; provided, however, that if prior to the Maturity Date, no Event of Default is then continuing, the Administrative Agent shall return all of such collateral relating to such deposit to the Borrower if requested by it.

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

(i) 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.

(j) 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.

(k) Notwithstanding the other provisions of this Agreement, each Lender agrees, severally and not jointly, to issue no later than five Business Days after a written notice requesting the issuance of the Settlement Letter of Credit is received by the Administrative Agent a standby letter of credit (the "SETTLEMENT LETTER OF CREDIT"), substantially in the form of Exhibit G, for the account of the Borrower to support a portion of the Borrower's payment obligations under the Settlement. The Settlement Letter of Credit shall be a Letter of Credit issued under this Agreement (and the other provisions of this Agreement applicable to Letters of Credit (other than Section 2.24(b) but including Section 2.24(e)) shall apply to the Settlement Letter of Credit) provided that:

(i) The initial face amount of the Settlement Letter of Credit shall be $1,750,000,000 and the face amount shall thereafter be reduced in accordance with Section 2.24(l)(vii).

(ii) The Settlement Letter of Credit shall be deemed not to be a utilization of the $250,000,000 available sublimit for the issuance of the Letters of Credit under Section 2.24(a).

(iii) The scheduled expiration date of the Settlement Letter of Credit shall be August 24, 2003 (or any earlier date requested by the Borrower).

(iv) The Settlement Letter of Credit will be issued on a several and ratable basis by each of the Lenders, with each Lender's obligations thereunder being set forth therein and being equal to the product of (x) its Commitment Percentage and (y) the drawable amount of the Settlement Letter of Credit.

(v) In the event any of the Borrower's reimbursement obligations with respect to the Settlement Letter of Credit are not converted to an ABR Loan as provided in Section 2.24(e), the Borrower shall pay such reimbursement obligations to the Administrative Agent, for the account of the Lenders, rather than directly to the Lenders, which shall be credited to the Lenders in accordance with Section 8.2(b).

(vi) No fronting fee of the type described in Section 2.24(f)(i)(C) shall be payable in respect of the Settlement Letter of Credit.

(vii) The drawable amount of the Settlement Letter of Credit and the amount of the Surety Bonds shall be reduced by the Borrower in 12 consecutive quarterly installments by the last Business Day of each March, June, September and December, commencing in the first full calendar quarter following the issuance of the Settlement Letter of Credit. The amount of each of the first four quarterly reductions shall be $150,000,000, and the amount of each of the subsequent eight quarterly reductions shall be $200,000,000, PROVIDED that if the amount of the reduction in any quarter exceeds the required amount set forth above, the amount of such excess shall be carried forward and the amount of the required reduction for the next following quarterly installment shall be reduced by such excess. Any reduction of the drawable amount of the Settlement Letter of Credit and the amount of the Surety Bonds shall be applied thereto ratably in accordance with the then respective outstanding amounts thereof. Notwithstanding the foregoing, in the event that the issuers of the Surety Bonds do not require a reduction or for any other reason the Surety Bonds are not reduced on any of the required reduction dates in accordance with the preceding sentence, the Borrower will instead reduce the drawable amount of the Settlement Letter of Credit by the amount not so applied (the amounts not so applied the "UNAPPLIED SURETY AMOUNTS") to the reduction of the Surety Bonds (such reduction to be in addition to the reduction of the drawable amount of the Settlement Letter of Credit otherwise required to be made); provided, however, that if at any time there exists any Unapplied Surety Amounts, the Borrower, at its option, may elect to first apply all or any portion of such Unapplied Surety Amounts to reduce the amount of the Surety Bonds up to the aggregate amount of such Unapplied Surety Amounts; provided further that (i) such amount applied to reduce the Surety Bonds in excess of the amount that the Surety Bonds would have been reduced without giving effect to this proviso shall reduce the Unapplied Surety Amounts and (ii) any amount in excess of the Unapplied Surety Amounts shall be applied ratably as provided above.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

In order to induce the Lenders to enter into this Agreement and to make the Loans, issue the Settlement Letter of Credit and issue and participate in the other Letters of Credit provided for herein, the Borrower makes the following representations and warranties to

the Administrative Agent and the Lenders, all of which shall survive the execution and delivery of this Agreement, the issuance of the Notes and the making of the Loans and issuance of the Letters of Credit:

SECTION 3.1. CORPORATE EXISTENCE AND POWER.

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

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

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

SECTION 3.3. GOVERNMENTAL AND OTHER APPROVAL AND CONSENTS.

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

SECTION 3.4. FINANCIAL STATEMENTS OF BORROWER.

The (a) revised audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1998 and the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1999, and (b) unaudited consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as of March 31, 2000 and June 30, 2000, together with the related unaudited statements of income,

shareholders' equity and cash flows for such periods, fairly present the financial condition of the Borrower and its Consolidated Subsidiaries as at the dates indicated and the results of operations and cash flows for the periods indicated in conformity with GAAP subject to normal year-end adjustments in the case of the March 31, 2000 and June 30, 2000 financial statements.

SECTION 3.5. NO MATERIAL ADVERSE CHANGE.

There has been no material adverse change in the business, assets, operations, or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole from that disclosed in the audited consolidated financial statements (including the footnotes thereto) of the Borrower referred to in Section 3.4 for its 1999 fiscal year.

SECTION 3.6. [RESERVED].

SECTION 3.7. COPYRIGHTS, PATENTS AND OTHER RIGHTS.

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

SECTION 3.8. TITLE TO PROPERTIES.

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

SECTION 3.9. LITIGATION.

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

SECTION 3.10. FEDERAL RESERVE REGULATIONS.

Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Loans will be used, whether

immediately, incidentally or ultimately, for any purpose violative of or inconsistent with any of the provisions of Regulation T, U or X of the Board.

SECTION 3.11. INVESTMENT COMPANY ACT.

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

SECTION 3.12. ENFORCEABILITY.

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

SECTION 3.13. TAXES.

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

SECTION 3.14. COMPLIANCE WITH ERISA.

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

SECTION 3.15. DISCLOSURE.

As of the Closing Date, neither this Agreement nor the Confidential Information Memorandum dated July 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. The Borrower has delivered to the Administrative Agent certain projections relating to the Borrower and its Consolidated Subsidiaries. Such projections are based on good faith estimates and assumptions believed to be reasonable at the time made, provided, HOWEVER, that the Borrower makes no representation or warranty that such assumptions will prove in the future to be accurate or that the Borrower and its Consolidated Subsidiaries will achieve the financial results reflected in such projections.

SECTION 3.16. ENVIRONMENTAL LIABILITIES.

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

4. CONDITIONS OF LENDING

SECTION 4.1. CONDITIONS PRECEDENT TO CLOSING.

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

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

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

certificate to contain a certification by another officer of the Borrower as to the incumbency and signature of the officer signing the certificate referred to in this paragraph (b)).

(c) FINANCIAL STATEMENTS. The Lenders shall have received the (a) revised audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1998 and the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of December 31, 1999 and (b) unaudited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of March 31, 2000 and June 30, 2000.

(d) OPINIONS OF COUNSEL. The Administrative Agent shall have received the favorable written opinions, dated the date of the Extension of Credit and addressed to the Administrative Agent and the Lenders, of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Borrower and/or of James E. Buckman, Vice Chairman and General Counsel of the Borrower, 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 since December 31, 1999 no events and conditions have occurred that have had, or could reasonably be expected to have, a Material Adverse Effect.

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

(g) LITIGATION; APPROVAL. (a) No litigation shall be pending or threatened which would be likely to have a Material Adverse Effect, or which could reasonably be expected to materially adversely affect the ability of the Borrower to fulfill its obligations hereunder or to otherwise materially impair the interests of the Lenders and (b) the Settlement shall have received District Court Approval (as defined in the Settlement Agreement).

(h) EXISTING CREDIT AGREEMENTS. (a) All obligations of the Borrower under the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of October 2, 1996, as amended and restated through October 18, 1999, among the Borrower, the lenders named therein and The Chase Manhattan Bank, as administrative agent (the "Existing 364-Day Credit Agreement") shall have been paid in full and the commitments of the lenders pursuant to the Existing 364-Day Credit Agreement shall have been terminated; and (b) each of the Term Loan Agreement, dated as of February 9, 1999, as amended, among the Borrower, the lenders named therein and the Chase Manhattan Bank, as administrative agent, and the Five Year Competitive Advance and Revolving Credit Agreement, dated as of October 2, 1996, as amended, among the Borrower, the lenders named therein and The Chase Manhattan Bank, as administrative agent, shall have been amended pursuant to documentation satisfactory to the Administrative Agent.

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

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

SECTION 4.2. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT.

The obligation of the Lenders to make each Loan and of any Issuing Lender to issue a Letter of Credit, including the initial Extension of Credit hereunder, is subject to the following conditions precedent:

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

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

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

(d) SETTLEMENT DOCUMENTS. In the case of the issuance of the Settlement Letter of Credit, the Administrative Agent shall have received satisfactory evidence that the aggregate amount of cash from the Borrower that shall have been funded into the Settlement Trust, together with the aggregate principal amount of Surety Bond(s) that have been issued guaranteeing payment to the Settlement Trust, shall be equal to or greater than $1,080,000,000.

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

5. AFFIRMATIVE COVENANTS

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

SECTION 5.1. FINANCIAL STATEMENTS, REPORTS, ETC.

Deliver to each Lender:

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

(b) As soon as is practicable, but in any event within 55 days after the end of each of the first three fiscal quarters of each fiscal year, the unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, as at the end of, and the related unaudited statements of income (or changes in financial position) for such quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter and the corresponding figures as at the end of, and for, the corresponding period in the preceding fiscal year, together with a certificate signed by the chief financial officer or a vice president responsible for financial administration of the Borrower to the effect that such financial statements, while not examined by independent public accountants, reflect, in his opinion and in the opinion of the Borrower, all adjustments necessary to present fairly the financial position of the Borrower and its Consolidated Subsidiaries, as the case may be, as at the end of the fiscal quarter and the results of their operations for the quarter then ended in conformity with GAAP consistently applied, subject only to year-end and audit adjustments and to the absence of footnote disclosure;

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

(d) INTENTIONALLY OMITTED;

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

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

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

(h) Together with each set of financial statements required by paragraph (a) above, a certificate of the independent certified public accountants rendering the report and opinion thereon (which certificate may be limited to the extent required by accounting rules or otherwise) (i) stating whether, in connection with their audit, any Default or Event of Default has come to their attention, and if such a Default or Event of Default has come to their attention, specifying the nature and period of existence thereof, and (ii) stating that based on their audit nothing has come to their attention which causes them to believe that the matters specified in paragraph (c)(ii) above for the applicable fiscal year are not stated in accordance with the terms of this Agreement.

SECTION 5.2. CORPORATE EXISTENCE; COMPLIANCE WITH STATUTES.

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

SECTION 5.3. INSURANCE.

Maintain with financially sound and reputable insurers insurance in such amounts and against such risks as are customarily insured against by companies in similar businesses;

provided however, that (a) workmen's compensation insurance or similar coverage may be effected with respect to its operations in any particular state or other jurisdiction through an insurance fund operated by such state or jurisdiction and (b) such insurance may contain self-insurance retention and deductible levels consistent with normal industry practices.

SECTION 5.4. TAXES AND CHARGES.

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

SECTION 5.5. ERISA COMPLIANCE AND REPORTS.

Furnish to the Administrative Agent (a) as soon as possible, and in any event within 30 days after any executive officer (as defined in Regulation C under the Securities Act of 1933) of the Borrower knows that (i) any Reportable Event with respect to any Plan has occurred, a statement of the chief financial officer of the Borrower, setting forth details as to such Reportable Event and the action which it proposes to take with respect thereto, together with a copy of the notice, if any, required to be filed by the Borrower or any of its Subsidiaries of such Reportable Event with the PBGC or (ii) an accumulated funding deficiency has been incurred or an application has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard or an extension of any amortization period under Section 412 of the Code with respect to a Plan, a Plan has been or is proposed to be terminated in a "distress termination" (as defined in Section 4041(c) of ERISA), proceedings have been instituted to terminate a Plan or a Multiemployer Plan, a proceeding has been instituted to collect a delinquent contribution to a Plan or a Multiemployer Plan, or either the Borrower or any of its Subsidiaries will incur any liability (including any contingent or secondary liability) to or on account of the termination of or withdrawal from a Plan under Sections 4062, 4063, 4064 of ERISA or the withdrawal or partial withdrawal from a Multiemployer Plan under Sections 4201 or 4204 of ERISA, a statement of the chief financial officer of the Borrower, setting forth details an to such event and the action it proposes to take with respect thereto, (b) promptly upon the reasonable request of the Administrative Agent, copies of each annual and other report with respect to each Plan and (c) promptly after receipt thereof, a copy of any notice the Borrower or any of its Subsidiaries may receive from the PBGC relating to the PBGC's intention to terminate any Plan or to appoint a trustee to administer any Plan; PROVIDED that the Borrower shall not be

required to notify the Administrative Agent of the occurrence of any of the events set forth in the preceding clauses (a) and (c) unless such event, individually or in the aggregate, could reasonably be expected to result in a material liability to the Borrower and its Subsidiaries taken as a whole.

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

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

SECTION 5.7. MAINTENANCE OF PROPERTIES.

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

SECTION 5.8. CHANGES IN CHARACTER OF BUSINESS.

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

6. NEGATIVE COVENANTS

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

SECTION 6.1. LIMITATION ON INDEBTEDNESS.

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

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

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

(c) Guaranties;

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

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

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

(g) other Indebtedness of any Material Subsidiary in an aggregate principal amounts which, when added to the aggregate outstanding principal amount of Indebtedness permitted by paragraphs (e) and (f) above, does not exceed $400,000,000; and

(h) in addition to the Indebtedness permitted by paragraphs (a) - (g) above, Indebtedness of PHH and its Subsidiaries so long as, after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof, the ratio of Indebtedness of PHH and its Subsidiaries to consolidated shareholders' equity of PHH is less than 5 to 1.

SECTION 6.2. INTENTIONALLY OMITTED.

SECTION 6.3. HOTEL SUBSIDIARIES.

No Hotel Subsidiary shall incur or suffer to exist any obligation to advance money to purchase securities from, or otherwise make any investment in, any Person engaged in the gaming business.

SECTION 6.4. CONSOLIDATION, MERGER, SALE OF ASSETS.

(a) Neither the Borrower nor any of its Material Subsidiaries (in one transaction or series of transactions) will wind up, liquidate or dissolve its affairs, or enter into any transaction of merger or consolidation, except any merger, consolidation, dissolution or liquidation (i) in which the Borrower is the surviving entity or if the Borrower is not a party to such transaction then a Subsidiary is the surviving entity or the successor to the Borrower has unconditionally assumed in writing all of the payment and performance obligations of the Borrower under this Agreement and the other Fundamental Documents, (ii) in which the surviving entity becomes a Subsidiary of the Borrower immediately upon the effectiveness of such merger, consolidation, dissolution or liquidation, or (iii) involving a Subsidiary in

connection with a transaction permitted by Section 6.4(b); provided, however, that immediately prior to and on a Pro Forma Basis after giving effect to any such transaction described in any of the preceding clauses (i), (ii) and (iii) no Default or Event of Default has occurred and is continuing.

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

SECTION 6.5. LIMITATIONS ON LIENS.

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

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

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

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

(d) Liens arising out of attachments, judgments or awards as to which an appeal or other appropriate proceedings for contest or review are promptly commenced (and as to which foreclosure and other enforcement proceedings (i) shall not have been commenced (unless fully bonded or otherwise effectively stayed) or (ii) in any event shall be promptly fully bonded or otherwise effectively stayed);

(e) Liens created under any Fundamental Document;

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

(g) INTENTIONALLY OMITTED.

(h) INTENTIONALLY OMITTED; and

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

SECTION 6.6. SALE AND LEASEBACK.

Enter into any arrangement with any Person or Persons, whereby in contemporaneous transactions the Borrower or any of its Subsidiaries sells essentially all of its right, title and interest in a material asset and the Borrower or any of its Subsidiaries acquires or leases back the right to use such property except that the Borrower and its Subsidiaries may enter into sale-leaseback transactions relating to assets not in excess of $200,000,000 in the aggregate on a cumulative basis.

SECTION 6.7. DEBT TO CAPITALIZATION RATIO.

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

SECTION 6.8. INTEREST COVERAGE RATIO.

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

SECTION 6.9. ACCOUNTING PRACTICES.

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

7. EVENTS OF DEFAULT

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

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

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

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

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

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

(f) the Borrower or any of its Material Subsidiaries shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or the Borrower or any of its Material Subsidiaries shall commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking

appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property or shall file an answer or other pleading in any such case, proceeding or other action admitting the material allegations of any petition, complaint or similar pleading filed against it or consenting to the relief sought therein; or the Borrower or any Material Subsidiary thereof shall take any action to authorize any of the foregoing;

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

(h) the occurrence of a Change in Control;

(i) final judgment(s) for the payment of money in excess of $50,000,000 shall be rendered against the Borrower or any of its Subsidiaries which within thirty (30) days from the entry of such judgment shall not have been discharged or stayed pending appeal or which shall not have been discharged within thirty (30) days from the entry of a final order of affirmance on appeal (other than the final judgment(s) rendered to give effect to the Settlement); or

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

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

8. THE ADMINISTRATIVE AGENT AND EACH ISSUING LENDER

SECTION 8.1. ADMINISTRATION BY ADMINISTRATIVE AGENT.

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

SECTION 8.2. ADVANCES AND PAYMENTS.

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

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

by the Administrative Agent, in immediately available funds either by wire transfer or deposit in such Lender's correspondent account with the Administrative Agent, or as such Lender and the Administrative Agent shall from time to time agree.

SECTION 8.3. SHARING OF SETOFFS AND CASH COLLATERAL.

Each of the Lenders agrees that if it shall, through the operation of Sections 2.19, 2.24(h) or 2.24(i) hereof or the exercise of a right of bank's lien, setoff or counterclaim against the Borrower, including, but not limited to, a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim and received by such Lender under any applicable bankruptcy, insolvency or other similar law, or otherwise, obtain payment in respect of its Loans as a result of which the unpaid portion of its Loans or L/C Exposure is proportionately less than the unpaid portion of any of the other Lenders (a) it shall promptly purchase at par (and shall be deemed to have thereupon purchased) from such other Lenders a participation in the Loans or L/C Exposure of such other Lenders, so that the aggregate unpaid principal amount of each of the Lenders' Loans and L/C Exposure and its participation in Loans and L/C Exposure of the other Lenders shall be in the same proportion to the aggregate unpaid principal amount of all Loans and L/C Exposure then outstanding as the principal amount of its Loans and L/C Exposure prior to the obtaining of such payment was to the principal amount of all Loans and L/C Exposure outstanding prior to the obtaining of such payment and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that the Lenders share such payment pro rata.

SECTION 8.4. NOTICE TO THE LENDERS.

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

SECTION 8.5. LIABILITY OF ADMINISTRATIVE AGENT AND EACH ISSUING LENDER.

(a) The Administrative Agent or any Issuing Lender, when acting on behalf of the Lenders may execute any of its duties under this Agreement by or through its officers, agents, or employees and neither the Administrative Agent, the Issuing Lenders nor their respective directors, officers, agents, or employees shall be liable to the Lenders or any of them for any action taken or omitted to be taken in good faith, or be responsible to the Lenders or to any of them for the consequences of any oversight or error of judgment, or for any loss, unless the same shall happen through its gross negligence or willful misconduct. The Administrative Agent, the Issuing Lenders and their respective directors, officers, agents, and employees shall in no event be liable to the Lenders or to any of them for any action taken or omitted to be taken by it pursuant to instructions received by it from the Required Lenders or in reliance upon the advice of counsel selected by it. Without limiting the foregoing, neither the Administrative Agent, the Issuing Lenders nor any of their respective directors, officers, employees, or agents shall be responsible to any of the Lenders for the due execution, validity, genuineness, effectiveness,

sufficiency, or enforceability of, or for any statement, warranty, or representation in, or for the perfection of any security interest contemplated by, this Agreement or any related agreement, document or order, or for the designation or failure to designate this transaction as a "Highly Leveraged Transaction" for regulatory purposes, or shall be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants, or agreements of this Agreement or any related agreement or document.

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

(c) The Administrative Agent, and the Issuing Lenders, in such capacities hereunder, shall be entitled to rely on any communication, instrument, or document reasonably believed by it to be genuine or correct and to have been signed or sent by a Person or Persons believed by it to be the proper Person or Persons, and it shall be entitled to rely on advice of legal counsel, independent public accountants, and other professional advisers and experts selected by it, provided that, with respect to the Settlement Letter of Credit, the Administrative Agent shall not have any duty to inquire as to the accuracy or authenticity of any draft or other drawing documents which may be presented to it in connection therewith, but shall be responsible only to determine in accordance with customary commercial practices (including the uniform customs and practice for documentary credits (1993 revision, International Chamber of Commerce Publication No. 500)) that the documents which are required to be presented before payment or acceptance of a draft under the Settlement Letter of Credit have been delivered and that they comply on their face with the requirements of the Settlement Letter of Credit.

SECTION 8.6. REIMBURSEMENT AND INDEMNIFICATION.

Each of the Lenders severally and not jointly agrees (i) to reimburse the Administrative Agent, in the amount of its proportionate share, for any expenses and fees incurred for the benefit of the Lenders under the Fundamental Documents, including, without limitation, counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, and any other expense incurred in connection with the administration or enforcement thereof not reimbursed by the Borrower or one of its Subsidiaries, and (ii) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees, or agents, on demand, in the amount of its proportionate share, from and against any and all liabilities, obligations, losses, damages, penalties, actions,

judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against it or any of them in any way relating to or arising out of the Fundamental Documents or any action taken or omitted by it or any of them under the Fundamental Documents to the extent not reimbursed by the Borrower or one of its Subsidiaries (except such as shall result from the gross negligence or willful misconduct of the Person seeking indemnification); and (iii) to indemnify and hold harmless the Issuing Lenders and any of their respective directors, officers, employees, or agents or demand in the amount of its proportionate share from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs expenses or disbursements of any kind or nature whatever which may be imposed or incurred by or asserted against it relating to or arising out of the issuance of any Letters of Credit (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, issue the Settlement Letter of Credit and issue and participate in the other Letters of Credit hereunder based on its own analysis of the transactions contemplated hereby and of the creditworthiness of the Borrower and agrees that neither the Administrative Agent nor any Issuing Lender shall bear responsibility therefor.

SECTION 8.9. NOTICE OF TRANSFER.

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

SECTION 8.10. SUCCESSOR ADMINISTRATIVE AGENT.

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

any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 8.11. RESIGNATION OF AN ISSUING LENDER.

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

9. MISCELLANEOUS

SECTION 9.1. NOTICES.

Notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and, if by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sending party hereto, delivered by such equipment) addressed, if to the Administrative Agent or Chase, to it at 270 Park Avenue, New York, New York 10017-2070 Attn: Sandra Miklave, with a copy to Stephanie Parker, or if to the Borrower, to it at 6 Sylvan Way, Parsippany, NJ 07054-0278 Attention: David Johnson, Chief Financial Officer and James E. Buckman, Vice Chairman and General Counsel, with a copy to Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, NY 10022, Attn: James Douglas, or if to a Lender, to it at its address set forth on the signature page (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 Commitment has not been terminated. All statements in any such certificate or other instrument shall constitute representations and warranties by the Borrower hereunder.

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

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

(b) Each of the Lenders may (but only with the prior written consent of the Administrative Agent, the Issuing Lenders (other than the Issuing Lenders with respect to the Settlement Letter of Credit) and the Borrower, which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other entities either (i) all or a portion of its interests, rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the same portion of the Loans at the time owing to it and the Notes held by it) (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, however, that (1) each Non-Ratable Assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations in respect of the Loans and the Commitment (if applicable) which are the subject of such assignment, (2) each Ratable Assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement, (3) the amount of the Commitment or Competitive Loans, as the case may be, of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Lender) shall be in a minimum principal amount of $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).

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

(d) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in, or in connection with, this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Fundamental Documents or any other instrument or document furnished pursuant hereto or thereto; (ii) such Lender assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Fundamental Documents; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Sections 5.1(a) and 5.1(b) (or if none of such financial statements shall have then been delivered, then copies of the financial statements referred to in Section 3.4 hereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the assigning Lender, the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Fundamental Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will be bound by the provisions of this Agreement and will perform in accordance with its terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

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

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee, any Notes subject to such assignment (if required hereunder) and the processing and recordation fee, the Administrative Agent (subject to the right, if any, of the Borrower to require its consent thereto) shall, if such Assignment and Acceptance has been completed and is substantially in the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt written notice thereof to the Borrower. If a portion of the Commitment has been assigned by an assigning Lender, then such Lender shall deliver its Revolving Credit Note, if any, at the same time it delivers the applicable Assignment and Acceptance to the Administrative Agent. If only Competitive Loans have been assigned by the assigning Lender, such Lender shall not be required to deliver its Competitive Note to the Administrative Agent, unless such Lender no longer holds a Commitment under this Agreement, in which event such assigning Lender shall deliver its Competitive Note, if any, at the same time it delivers the applicable Assignment and Acceptance to the Administrative Agent. Within five Business Days after receipt of the notice, the Borrower, at its own expense, shall execute and deliver to the applicable Lenders at their request, either (A) a new Revolving Credit Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and a Competitive Note to the order of such assignee in an amount equal to the Total Commitment hereunder, and a new Revolving Credit Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder, or (B) if Competitive Loans only have been assigned and the assigning Lender holds a Commitment under this Agreement, then a new Competitive Note to the order of the assignee Lender in an amount equal to the outstanding principal amount of the Competitive Loan(s) purchased by it pursuant to the Assignment and Acceptance, or (C) if Competitive Loans only have been assigned and the assigning Lender does not hold a Commitment under this Agreement, a new Competitive Note to the order of such assignee in an amount equal to the outstanding principal amount of the Competitive Loans(s) purchased by it pursuant to such Assignment and Acceptance and, a new Competitive Note to the order of the assigning Lender in an amount equal to the outstanding principal amount of the Competitive Loans retained by it hereunder. Any new Revolving Credit Notes shall be in an aggregate principal amount equal to the aggregate principal amount of the Commitments of the respective Lenders. All new Notes shall be dated the date hereof and shall otherwise be in substantially the forms of Exhibits A-1 and A-2 hereto, as the case may be.

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

(v) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(h) The Lenders may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.3, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to the Administrative Agent by or on behalf of the Borrower; provided that prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall agree, by executing a confidentiality letter in form and substance equivalent to the confidentiality letter executed by the Lenders in connection with information received by such Lenders relating to this transaction to preserve the confidentiality of any confidential information relating to the Borrower received from such Lender.

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

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

(k) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Revolving Credit Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to Section 2.1 or 2.6, provided that (i) nothing herein shall constitute a commitment to make any Revolving Credit Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Revolving Credit Loan or fund any other obligation required to be funded by it hereunder, the Granting Lender shall be obligated to make such Revolving Credit Loan or fund such obligation pursuant to the terms hereof. The making of a Revolving Credit Loan by an SPC hereunder shall satisfy the obligation of the Granting Lenders to make Revolving Credit Loans to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any payment under this Agreement for which a Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against or join any other person in instituting against, such SPC any bankruptcy, reorganization,

arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 9.3 any SPC may (i) with notice to, but without the prior written consent of, the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Revolving Credit Loan to its Granting Lender or to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Revolving Credit Loans made by SPC or to support the securities (if any) issued by such SPC to fund such Revolving Credit Loans and (ii) disclose on a confidential basis any non-public information relating to its Revolving Credit Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 9.4. EXPENSES; DOCUMENTARY TAXES.

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

SECTION 9.5. INDEMNITY.

Further, by the execution hereof, the Borrower agrees to indemnify and hold harmless the Administrative Agent and the Lenders and the Issuing Lenders and their respective directors, officers, employees and agents (each, an "Indemnified Party") from and against any and all expenses (including reasonable fees and disbursements of counsel), losses, claims, damages and liabilities arising out of any claim, litigation, investigation or proceeding (regardless of whether any such Indemnified Party is a party thereto) in any way relating to the transactions contemplated hereby, but excluding therefrom all expenses, losses, claims, damages, and liabilities arising out of or resulting from the gross negligence or willful misconduct of the

Indemnified Party seeking indemnification, provided, however, that the Borrower shall not be liable for the fees and expenses of more than one separate firm for all such Indemnified Parties in connection with any one such action or any separate but substantially similar or related actions in the same jurisdiction, nor shall the Borrower be liable for any settlement of any proceeding effected without the Borrower's written consent, and provided further, however, that this Section 9.5 shall not be construed to expand the scope of the Borrower's reimbursement obligations specified in Section 9.4. The obligations of the Borrower under this Section 9.5 shall survive the termination of this Agreement and/or payment of the Loans and/or the expiration of the Letters of Credit.

SECTION 9.6. CHOICE OF LAW.

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

SECTION 9.7. NO WAIVER.

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

SECTION 9.8. EXTENSION OF MATURITY.

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

SECTION 9.9. AMENDMENTS, ETC.

No modification, amendment or waiver of any provision of this Agreement, and no consent to any departure by the Borrower herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed or consented to in writing by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given; provided, however, that no such modification or amendment shall without the written consent of each Lender affected thereby (x) increase the Commitment of a Lender or postpone or waive any scheduled reduction in the Commitments, or (y) alter the stated maturity or principal amount of any installment of any Loan (or any

reimbursement obligation with respect to a Letter of Credit) or decrease the rate of interest payable thereon, or the rate at which the Facility Fees, Utilization Fees or letter of credit fees accrue or (z) waive a default under Section 7(b) hereof with respect to a scheduled principal installment of any Loan; and provided, further that no such modification or amendment shall without the written consent of all of the Lenders (i) amend or modify any provision of this Agreement which provides for the unanimous consent or approval of the Lenders, or (ii) amend this Section 9.9 or the definition of Required Lenders; and provided, further that no such modification or amendment shall decrease the Commitment of any Lender without the written consent of such Lender. No such amendment or modification may adversely affect the rights and obligations of the Administrative Agent or any Issuing Lender hereunder without its prior written consent. No notice to or demand on the Borrower shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Each holder of a Note shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not a Note shall have been marked to indicate such amendment, modification, waiver or consent and any consent by any holder of a Note shall bind any Person subsequently acquiring a Note, whether or not a Note is so marked.

SECTION 9.10. SEVERABILITY.

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

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

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

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

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

SECTION 9.12. HEADINGS.

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

SECTION 9.13. EXECUTION IN COUNTERPARTS.

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

SECTION 9.14. ENTIRE AGREEMENT.

This Agreement represents the entire agreement of the parties with regard to the subject matter hereof and the terms of any letters and other documentation entered into among the Borrower, the Administrative Agent or any Lender (other than the provisions of the letter agreement dated July 20, 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.

SECTION 9.15. CONFIDENTIALITY.

Each of the Administrative Agent and the Lenders agrees to keep confidential all non-public information provided to it by the Borrower and its Subsidiaries pursuant to this Agreement that is designated by the Borrower as confidential; PROVIDED that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate of any Lender, (b) to any participant or assignee (each, a "TRANSFEREE") of such Lender or prospective Transferee which agrees to comply with the provisions of this Section, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) upon the request or demand of any governmental or regulatory authority having jurisdiction over it, (e) in response to any order of any court or other governmental authority or as may otherwise be required pursuant to any requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) which has been publicly disclosed other than in breach of this Section 9.15, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (i) in connection with the exercise of any remedy hereunder or under any other Fundamental Document.

SECTION 9.16. DELIVERY OF ADDENDA.

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

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

CENDANT CORPORATION

By:_____
Name:
Title:

THE CHASE MANHATTAN BANK,
as Administrative Agent and as a Lender

By:_____
Name:
Title:

Schedule 2.1

COMMITMENTS

LENDER	COMMITMENT ($MM)
The Chase Manhattan Bank	$190.0
Bank of America, N.A.	$160.0
The Bank of Nova Scotia	$150.0
Credit Lyonnais New York Branch	$150.0
First Union National Bank	$145.0
The Industrial Bank of Japan, Limited	$145.0
The Sumitomo Bank, Limited	$100.0
BNP Paribas	$100.0
Bank One, NA	$75.0
Citibank, NA	$75.0
Credit Suisse First Boston	$75.0
Mellon Bank, N.A.	$75.0
The Bank of New York	$50.0
The Fuji Bank, Limited	$50.0
The Northern Trust Company	$50.0
The Royal Bank of Scotland plc	$50.0
The Sanwa Bank, Limited	$50.0
Westdeutsche Landesbank Girozentrale	$50.0
Amsouth Bank	$10.0
TOTAL	$1,750.0

Schedule 3.9

LITIGATION

None

Schedule 6.1

EXISTING INDEBTEDNESS AND GUARANTEES

Lease Agreement dated 11/29/91 between Days Inns of America, Inc. and John Hancock Life Insurance Company in the amount of $373,970.

Lease Agreement dated 8/1/93 between Coldwell Banker Corporation and Pitney Bowes in the amount of $22,805.

Lease Agreement dated 6/1/95 between Coldwell Banker Corporation and Xerox Corporation in the amount of $652,331.

AMENDMENT (this "AMENDMENT"), dated as of February 22, 2001, to the THREE YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT dated August 29, 2000 (as amended, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), by and among CENDANT CORPORATION, a Delaware corporation (the "BORROWER"), the financial institutions parties thereto (the "LENDERS"), THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H:
- - - - - - - - - - -

WHEREAS, the Borrower has requested that certain provisions of the Credit Agreement be amended as set forth herein; and

WHEREAS, the Lenders are willing to agree to such amendments on the terms set forth herein;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the undersigned hereby agree as follows:

I. DEFINED TERMS. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

II. AMENDMENTS TO SECTION 1.

(a) Section 1 of the Credit Agreement is hereby amended by adding thereto the following definitions in their appropriate alphabetical order:

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

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

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

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

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

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

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

"FAIRFIELD" shall mean Fairfield Communities, Inc., a Delaware corporation.

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

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

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

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

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

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

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

(4) any proceeds of any of the foregoing.

"PURCHASE MONEY NOTE" means a promissory note of a Securitization Entity evidencing a line of credit, which may be irrevocable, from Avis or any of its

Subsidiaries to a Securitization Entity or representing the deferred purchase price for the purchase of assets by such Securitization Entity from Avis or any of its Subsidiaries, in each case in connection with a Qualified Securitization Transaction, which note is repayable from cash available to the Securitization Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of Eligible Vehicles, Eligible Leases, Fleet Receivables or a beneficial interest therein.

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

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

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

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

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

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

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

the ordinary course of business in connection with servicing Permitted Vehicle Collateral; and

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

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

(b) Section 1 of the Credit Agreement is hereby amended by deleting the definitions of the following defined terms in their respective entireties and substituting in lieu thereof the following definitions:

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

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

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

definition, the amount of Indebtedness at any time shall be reduced (but not to less than zero) by the amount of Excess Cash.

III. AMENDMENTS TO SECTION 6.

(a) Section 6.1 of the Credit Agreement is hereby amended by deleting Section 6.1(h) in its entirety and substituting in lieu thereof the following:

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

(b) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(i):

(i) any Avis Securitization Indebtedness;

(c) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(j):

(j) any Indebtedness of Fairfield or its Subsidiaries issued, outstanding or permitted to exist pursuant to the terms of the Fairfield Debt Documents as of the date of the Fairfield Merger, including any amendments, supplements, modifications, extensions, renewals, restatements, refundings or substitutions thereof and any agreements that replace, refund, refinance or substitute any part of the indebtedness evidenced by the Fairfield Debt Documents;

(d) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(k):

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

(e) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(l):

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

(f) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(j):

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

(g) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(k):

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

(h) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(l):

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

(i) Section 6.6 of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

SECTION 6.6 SALE AND LEASEBACK. Enter into any arrangement with any Person or Persons, whereby in contemporaneous transactions the Borrower or any of its Subsidiaries sells essentially all of its right, title and interest in a material asset and the Borrower or any of its Subsidiaries acquires or leases back the right to use such property except that the Borrower and its Subsidiaries may enter into sale-leaseback transactions relating to assets not in excess of $200,000,000 in the aggregate on a cumulative basis, and except (a) any arrangements of Fairfield or any of its Subsidiaries existing as of the date of the Fairfield Merger and any renewals, extensions or modifications thereof, or replacements or substitutions therefor, so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect, and (b) in connection with the issuance of Avis Securitization Indebtedness.

IV. EFFECTIVE DATE. This Amendment shall become effective on the date (the "EFFECTIVE DATE") on which the Borrower, the Administrative Agent and the Required Lenders

under the Credit Agreement shall have duly executed and delivered to the Administrative Agent this Amendment, and the Administrative Agent shall have received evidence of the effectiveness of each of (i) the Term Loan Agreement, dated as of February 22, 2001, among the Borrower, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (ii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of October 2, 1996, by and among the Borrower, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (iii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of March 4, 1997, as amended and restated through February 28, 2000, by and among PHH, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, and (iv) the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended and restated through February 22, 2001, among PHH, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent.

V. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants that (a) each of the representations and warranties in Section 3 of the Credit Agreement shall be, after giving effect to this Amendment, true and correct in all material respects as if made on and as of the Effective Date (unless such representations and warranties are stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date) and (b) after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

VI. NO OTHER AMENDMENTS; CONFIRMATION. Except as expressly amended hereby, the provisions of the Credit Agreement and each of the Fundamental Documents are and shall remain in full force and effect.

VII. GOVERNING LAW. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

VIII. COUNTERPARTS. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Amendment may be delivered by facsimile transmission of the relevant signature pages hereof.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

CENDANT CORPORATION

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: _____
Name:
Title:

AMSOUTH BANK

By: _____
Name:
Title:

BNP PARIBAS

By: _____
Name:
Title:

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

THE BANK OF NEW YORK

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA

By: _____
Name:
Title:

BANK ONE, NA (MAIN BRANCH CHICAGO)

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: _____
Name:
Title:

CREDIT SUISSE FIRST BOSTON

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK

By: _____
Name:
Title:

THE FUJI BANK, LIMITED

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY

By: _____
Name:
Title:

NATIONAL WESTMINSTER BANK PLC

By: _____
Name:
Title:

THE SANWA BANK, LIMITED

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED

By: _____
Name:
Title:

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

Exhibit 10.24

EXECUTION COPY

$650,000,000

TERM LOAN AGREEMENT

Dated as of February 22, 2001

among

CENDANT CORPORATION,

as Borrower

THE LENDERS REFERRED TO HEREIN,

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

CREDIT LYONNAIS NEW YORK BRANCH

BANK OF NOVA SCOTIA,

as Co-Documentation Agents

and

THE CHASE MANHATTAN BANK, as Administrative Agent

JP MORGAN, a division of CHASE SECURITIES INC.,
as Lead Arranger and Book Manager

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SCHEDULES

EXHIBITS

TERM LOAN AGREEMENT (the "AGREEMENT") dated as of February 22, 2001, among CENDANT CORPORATION, a Delaware corporation (the "BORROWER"), the Lenders referred to herein, the Syndication Agent and Co-Documentation Agents identified on the signature pages hereto and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders.

INTRODUCTORY STATEMENT

The Borrower has requested that the Lenders establish a $650,000,000 committed term loan facility pursuant to which Term Loans may be made to the Borrower.

Subject to the terms and conditions set forth herein, the Administrative Agent is willing to act as administrative agent for the Lenders, and each Lender is willing to make Term Loans to the Borrower.

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 Term Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article 2.

"ABR SPREAD" means 0.25%.

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

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

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

greatest of (a) the Prime Rate in effect for such day, (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1% or (c) the Base CD Rate in effect for such day plus 1%. For purposes hereof, "PRIME RATE" shall mean the rate per annum publicly announced by the Administrative Agent from time to time as its prime rate in effect at its principal office in New York City. For purposes of this Agreement, any change in the Alternate Base Rate due to a change in the Prime Rate shall be effective on the date such change in the Prime Rate is announced as effective. "FEDERAL FUNDS EFFECTIVE RATE" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. "BASE CD RATE" shall mean the sum of (a) the product of (i) the Average Weekly Three-Month Secondary CD Rate times (ii) a fraction of which the numerator is 100% and the denominator is 100% minus the aggregate rates of (A) basic and supplemental reserve requirements in effect on the date of effectiveness of such Average Weekly Three-Month Secondary CD Rate, as set forth below, under Regulation D of the Board applicable to certificates of deposit in units of $100,000 or more issued by a "member bank" located in a "reserve city" (as such terms are used in Regulation D) and (B) marginal reserve requirements in effect on such date of effectiveness under Regulation D applicable to time deposits of a "member bank" and (b) the Assessment Rate. "AVERAGE WEEKLY THREE-MONTH SECONDARY CD RATE" shall mean the three-month secondary certificate of deposit ("CD") rate for the most recent weekly period covered therein in the Federal Reserve Statistical release entitled "Weekly Summary of Lending and Credit Measures (Averages of daily figures)" released in the week during which occurs the day for which the CD rate is being determined. The CD rate so reported shall be in effect, for the purposes of this definition, for each day of the week in which the release date of such publication occurs. If such publication or a substitute containing the foregoing rate information is not published by the Federal Reserve for any week, such average rate shall be determined by the Administrative Agent on the basis of quotations received by it from three New York City negotiable certificate of deposit dealers of recognized standing on the first Business Day of the week succeeding such week for which such rate information is not published. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or Federal Funds Effective Rate, or both, for any reason, including, without limitation, the inability or failure of the Administrative Agent to obtain sufficient bids or publications in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Average Weekly Three-Month Secondary CD Rate shall be effective on the effective date of such change in the CD Rate. Any change in the Alternate Base Rate due to a change in the Federal Funds Effective Rate shall be effective on the effective date of such change in the Federal Funds Effective Rate.

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

"APPLICABLE MARGIN" shall mean (i) for ABR Loans, the ABR Spread and (ii) for LIBOR Loans, the LIBOR Spread. Each Applicable Margin shall be subject to increase as provided in Section 2.22.

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

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

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

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

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

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

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

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

"BORROWING" shall mean a group of Term Loans of a single Interest Rate Type made by the Lenders on a single date and as to which a single Interest Period is in effect.

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

"BUSINESS DAY" shall mean any day other than a Saturday, Sunday or other day on which banks in the State of New York are permitted to close; PROVIDED, HOWEVER, that when used in connection with a LIBOR Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits on the London Interbank Market.

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

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

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

"CLOSING DATE" shall mean the date on which the conditions precedent to the making of the Term Loans as set forth in Section 4.1 have been satisfied or waived, which shall in no event be later than March 31, 2001.

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

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

"CONSOLIDATED EBITDA" shall mean, without duplication, for any period for which such amount is being determined, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) provision for taxes based on income, (iii) depreciation expense, (iv) Consolidated Interest Expense, (v) amortization expense, (vi) other non-cash items reducing Consolidated Net Income, plus (vii) any cash contributions by the Borrower and its Subsidiaries during such period into the Settlement Trust to the extent such cash contributions reduce Consolidated Net Income for such period minus (viii) any cash expenditures during such period to the extent such cash expenditures (x) did not reduce Consolidated Net Income for such period and (y) were applied against reserves

that constituted non-cash items which reduced Consolidated Net Income during prior periods, all as determined on a consolidated basis for the Borrower and its Consolidated Subsidiaries in accordance with GAAP. Notwithstanding the foregoing, in calculating Consolidated EBITDA pro forma effect shall be given to each acquisition of a Subsidiary or any entity acquired in a merger in any relevant period for which the covenants set forth in Sections 6.7 and 6.8 are being calculated as if such acquisition had been made on the first day of such period.

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

"CONSOLIDATED NET INCOME" shall mean, for any period for which such amount is being determined, the net income (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 of the Borrower) 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 of any Consolidated Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by that Consolidated Subsidiary of the income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Consolidated Subsidiary, (iii) any extraordinary after-tax gains and (iv) any extraordinary or unusual pretax losses.

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

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

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

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

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

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

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

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

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

each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

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

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

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

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

"FAIRFIELD" shall mean Fairfield Communities, Inc., a Delaware corporation.

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

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

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

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

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

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

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

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

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

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

"INDEBTEDNESS" shall mean (without double counting), at any time and with respect to any Person, (i) indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase price of

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

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

"INTEREST PAYMENT DATE" shall mean, with respect to any Borrowing, the last day of the Interest Period applicable thereto and, in the case of a LIBOR Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration 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 (i) one week after the date of such Borrowing or (ii) 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, and (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, commencing March 31, 2001, (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; PROVIDED, HOWEVER, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of LIBOR Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (ii) no Interest Period with respect to any LIBOR Borrowing may be selected which would result in any LIBOR Loans having Interest Periods ending after the Maturity Date. Interest shall accrue from, and including, the first day of an Interest Period to, but excluding, the last day of such Interest Period.

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

"INTEREST RATE TYPE" when used in respect of any Term Loan or Borrowing, shall refer to the Rate by reference to which interest on such Term Loan or on the Term Loans

comprising such Borrowing is determined. For purposes hereof, "Rate" shall include LIBOR and the Alternate Base Rate.

"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 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 or ABR Loans are made, as notified to the Administrative Agent from time to time.

"LIBOR" shall mean, with respect to each day during each Interest Period pertaining to a LIBOR Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen (or any successor page thereto) as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), "LIBOR" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

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

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

"LIBOR SPREAD" shall mean 1.25%.

"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).

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

"MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole (it is understood that, for purposes of this definition, the accounting irregularities and errors disclosed in the Borrower's report on Form 10-K for the period ending December 31, 1999 filed with the Securities and Exchange Commission and the class action lawsuits disclosed therein and other class action

lawsuits arising as a result of the accounting irregularities and errors disclosed therein do not constitute a Material Adverse Effect).

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

"MATURITY DATE" shall mean February 22, 2004.

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

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

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

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

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

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

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

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

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

(4) any proceeds of any of the foregoing.

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

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

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

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

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

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

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

"REQUIRED LENDERS" shall mean at any time Lenders holding 51% of the aggregate principal amount of the Term Loans at the time outstanding.

"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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. THE TERM LOANS

SECTION 2.1. COMMITMENTS.

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 Term Loans to the Borrower, on a single borrowing date at any time on and after the Closing Date and prior to March 31, 2001 in an aggregate principal amount at any time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.1.

SECTION 2.2. TERM LOANS.

(a) Term Loans shall be made as part of a Borrowing consisting of Term Loans made by the Lenders ratably in accordance with the amounts set forth in Schedule 2.1; provided, however, that the failure of any Lender to make any Term 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 Term Loan required to be made by such other Lender). The Term Loans comprising any Borrowing shall be (i) in the case of LIBOR Loans, in an aggregate principal amount that is an integral multiple of $5,000,000 and not less than $10,000,000 and (ii) in the case of ABR Loans, in an aggregate principal amount that is an integral multiple of $500,000 and not less than $5,000,000.

(b) Each Borrowing shall be comprised entirely of LIBOR 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 Term Loan, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Term Loan in accordance with the terms of this Agreement and the applicable Term Note. Borrowings of more than one Interest Rate Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in an aggregate of more than 9 separate Borrowings being outstanding hereunder at any one time. For purposes of the calculation required by the immediately preceding sentence, LIBOR Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowing, and all Borrowings of a single Interest Rate Type made on a single date shall be considered a single Borrowing if such Borrowings have a common Interest Period.

(c) Subject to Section 2.6, each Lender shall make the Term Loan to be made by it hereunder on the proposed date thereof by making funds available at the offices of the Administrative Agent's Agent Bank Services Department, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention: Sharon Hambousi, for credit to Cendant Corporation Clearing Account, Account No. 144812905 (Reference: Cendant Corporation Term Loan Agreement dated as of February 22, 2001) no later than 1:00 P.M. New York City time in Federal or other immediately available funds. Upon receipt of the funds to be made available by the Lenders to fund any Borrowing hereunder, the Administrative Agent shall disburse such funds by depositing them into an account of the Borrower maintained with the Administrative Agent. Term 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 Term Loans shall be used by the Borrower for working capital and general corporate purposes of the Borrower and its Subsidiaries.

SECTION 2.4. RESERVED.

SECTION 2.5. BORROWING PROCEDURE.

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

SECTION 2.6. REFINANCINGS.

The Borrower may refinance all or any part of any Borrowing with a Borrowing of the same or a different Interest Rate Type pursuant to a Borrowing Request under Section 2.5, subject to the conditions and limitations set forth herein and elsewhere in this Agreement; PROVIDED, HOWEVER, that at any time after the occurrence, and during the continuation, of a Default or an Event of Default, a Borrowing or portion thereof may only be refinanced with an ABR Borrowing. Any Borrowing or part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.8 with the proceeds of a new Borrowing hereunder and the proceeds of the new Borrowing, which will repay the Borrowing being refinanced, shall not be paid by the Lenders to the Administrative Agent or by the Administrative Agent to the Borrower, and each new Borrowing will merely reflect a new or continued interest rate option.

SECTION 2.7. FEES.

(a) 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 22, 2001 among the Borrower, Chase and JP Morgan, a division of Chase Securities Inc.

(b) 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 TERM LOANS; EVIDENCE OF DEBT.

(a) The Term Loans shall mature in three installments occurring on August 22, 2002, May 22, 2003 and February 22, 2004. Such installments shall be in the amount of $216,666,666.66, $216,666,666.67 and $216,666,666.67, respectively.

(b) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Term Loan of such Lender on the dates and in the amounts set forth in paragraph (a) above (or such earlier date on which the Term Loans become due and payable pursuant to Article 7). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Term 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.

(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 the Term Loans of such Lender, 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 Term Loan made hereunder, the Interest Rate Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(e) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.8 shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Term 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 Term Loans of such Lender, substantially in the form of Exhibit A with appropriate insertions as to date and principal amount (a "Term Note").

SECTION 2.9. INTEREST ON TERM LOANS.

(a) Subject to the provisions of Section 2.10, the Term 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 LIBOR for the Interest Period in effect for such Borrowing plus the Applicable Margin therefor from time to time in effect. Interest on each LIBOR Borrowing shall be payable on each applicable Interest Payment Date.

(b) Subject to the provisions of Section 2.10, the Term 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.

(c) Interest on each Term Loan shall be payable in arrears on each Interest Payment Date applicable to such Term Loan. 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 Term 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, the rate applicable to such Term 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.

SECTION 2.11. ALTERNATE RATE OF INTEREST.

In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a LIBOR Loan, the Administrative Agent shall have determined that Dollar deposits in the amount of the requested principal amount of such LIBOR Loan are not generally available in the London Interbank Market, or that the rate at which such Dollar deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining its portion of such LIBOR Loans during such Interest Period, or that reasonable means do not exist for ascertaining LIBOR, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopier notice of such determination to the Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have determined that circumstances giving rise to such notice no longer exist, 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. RESERVED.

SECTION 2.13. PREPAYMENT OF TERM LOANS.

(a) Prior to the Maturity Date, the Borrower shall have the right at any time to prepay any Borrowing, in whole or in part, subject to the requirements of Section 2.17 but otherwise without premium or penalty, upon prior written or telecopy notice to the Administrative Agent before 12:00 noon New York City time at least one Business Day in the case of an ABR Loan and at least three Business Days in the case of a LIBOR Loan; provided, however, that each such partial prepayment shall be in an integral multiple of $5,000,000 and in a minimum aggregate principal amount of $10,000,000.

(b) Each notice of prepayment pursuant to 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 the payment of unpaid accrued interest on the principal amount being prepaid to the date of prepayment. Prepayments of the Term Loans shall be applied to the remaining installments thereof in the direct order of maturity. Any amounts prepaid pursuant to this Section 2.13 may not be reborrowed.

SECTION 2.14. EURODOLLAR RESERVE COSTS.

The Borrower shall pay to the Administrative Agent for the account of each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of, or including, Eurocurrency Liabilities (as defined in Regulation D of the Board), additional interest on the unpaid principal amount of each LIBOR Loan made to the Borrower by such Lender, from the date of such Term Loan until such Term Loan is paid in full, at an interest rate per annum equal at all times during each Interest Period for such Term 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 Term 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 Term Loan.

SECTION 2.15. RESERVE REQUIREMENTS; CHANGE IN CIRCUMSTANCES.

(a) Notwithstanding any other provision herein, if after the date of this Agreement any change in Applicable Law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) (i) shall subject any Lender to, or increase the net amount of, any tax, levy, impost, duty, charge, fee, deduction or withholding with respect to any LIBOR Loan, or shall change the basis of taxation of payments to any Lender of the principal of or interest on any LIBOR Loan made by such Lender or any other fees or amounts payable hereunder (other than (x) taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or its applicable Lending Office or by any political subdivision or taxing authority therein (or any tax which is enacted or adopted by such jurisdiction, political subdivision or taxing authority as a direct substitute for any such taxes) or

(y) any tax, assessment, or other governmental charge that would not have been imposed but for the failure of any Lender to comply with any certification, information, documentation or other reporting requirement), (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender, or (iii) shall impose on any Lender or the London Interbank Market any other condition affecting this Agreement or any LIBOR Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBOR Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) in respect thereof by an amount deemed in good faith by such Lender to be material, then the Borrower shall pay such additional amount or amounts as will compensate such Lender for such increase or reduction to such Lender upon demand by such Lender.

(b) If, after the date of this Agreement, any Lender shall have determined in good faith that the adoption after the date hereof of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any Lending Office of such Lender) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of its obligations hereunder to a level below that which such Lender (or its holding company) could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies or the policies of its holding company, as the case may be, with respect to capital adequacy) by an amount deemed by such Lender to be material, then, from time to time, the Borrower shall pay to the Administrative Agent for the account of such Lender such additional amount or amounts as will compensate such Lender for such reduction upon demand by such Lender.

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

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

(e) Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition that (i) would cause it to incur any increased cost under this Section 2.15, Section 2.16 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 Term 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 Term 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 Term 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 discretion, the making, funding or maintaining of such Term Loans through such other Lending Office would not otherwise materially adversely affect such Term Loans or such Lender.

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

SECTION 2.16. CHANGE IN LEGALITY.

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

(b) declare that LIBOR Loans will not thereafter be made by such Lender hereunder, whereupon the Borrower shall be prohibited from requesting LIBOR Loans from such Lender hereunder unless such declaration is subsequently withdrawn; and

(c) 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.

(d) 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) or refinancing of any LIBOR Loan if such LIBOR Loan is repaid or refinanced other than on the last day of the applicable Interest Period for such Term Loan or (ii) in the event that after the Borrower delivers a notice of borrowing under Section 2.5 in respect of LIBOR Loans, the applicable Term 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 Term 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 Term 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 Term Loan, such loss shall be the amount as reasonably determined by the Administrative Agent as the excess, if any, of (A) the amount of interest which would have accrued on the amount so paid at a rate of interest equal to the interest rate applicable to such Term 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 Term Loan, over (B) the amount equal to the product of (x) the amount of the Term 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 Term Loan times (z) the number of days remaining in the Interest Period for such Term 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 Term 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 or required under Sections 2.14, 2.15(c), 2.16 and 2.17, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Term Loans and each refinancing of any Borrowing with, or conversion of any Borrowing to, another Borrowing, or continuation of any Borrowing, shall be allocated pro rata among the Lenders in accordance with the respective principal amount of their outstanding Term Loans. 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 Term 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 Term Loans held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such Term Loans and although such Obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such setoff and application made by such Lender, but the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section 2.19 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 2.20. MANNER OF PAYMENTS.

All payments by the Borrower hereunder and under the Term Notes shall be made in Dollars in Federal or other immediately available funds without deduction, setoff or counterclaim at the office of the Administrative Agent's Agent Bank Services Department, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention: Sharon Hambousi, for credit to Cendant Corporation Clearing Account, Account No. 144812905 (Reference: Cendant Corporation Term Loan Agreement dated as of February 22, 2001), or to such other address or account as the Administrative Agent shall from time to time notify the Borrower, no later than 12:00 noon, New York City time, on the date on which such payment shall be due. Interest in respect of any Term Loan hereunder shall accrue from and including the date of such Term Loan to, but excluding, the date on which such Term Loan is paid or refinanced with a Term Loan of a different Interest Rate Type.

SECTION 2.21. UNITED STATES WITHHOLDING.

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

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

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

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

SECTION 2.22. CERTAIN PRICING ADJUSTMENTS.

For any day that the S&P rating of the Borrower's senior unsecured long-term debt is less than BBB- and the Moody's rating of the Borrower's senior unsecured long-term debt is less than Baa3 (or the Borrower's senior unsecured debt is not rated by at least one of S&P and Moody's), the Applicable Margin will increase by 50 basis points. In the event that the Borrower's senior unsecured long-term debt is rated by only one of S&P and Moody's, then that single rating shall be determinative. The Borrower shall cause its senior unsecured long-term debt to be rated by either S&P or Moody's. Any reduction of any such rating shall become effective on the date of announcement or publication by the Borrower or either such rating agency of a reduction in such rating or, in the absence of such announcement or publication, on the effective date of such decreased rating, or on the date of any request by the Borrower to either of such rating agencies not to rate its senior unsecured long-term debt or on the date either of such rating agencies announces it shall no longer rate the Borrower's senior unsecured long-term debt. Any increase of any such rating 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.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

In order to induce the Lenders to enter into this Agreement and to make the Term Loans 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 Term Notes and the making of the Term 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, NO VIOLATION AND COMPLIANCE WITH Law.

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

SECTION 3.3. GOVERNMENTAL AND OTHER APPROVAL AND CONSENTS.

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

SECTION 3.4. FINANCIAL STATEMENTS OF BORROWER.

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

SECTION 3.5. NO MATERIAL ADVERSE CHANGE.

There has been no material adverse change in the business, assets, operations, or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole from that

disclosed in the audited consolidated financial statements (including the footnotes thereto) of the Borrower referred to in Section 3.4 for its 1999 fiscal year.

SECTION 3.6. INTENTIONALLY OMITTED.

SECTION 3.7. COPYRIGHTS, PATENTS AND OTHER RIGHTS.

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

SECTION 3.8. TITLE TO PROPERTIES.

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

SECTION 3.9. LITIGATION.

Except as disclosed in the Borrower's filings with the Securities and Exchange Commission prior to the Closing Date, 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 Term 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, as amended, or the Federal Power Act, as amended.

SECTION 3.12. ENFORCEABILITY.

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

SECTION 3.13. TAXES.

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

SECTION 3.14. COMPLIANCE WITH ERISA.

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

SECTION 3.15. DISCLOSURE.

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

SECTION 3.16. ENVIRONMENTAL LIABILITIES.

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

4. CONDITIONS OF LENDING

SECTION 4.1. CONDITIONS PRECEDENT TO TERM LOANS.

The obligation of each Lender to make its Term Loan is subject to the following conditions precedent.

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

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

(c) FINANCIAL STATEMENTS. The Lenders shall have received the financial statements of the Borrower referred to in Section 3.4.

(d) OPINIONS OF COUNSEL. The Administrative Agent shall have received the favorable written opinions, dated the date of the initial Term Loans and addressed to the Administrative Agent and the Lenders, of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Borrower and/or of the General Counsel or Vice President, Legal of the Borrower, 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 since December 31, 1999 no events and conditions have occurred that have had, or could reasonably be expected to have, a Material Adverse Effect.

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

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

(h) OFFICER'S CERTIFICATE. The Administrative Agent shall have received a certificate of the Borrower's chief executive officer or chief financial officer certifying, as of the date of the making of the initial Term Loans, compliance with the conditions set forth in paragraphs (k) and (l) of this Section 4.1.

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

(j) NOTICE. The Administrative Agent shall have received a notice with respect to such Term Loan as required by Article 2 hereof.

(k) REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in Article 3 hereof and in the other Fundamental Documents shall be true and correct in all material respects on and as of the date of the initial Term Loans 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.

(l) NO EVENT OF DEFAULT. On the date of the initial Term Loans 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 on such date or after giving effect to the Term Loans to be made on such date.

(m) OTHER AGREEMENTS. The Administrative Agent shall have received evidence of the effectiveness of each of (i) the Amendment, dated as of February 22, 2001, to the Three Year Competitive Advance and Revolving Credit Agreement dated August 29, 2000, by and among the Borrower, the lenders parties thereto, and The Chase Manhattan Bank, as administrative agent, (ii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of October 2, 1996, by and among the Borrower, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (iii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of March 4, 1997, as amended and restated through February 28, 2000, by and among PHH, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, and (iv) the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended and restated through February 22, 2001, among PHH, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent.

5. AFFIRMATIVE COVENANTS

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

(b) As soon as is practicable, but in any event within 55 days after the end of each of the first three fiscal quarters of each fiscal year, the unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, as at the end of, and the related unaudited statements of income (or changes in financial position) for such quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter and the corresponding figures as at the end of, and for, the corresponding period in the preceding fiscal year, together with a certificate signed by the chief financial officer or a vice president responsible for financial administration of the Borrower to the effect that such financial statements, while not examined by independent public accountants, reflect, in his opinion and in the opinion of the Borrower, all adjustments necessary to present fairly the financial position of the Borrower and its Consolidated Subsidiaries, as the case may be, as at the end of the fiscal quarter and the results of their operations for the quarter then ended in conformity with GAAP consistently applied, subject only to year-end and audit adjustments and to the absence of footnote disclosure;

(c) Together with the delivery of the statements referred to in paragraphs (a) and (b) of this Section 5.1, a certificate of the chief financial officer or a vice president responsible for financial administration of the Borrower, substantially in the form of Exhibit D hereto (i) stating whether or not the signer has knowledge of any Default or

Event of Default and, if so, specifying each such Default or Event of Default of which the signer has knowledge, the nature thereof and any action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event and (ii) demonstrating in reasonable detail compliance with the provisions of Sections 6.7 and 6.8 hereof;

(d) INTENTIONALLY OMITTED;

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

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

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

(h) Together with each set of financial statements required by paragraph (a) above, a certificate of the independent certified public accountants rendering the report and opinion thereon (which certificate may be limited to the extent required by accounting rules or otherwise) (i) stating whether, in connection with their audit, any Default or Event of Default has come to their attention, and if such a Default or Event of Default has come to their attention, specifying the nature and period of existence thereof, and (ii) stating that based on their audit nothing has come to their attention which causes them to believe that the matters specified in paragraph (c)(ii) above for the applicable fiscal year are not stated in accordance with the terms of this Agreement.

SECTION 5.2. CORPORATE EXISTENCE; COMPLIANCE WITH STATUTES.

Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its corporate existence, material rights, licenses, permits and franchises and comply, except where failure to comply, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, with all provisions of Applicable Law, and all applicable restrictions imposed by, any Governmental Authority, including without limitation, the Federal Trade Commission's "Disclosure Requirements and Prohibitions

Concerning Franchising and Business Opportunity Ventures" as amended from time to time (16 C.F.R. ss.ss. 436.1 ET SEQ.) and all state laws and regulations of similar import; PROVIDED, HOWEVER, that mergers, dissolutions and liquidations permitted under Section 6.4 shall be permitted.

SECTION 5.3. INSURANCE.

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

SECTION 5.4. TAXES AND CHARGES.

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

SECTION 5.5. ERISA COMPLIANCE AND REPORTS.

Furnish to the Administrative Agent (a) as soon as possible, and in any event within 30 days after any executive officer (as defined in Regulation C under the Securities Act of 1933) of the Borrower knows that (i) any Reportable Event with respect to any Plan has occurred, a statement of the chief financial officer of the Borrower, setting forth details as to such Reportable Event and the action which it proposes to take with respect thereto, together with a copy of the notice, if any, required to be filed by the Borrower or any of its Subsidiaries of such Reportable Event with the PBGC or (ii) an accumulated funding deficiency has been incurred or an application has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard or an extension of any amortization period under Section 412 of the Code with respect to a Plan, a Plan has been or is proposed to be terminated in a "distress termination" (as defined in Section 4041(c) of ERISA), proceedings have been instituted to terminate a Plan or a Multiemployer Plan, a proceeding has been instituted to collect a delinquent contribution to a Plan or a Multiemployer Plan, or either the Borrower or any of its Subsidiaries will incur any liability (including any contingent or secondary liability) to or on account of the termination of or withdrawal from a Plan under Sections 4062, 4063, 4064 of

ERISA or the withdrawal or partial withdrawal from a Multiemployer Plan under Sections 4201 or 4204 of ERISA, a statement of the chief financial officer of the Borrower, setting forth details an to such event and the action it proposes to take with respect thereto, (b) promptly upon the reasonable request of the Administrative Agent, copies of each annual and other report with respect to each Plan and (c) promptly after receipt thereof, a copy of any notice the Borrower or any of its Subsidiaries may receive from the PBGC relating to the PBGC's intention to terminate any Plan or to appoint a trustee to administer any Plan; provided that the Borrower shall not be required to notify the Administrative Agent of the occurrence of any of the events set forth in the preceding clauses (a) and (c) unless such event, individually or in the aggregate, could reasonably be expected to result in a material liability to the Borrower and its Subsidiaries taken as a whole.

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

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

SECTION 5.7. MAINTENANCE OF PROPERTIES.

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

SECTION 5.8. CHANGES IN CHARACTER OF BUSINESS.

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

6. NEGATIVE COVENANTS

From the date of the initial Term Loan and for so long as any amount shall remain outstanding under any Term 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 INDEBTEDNESS.

Incur, assume or suffer to exist any Indebtedness of any Material Subsidiary 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, is listed on Schedule 6.1 hereto, but not any extensions or renewals thereof, unless effected on substantially the same terms or on terms not more adverse to the Lenders;

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

(c) Guaranties;

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

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

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

(g) other Indebtedness of any Material Subsidiary in an aggregate principal amounts which, when added to the aggregate outstanding principal amount of Indebtedness permitted by paragraphs (e) and (f) above, does not exceed $400,000,000;

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

(i) any Avis Securitization Indebtedness;

(j) any Indebtedness of Fairfield or its Subsidiaries issued, outstanding or permitted to exist pursuant to the terms of the Fairfield Debt Documents as of the date of the Fairfield Merger, including any amendments, supplements, modifications, extensions, renewals, restatements, refundings or substitutions thereof and any agreements that

replace, refund, refinance or substitute any part of the indebtedness evidenced by the Fairfield Debt Documents;

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

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

SECTION 6.2. INTENTIONALLY OMITTED.

SECTION 6.3. HOTEL SUBSIDIARIES.

No Hotel Subsidiary shall incur or suffer to exist any obligation to advance money to purchase securities from, or otherwise make any investment in, any Person engaged in the gaming business.

SECTION 6.4. CONSOLIDATION, MERGER, SALE OF ASSETS.

(a) Neither the Borrower nor any of its Material Subsidiaries (in one transaction or series of transactions) will wind up, liquidate or dissolve its affairs, or enter into any transaction of merger or consolidation, except any merger, consolidation, dissolution or liquidation (i) in which the Borrower is the surviving entity or if the Borrower is not a party to such transaction then a Subsidiary is the surviving entity or the successor to the Borrower has unconditionally assumed in writing all of the payment and performance obligations of the Borrower under this Agreement and the other Fundamental Documents, (ii) in which the surviving entity becomes a Subsidiary of the Borrower immediately upon the effectiveness of such merger, consolidation, dissolution or liquidation, or (iii) involving a Subsidiary in connection with a transaction permitted by Section 6.4(b); provided, however, that immediately prior to and on a Pro Forma Basis after giving effect to any such transaction described in any of the preceding clauses (i), (ii) and (iii) no Default or Event of Default has occurred and is continuing.

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

SECTION 6.5. LIMITATIONS ON LIENS.

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

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

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

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

(d) Liens arising out of attachments, judgments or awards as to which an appeal or other appropriate proceedings for contest or review are promptly commenced (and as to which foreclosure and other enforcement proceedings (i) shall not have been commenced (unless fully bonded or otherwise effectively stayed) or (ii) in any event shall be promptly fully bonded or otherwise effectively stayed);

(e) Liens created under any Fundamental Document;

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

(g) INTENTIONALLY OMITTED;

(h) INTENTIONALLY OMITTED;

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

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

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

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

SECTION 6.6. SALE AND LEASEBACK.

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

SECTION 6.7. LEVERAGE.

Permit the Debt to Capitalization Ratio on the last day of any fiscal quarter to be greater than 0.5 to 1.0.

SECTION 6.8. INTEREST COVERAGE RATIO.

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

SECTION 6.9. ACCOUNTING PRACTICES.

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

7. EVENTS OF DEFAULT

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

(a) any representation or warranty made by the Borrower in this Agreement or any other Fundamental Document or in connection with this Agreement or with the execution and delivery of the Term 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 Term Loans or of any fees or other amounts payable by the Borrower hereunder, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, and in the case of payments of interest, such default shall continue unremedied for five days, and in the case of payments other than of any principal amount of or interest on the Term Loans, such default shall continue unremedied for five days after receipt by the Borrower of an invoice therefor;

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

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

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

(f) the Borrower or any of its Material Subsidiaries shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or the Borrower or any of its Material Subsidiaries shall commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as debtor or to adjudicate it a bankrupt or

insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property or shall file an answer or other pleading in any such case, proceeding or other action admitting the material allegations of any petition, complaint or similar pleading filed against it or consenting to the relief sought therein; or the Borrower or any Material Subsidiary thereof shall take any action to authorize any of the foregoing;

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

(h) the occurrence of a Change in Control;

(i) final judgment(s) for the payment of money in excess of $50,000,000 shall be rendered against the Borrower or any of its Subsidiaries which within thirty (30) days from the entry of such judgment shall not have been discharged or stayed pending appeal or which shall not have been discharged within thirty (30) days from the entry of a final order of affirmance on appeal (other than the final judgment(s) rendered to give effect to the Settlement); or

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

then, in every such event and at any time thereafter during the continuance of such event, the Administrative Agent may or shall, if directed by the Required Lenders, declare the principal of and the interest on the Term Loans and the Term 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 Term Notes to the contrary notwithstanding. If an Event of Default specified in paragraph (f) or (g) above shall have occurred, the principal of and interest on the Term Loans and the Term 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 Term Notes to the contrary notwithstanding.

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 its designees. Each of the Lenders hereby irrevocably authorizes the Administrative Agent, at its discretion, to take or refrain from taking such actions as agent on its behalf and to exercise or refrain from exercising such powers under the Fundamental Documents, the Term 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 Syndication Agent or Co-Documentation Agent (as indicated on the signature pages hereto) for the credit facility hereunder shall not have any duties or responsibilities except as a Lender hereunder.

SECTION 8.2. ADVANCES AND PAYMENTS.

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

(b) Any amounts received by the Administrative Agent in connection with this Agreement or the Term Notes the application of which is not otherwise provided for shall be applied, in accordance with each of the Lenders' pro rata interest therein (and subject to Section 9.3(k) with respect to any Lender which meets its obligations hereunder by or through an SPC), first, to pay accrued but unpaid interest on the Term Loans, second, to pay the principal balance outstanding on the Term Loans and third, to pay other amounts payable to the Administrative Agent and/or the Lenders. All amounts to be paid to any of the Lenders by the Administrative Agent shall be credited to the Lenders, 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 hereof 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, obtain payment in respect of its Term Loans as a result of which the unpaid portion of its Term 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 Term Loans of such other Lenders, so that the aggregate unpaid principal amount of each of the Lenders' Term Loans and its participation in Term Loans of the other Lenders shall be in the same proportion to the aggregate unpaid principal amount of all Term Loans then outstanding as the principal amount of its Term Loans prior to the obtaining of such payment was to the principal amount of all Term 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 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 directors, officers, agents, employees or affiliates shall be liable to the Lenders or any of them for any action taken or omitted to be taken in good faith, or be responsible to the Lenders or to any of them for the consequences of any oversight or error of judgment, or for any loss, unless the same shall happen through its gross negligence or willful misconduct. The Administrative Agent and its directors, officers, agents, employees and affiliates shall in no event be liable to the Lenders or to any of them for any action taken or omitted to be taken by it pursuant to instructions received by it from the Required Lenders or in reliance upon the advice of counsel selected by it. Without limiting the foregoing, neither the Administrative Agent nor any of its directors, officers, employees, agents or affiliates shall be responsible to any of the Lenders for the due execution, validity, genuineness, effectiveness, sufficiency, or enforceability of, or for any statement, warranty, or representation in, or for the perfection of any security interest contemplated by, this Agreement or any related agreement, document or order, or for the designation or failure to designate this transaction as a "Highly

Leveraged Transaction" for regulatory purposes, or shall be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants, or agreements of this Agreement or any related agreement or document.

(b) Neither the Administrative Agent nor any of its directors, officers, employees, agents or affiliates 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 Term Notes or any related agreement or document or in connection herewith or therewith.

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

SECTION 8.6. REIMBURSEMENT AND INDEMNIFICATION.

Each of the Lenders severally and not jointly agrees (i) to reimburse the Administrative Agent, in the amount of its proportionate share, for any expenses and fees incurred for the benefit of the Lenders under the Fundamental Documents, including, without limitation, counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, and any other expense incurred in connection with the administration or enforcement thereof not reimbursed by the Borrower or one of its Subsidiaries, and (ii) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees, or agents, on demand, in the amount of its proportionate share, 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 the Administrative Agent 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 Term 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 that is a party to this Agreement as the owner of such Lender's respective portions of the Term 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. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which with the consent of the Borrower, which will not be unreasonably withheld, shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

9. MISCELLANEOUS

SECTION 9.1. NOTICES.

Notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and, if by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sending party hereto, delivered by such equipment) addressed, if to the Administrative Agent or Chase, to it at 270 Park Avenue, New York, New York 10017-2070 Attn: Sandra Miklave, with a copy to Randolph Cates, or if to the Borrower, to it at 6 Sylvan Way, Parsippany, NJ 07054, Attention: David Johnson, Chief Financial Officer and James E. Buckman, Vice Chairman and General Counsel, with a copy to Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, NY 10022, Attn: James Douglas, or if to a Lender, to it at its address notified to the Administrative Agent (or set forth in its Assignment and Acceptance or other agreement pursuant to which it became a Lender hereunder), or such other address as such party may from time to time designate by giving

written notice to the other parties hereunder. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the fifth Business Day after the date when sent by registered or certified mail, postage prepaid, return receipt requested, if by mail, or when delivered to the telegraph company, charges prepaid, if by telegram, or when receipt is acknowledged, if by any telecopier or telegraphic communications equipment of the sender, in each case addressed to such party as provided in this Section 9.1 or in accordance with the latest unrevoked written direction from such party.

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

All warranties, representations and covenants made by the Borrower in the Fundamental Documents 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 Term Loans herein contemplated and the issuance and delivery to the Administrative Agent of the Term 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. 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; TERM LOAN SALES; PARTICIPATIONS.

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

(b) Each of the Lenders may (but only with the prior written consent of the Administrative Agent and the Borrower, which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other entities all or a portion of its interests, rights and obligations under this Agreement (including, without limitation, all or a portion of the Term Loans at the time owing to it and the Term Notes held by it); provided, however, that (1) each assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement, (2) the amount of the Term Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Lender) shall be in a minimum principal amount of $10,000,000 (or, if less, the outstanding principal amount of the assigning Lender's Term Loans), unless otherwise agreed by the Borrower and the Administrative Agent and (3) 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 Term Note subject to such assignment (if required hereunder) and a processing and recordation fee of $3,500. Upon such execution, delivery, acceptance and recording, and from and after the effective date specified in each Assignment and Acceptance, which effective date shall be not earlier than five Business Days after the date of acceptance and recording by the

Administrative Agent, (x) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of the assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto).

(c) Notwithstanding the other provisions of this Section 9.3, each Lender may at any time make an assignment of all or any part of its interests, rights and obligations under this Agreement to (i) any Affiliate of such Lender or (ii) any other Lender hereunder.

(d) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in, or in connection with, this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Fundamental Documents or any other instrument or document furnished pursuant hereto or thereto; (ii) such Lender assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Fundamental Documents; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Sections 5.1(a) and 5.1(b) (or if none of such financial statements shall have then been delivered, then copies of the financial statements referred to in Section 3.4 hereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the assigning Lender, the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Fundamental Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will be bound by the provisions of this Agreement and will perform in accordance with its terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(e) The Administrative Agent, on behalf of the Borrower, shall maintain at its address at which notices are to be given to it pursuant to Section 9.1, a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders and the principal amount of the Term 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 Term Loan or other obligation hereunder not evidenced by a Term Note, shall) treat each Person whose name is recorded in the Register as the owner of a Term 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 Term Loan or other obligation hereunder not evidenced by a Term 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 Term Notes subject to such assignment (if required hereunder) and the processing and recordation fee, the Administrative Agent (subject to the right, if any, of the Borrower to require its consent thereto) shall, if such Assignment and Acceptance has been completed and is substantially in the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt written notice thereof to the Borrower. If a portion of the Term Loans owing to any Lender has been assigned by an assigning Lender, then such Lender shall deliver its Term 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 (or such shorter period as is agreed to by the Borrower), the Borrower, at its own expense, shall execute and deliver to the applicable Lenders at their request, a new Term Note to the order of such assignee in an amount equal to the Term Loans assigned to it pursuant to such Assignment and Acceptance, and a new Term Note to the order of the assigning Lender in an amount equal to the Term Loans retained by it hereunder. Any new Term Notes shall be in an aggregate principal amount equal to the aggregate principal amount of the Term Loans of the respective assigning Lenders. All new Term Notes shall be dated the date hereof and shall otherwise be in substantially the forms of Exhibit A hereto.

(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 entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of the Term Loans owing to it and the Term Note or Term Notes held by it); provided, however, that (i) any such Lender's obligations under this Agreement shall remain unchanged, (ii) such participant shall not be granted any voting rights under this Agreement, except with respect to matters requiring the consent of each of the Lenders hereunder, (iii) any such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iv) the participating banks or other entities shall be entitled to the cost protection provisions contained in Sections 2.14, 2.15, 2.17 and 2.21(e) hereof but a participant shall not be entitled to receive pursuant to such provisions an amount larger than its share of the amount to which the Lender granting such participation would have been entitled to receive, and (v) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(h) The Lenders may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.3, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to the Administrative Agent by or on behalf of the Borrower; provided that prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall agree, by executing a confidentiality letter in form and substance equivalent to the confidentiality

provisions of Section 9.15 to preserve the confidentiality of any confidential information relating to the Borrower received from such Lender.

(i) Each Lender hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make the Term Loans hereunder for its own account in the ordinary course of such business; provided, however, that, subject to preceding clauses (a) through (h), the disposition of the Term 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 Term Loan or any Term Note evidencing such Term 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.

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

Term Loan will be funded through an SPC and (ii) requests the Borrower prior to the Closing Date not to use the proceeds of its Term Loan for such purpose.

SECTION 9.4. EXPENSES; DOCUMENTARY TAXES.

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

SECTION 9.5. INDEMNITY.

Further, by the execution hereof, the Borrower agrees to indemnify and hold harmless the Administrative Agent 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, HOWEVER, that the Borrower shall not be liable for the fees and expenses of more than one separate firm for all such Indemnified Parties in connection with any one such action or any separate but substantially similar or related actions in the same jurisdiction, nor shall the Borrower be liable for any settlement of any proceeding effected without the Borrower's written consent, and PROVIDED FURTHER, HOWEVER, that this Section 9.5 shall not be construed to expand the scope of the Borrower's reimbursement obligations specified in Section 9.4. The obligations of the Borrower under this Section 9.5 shall survive the termination of this Agreement and/or payment of the Term Loans.

SECTION 9.6. CHOICE OF LAW.

THIS AGREEMENT AND THE TERM NOTES HAVE BEEN EXECUTED AND DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE

CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF SUCH STATE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE AND, IN THE CASE OF PROVISIONS RELATING TO INTEREST RATES, ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

SECTION 9.7. NO WAIVER.

No failure on the part of the Administrative Agent or any Lender to exercise, and no delay in exercising, any right, power or remedy hereunder or under the Term 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 8 hereof, should any payment of principal of or interest on the Term Notes or any other amount due hereunder become due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, in the case of principal, interest shall be payable thereon at the rate herein specified during such extension.

SECTION 9.9. AMENDMENTS, ETC.

No modification, amendment or waiver of any provision of this Agreement, and no consent to any departure by the Borrower herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed or consented to in writing by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given; PROVIDED, HOWEVER, that no such modification or amendment shall without the written consent of each Lender affected thereby (x) alter the stated maturity or principal amount of any installment of any Term Loan, or decrease the rate of interest payable thereon or decrease any fees payable hereunder or extend the date on which any interest payment is due, or (y) waive a default under Section 7(b) hereof with respect to a scheduled principal installment of any Term Loan; and PROVIDED, FURTHER that no such modification or amendment shall without the written consent of all of the Lenders (i) amend or modify any provision of this Agreement which provides for the unanimous consent or approval of the Lenders, or (ii) amend this Section 9.9 or the definition of Required Lenders. 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 Term Note shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not a Term Note shall have been marked to indicate such amendment, modification, waiver or consent and any consent by any holder of a Term Note shall bind any Person subsequently acquiring a Term Note, whether or not a Term 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 HEREOF. THE BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF THE ADMINISTRATIVE AGENT 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, HOWEVER, THAT THE ADMINISTRATIVE AGENT OR A 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 Februar 22, 2001, among the Borrower, Chase and JP Morgan, a division of Chase Securities Inc., relating to fees and expenses and syndication issues) prior to the execution of this Agreement which relate to Term Loans to be made hereunder shall be replaced by the terms of this Agreement.

SECTION 9.15. CONFIDENTIALITY.

Each of the Administrative Agent and the Lenders agrees to keep confidential all non-public information provided to it by the Borrower and its Subsidiaries pursuant to this Agreement that is designated by the Borrower as confidential; PROVIDED that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate of any Lender, (b) to any participant or assignee (each, a "TRANSFEREE") of such Lender or prospective Transferee which agrees to comply with the provisions of this Section, (c) any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) upon the request or demand of any governmental or regulatory authority having jurisdiction over it, (e) in response to any order of any court or other governmental authority or as may otherwise be required pursuant to any requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) which has been publicly disclosed other than in breach of this Section 9.15, (h) to the

National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (i) in connection with the exercise of any remedy hereunder or under any other Fundamental Document.

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

CENDANT CORPORATION

By:
Name:
Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent and Lender

By:
Name:
Title:

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

By:
Name:
Title:

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

By:
Name:
Title:

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

By:
Name:
Title:

FIRST UNION NATIONAL BANK, as Lender

By:
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
as Lender

By:
Name:
Title:

THE SUMITOMO BANK, LIMITED, as Lender

By:
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as Lender

By:
Name:
Title:

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH, as
Lender

By:
Name:
Title:

By:
Name:
Title:

NATIONAL WESTMINSTER BANK PLC, as
Lender

By:
Name:
Title:

CITIBANK, N.A., as Lender

By:
Name:
Title:

MELLON BANK, N.A., as Lender

By:
Name:
Title:

THE FUJI BANK, LIMITED, as Lender

By:
Name:
Title:

BNP PARIBAS, as Lender

By:
Name:
Title:

Schedule 2.1

TERM LOANS

Lender	Term Loans
The Chase Manhattan Bank	$125,000,000.01
Bank of America, N.A.	$83,333,333.33
The Bank of Nova Scotia	$83,333,333.33
Credit Lyonnais	$83,333,333.33
BNP Paribas	$50,000,000.00
National Westminster Bank plc	$50,000,000.00
First Union National Bank	$25,000,000.00
Bank of Tokyo-Mitsubishi Trust Company	$25,000,000.00
Westdeutsche Landesbank Girozentrale	$25,000,000.00
Citibank, N.A.	$25,000,000.00
The Fuji Bank, Limited	$25,000,000.00
The Sumitomo Bank, Limited	$25,000,000.00
Mellon Bank, N.A.	$25,000,000.00
TOTAL	$650,000,000.00

Schedule 6.1

EXISTING INDEBTEDNESS

None.

EXHIBIT 10.25(a)

EXECUTION COPY

364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT

Dated as of March 4, 1997, as amended and restated through February 22, 2001

among

PHH CORPORATION

as Borrower

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

JP MORGAN,
a division of CHASE SECURITIES INC.,
as Lead Arranger and Bookrunner

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364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT (the "AGREEMENT"), dated as of March 4, 1997, as amended and restated through February 22, 2001, 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 and restated through February 28, 2000 (the "EXISTING CREDIT AGREEMENT"), pursuant to which the Lenders established a $750,000,000 committed revolving credit facility under which Revolving Credit Loans (as defined below) may be made to the Borrower.

The Borrower has requested that the Termination Date (as defined below) be extended to February 21, 2002 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 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.

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

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

"AVIS FLEET" shall mean Avis Fleet Leasing and Management Corp., a Texas corporation.

"AVIS FLEET TRANSACTION" shall mean the transaction pursuant to which, after the consummation of the Avis Merger, the Borrower will purchase Avis Fleet from Avis.

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

"AVIS SECURITIZATION ENTITY" means a Subsidiary of Avis or Avis Fleet (or another Person in which Avis, Avis Fleet or any of their respective Subsidiaries makes an investment or to which Avis, Avis Fleet or any of their respective Subsidiaries transfers Permitted Vehicle Collateral or an interest in Permitted Vehicle Collateral) which engages in no activities other than in connection with the ownership, leasing, operation and financing of Eligible Vehicles and other Permitted Vehicle Collateral and which is designated by the board of directors of Avis or Avis Fleet, as applicable, as an Avis Securitization Entity and as to which:

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

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

(b) is recourse to or obligates Avis, Avis Fleet or any of their respective Subsidiaries in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of Avis, Avis Fleet or any of their respective Subsidiaries (other than an Avis Securitization Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

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

(3) neither Avis, Avis Fleet nor any of their respective Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

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

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

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

"BORROWING" shall mean a group of Loans of a single Interest Rate Type made by 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 22, 2001.

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

"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 hereunder, 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 PERIOD" shall mean the period from and including the Closing Date to but not including the Termination 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 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.

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

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

"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.

"ENUMERATED BUSINESS SEGMENTS" means the fleet, relocation or mortgage business segments of the Borrower as described in its Annual Report on Form 10-K, dated March 10, 2000.

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

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

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

"EURO" shall mean the single currency of participating member states of the European Union.

"EURO UNIT" shall mean the currency unit of the euro.

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

"EXCESS UTILIZATION DAY" shall mean each day on which the Commitment Utilization Percentage exceeds 25%.

"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).

"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 and restated through February 28, 2000, as further 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.

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

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

"GAAP" shall mean generally accepted accounting principles consistently applied (except for accounting changes in response to FASB releases or other authoritative pronouncements) provided, however, that all calculations made pursuant to Sections 6.7 and 6.8 and the related definitions shall have been computed based on such generally accepted accounting principles as are in effect on the 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 it Subsidiaries; PROVIDED that on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Indebtedness of Avis or any of its Subsidiaries shall not be deemed Indebtedness for the purposes of this definition.

"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 Termination 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 (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.

"LEAF TRUST TRANSACTION" means the financing of motor vehicles and other equipment or personal property pursuant to that certain Amended and Restated Purchase Agreement, to be dated as of the date of the consummation of the Avis Merger, among LEAF Trust, a trust established under the laws of the Province of Ontario, the Canadian Imperial Bank of Commerce, as Administrative Agent and PHH Vehicle Management Services, Inc., a corporation amalgamated under the laws of Canada (the "PURCHASE AGREEMENT"), including any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any facilities or agreements that replace, refund or refinance, in whole or in part, the Purchase Agreement.

"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 each day during each Interest Period pertaining to a LIBOR Borrowing, the rate per annum determined on the basis of the rate for deposits in Dollars or the applicable Available Foreign Currency, as the case may be, for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen (or any successor page thereto) as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "LIBOR" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits or deposits in the applicable Available Foreign Currency, as the case may be, at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"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, LIBOR Revolving Credit Loan or LIBOR Term Loan.

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

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

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

"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, a Revolving Credit Loan or a Term 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 first anniversary of the Termination Date.

"MEDIUM-TERM NOTES" means the Notes issued by the Borrower pursuant to the Indenture entered into by the Borrower dated as of November 6, 2000, as supplemented.

"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.

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

"OBLIGATIONS" shall mean the obligation of the Borrower to make due and punctual payment of principal of, and interest on (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.

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

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

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

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

(4) any proceeds of any of the foregoing.

"PERSON" shall mean any natural person, corporation, division of a corporation, partnership, 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.

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

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

"RATING AGENCIES" means S&P and Moody's, or, if either S&P or Moody's is not publicly rating the Medium-Term Notes, then another nationally recognized securities rating agency selected by the Borrower and substituted for whichever agency is not publicly rating the Medium-Term Notes.

"RATING DECLINE" means a decrease in the rating of the Medium-Term Notes by either of the Rating Agencies by one or more gradations (including gradations within rating categories as well as between rating categories); PROVIDED that such reduction or decrease must occur upon or within 30 days after the occurrence of a Significant Asset Sale, PROVIDED HOWEVER, that such 30-day period shall be extended as long as the rating of the Medium-Term Notes is under publicly announced consideration by either of the Rating Agencies (i) where the rating of the Medium-Term Notes is under publicly announced consideration for possible downgrading, or (ii) where the rating of the Medium-Term Notes is under publicly announced consideration, but where no direction of grading is initially indicated by the Rating Agency, including classifications such as "Credit Watch Developing" or such other similar classification used by the Rating Agencies, PROVIDED FURTHER, that a Rating Decline shall not have occurred if, after a decrease in rating, the Medium-Term Notes are rated at least Baa1 by Moody's AND A- by S&P.

"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 (a) prior to any conversion of Revolving Credit Loans to Term Loans in accordance with Sections 2.24 and 2.25, Lenders holding Commitments representing (in Dollar amounts) 51% or more of the Total Commitment, except that 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, "Required Lenders" shall mean Lenders holding 51% of the aggregate principal amount of the Loans at the time, and (b) thereafter, and Lenders having Term Loans with a total outstanding principal amount representing at least 51% of the sum of the total outstanding principal amount of Term Loans at such time.

"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.

"SIGNIFICANT ASSET SALE" means (i) any sale by the Borrower or its Subsidiaries of assets with a fair market value greater than $500,000,000, or (ii) the sale of 33-1/3% or more of the assets or capital stock, as the case may be, of any one of the Enumerated Business Segments, PROVIDED HOWEVER, that a Significant Asset Sale shall not include transactions in the ordinary course of business of the Borrower or its Subsidiaries, including, but not limited to, asset securitization and similar transactions or the Avis-Rent-A-Car transaction described in the Borrower's Report on Form 8-K, dated November 20, 2000.

"SIGNIFICANT ASSET SALE TRIGGERING EVENT" means the occurrence of both a Significant Asset Sale and a Rating Decline.

"SPECIAL PURPOSE VEHICLE SUBSIDIARY" shall mean PHH Caribbean Leasing, Inc. and any Subsidiary engaged in the fleet-leasing management business that (i) is, at any time, a party to one or more lease agreements with only one lessee, and (ii) finances, at any one time, its investments in lease agreements or vehicles with only one lender (which lender may be the Borrower if and to the extent that such loans and/or advances by the Borrower are not prohibited hereby).

"STANDARD SECURITIZATION UNDERTAKINGS" means representations, warranties, covenants and indemnities entered into by Avis, Avis Fleet or any of their respective Subsidiaries which are reasonably customary in securitizations of vehicles and vehicle leases.

"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).

"TERM BORROWING REQUEST" means a request by the Borrower for a conversion of Revolving Credit Loans to Term Loans in accordance with Section 2.25.

"TERMINATION DATE" means February 21, 2002. "TERM LOAN" means a Loan made pursuant to Section 2.24.

"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 Termination 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 (B) 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 Revolving Credit Loan shall be made as part of a Borrowing consisting of Revolving Credit Loans made by the Lenders ratably in accordance with their respective applicable Commitments. Each Term Loan shall be made as part of a Borrowing consisting of Term Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.4. The failure of any Lender to make any Loan required to be made by it 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). 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 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 Termination 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 Termination 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 Termination 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 Termination 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 .25% for each day on which the Commitment Utilization Percentage exceeds 25%, 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 22, 2001 among the Borrower, Chase and JP Morgan, a division of 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 (i) each Revolving Credit Loan on the Termination Date (subject to the provisions of Section 2.24) and (ii) the Term Loan of such Lender on the Maturity Date. 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 Termination 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 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. Termination of the Commitments prior to the Termination Date shall also terminate the obligations of the Lenders to make the Term Loans.

SECTION 2.13. PREPAYMENT OF LOANS.

(a) Prior to the Termination 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) 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. Amounts prepaid on account of Term Loans may not be reborrowed.

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 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. TERM LOANS.

The Revolving Credit Loans outstanding at the close of business on the Termination Date shall, at the option of the Borrower by notice given to the Administrative Agent as provided in Section 2.25 but subject to the terms and conditions hereof (including Section 4.2), convert on such date into term loans (the "TERM LOANS") to the Borrower. The Term Loans may from time to time be (a) LIBOR Loans, (b) ABR Loans or (c) a combination thereof, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.6 and 2.25.

SECTION 2.25. REQUEST FOR TERM BORROWING.

To request the conversion of the Revolving Credit Loans to Term Loans as contemplated in Section 2.24, the Borrower shall notify the Administrative Agent of such request by telephone prior to 11:00 A.M., New York City time, (a) three Business Days prior to the Termination Date, if all or any part of the Term Loans are to be initially LIBOR Borrowings or (b) one Business Day prior to the Termination Date, otherwise. Such telephonic Term Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Term Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Term Borrowing Request shall specify the following information in compliance with Section 2.2:

(i) the aggregate amount of the requested conversion;

(ii) the date of such conversion, which shall be the Termination Date;

(iii) whether after giving effect to such conversion, the outstanding Term Loans are to consist of an ABR Borrowing or a LIBOR Borrowing, or a combination thereof; and

(iv) in the case of a LIBOR Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period".

If no election as to the Type of Term Loans is specified, then the requested Term Loans shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested LIBOR Term Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Term Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan converted as part of the requested Borrowing. The aggregate principal amount of the Term Loans shall be equal to the aggregate principal amount of the Revolving Credit Loans then outstanding and the Term Loans shall be made by conversion of such Revolving Credit Loans, without any payments being made by the Lenders.

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, 1998 and December 31, 1999, and (b) unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 2000, 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, 1999 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 2001, at the time it was furnished, contained any untrue statement of a material fact or omitted to state a material fact, under the circumstances under which it was made, necessary in order to make the statements contained herein or therein not misleading. At the Closing Date, there is no fact known to the Borrower which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.16. ENVIRONMENTAL LIABILITIES.

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

4. CONDITIONS OF LENDING

SECTION 4.1. CONDITIONS PRECEDENT TO EFFECTIVENESS.

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

(a) LOAN DOCUMENTS. The Administrative Agent shall have received this Agreement and each of the other Fundamental Documents, each executed and delivered by a duly authorized officer of 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, 1998 and December 31, 1999 and (ii) unaudited consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of and for the nine-month period ended September 30, 2000.

(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, 1999.

(f) PAYMENT OF FEES. The Administrative Agent shall be satisfied that all amounts payable to the Lead 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.

(j) OTHER AGREEMENTS. The Administrative Agent shall have received evidence of the effectiveness of each of (i) the Amendment, dated as of February 22, 2001, to the Three Year Competitive Advance and Revolving Credit Agreement dated August 29, 2000, by and among Cendant Corporation, the lenders parties thereto, and The Chase Manhattan Bank, as administrative agent, (ii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of October 2, 1996, by and among Cendant Corporation, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (iii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of March 4, 1997, as amended and restated through February 28, 2000, by and among the Borrower, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, and (iv) the Term Loan Agreement, dated as of February 22, 2001, among Cendant Corporation, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent.

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 on such date or after giving effect to the Borrowing to be made on 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.

Each Borrowing and the conversion of the Revolving Credit Loans into Term Loans pursuant to Sections 2.24 and 2.25 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) Indebtedness of Special Purpose Vehicle Subsidiaries incurred to finance investment in lease agreements and vehicles by such Subsidiaries, so long as the lender (and any other party) in respect of such Indebtedness has recourse, if any, solely to the assets of such Special Purpose Vehicle Subsidiary;

(h) Indebtedness of any Asset Securitization Subsidiary incurred solely to finance asset securitization transactions as long as (i) such Indebtedness is unsecured or is secured solely as permitted by Section 6.5(n), and (ii) the lender (and any other party) in respect of such Indebtedness has recourse (other than customary limited recourse based on misrepresentations or failure of such assets to meet customary eligibility criteria), if any, solely to the assets securitized in the applicable asset securitization transaction and, if such Asset Securitization Subsidiary is of the type described in clause (i) of the definition of "Asset Securitization Subsidiary", the capital stock of such Asset Securitization Subsidiary;

(i) Indebtedness consisting of the obligation to repurchase mortgages and related assets to the extent permitted by Section 6.12; and

(j) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Indebtedness of Avis or any of its Subsidiaries issued, outstanding or permitted to exist pursuant to the terms of the Avis Debt Documents as of the date of such Avis Merger and any renewal, extension or modification of such Indebtedness so long as (i) such renewal, extension or modification is effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders and (ii) the principal amount of such Indebtedness issued, outstanding or permitted to exist pursuant to the terms of the Avis Debt Documents is not increased directly or indirectly.

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

SECTION 6.2. [INTENTIONALLY DELETED].

SECTION 6.3. LIMITATION ON TRANSACTIONS WITH AFFILIATES. Except for the Avis Fleet Transaction, 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) (i) 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)(i) 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 or similar transactions entered into in the ordinary course of business) or (ii) permit to occur a Significant Asset Sale Triggering Event.

SECTION 6.5. LIMITATIONS ON LIENS.

Suffer any Lien on the property of the Borrower or any of the Material Subsidiaries which principally transact business in the United States, except:

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

(b) purchase money Liens granted to the vendor or Person financing the acquisition of property, plant or equipment if (i) limited to the specific assets acquired and, in the case of tangible assets, other property which is an improvement to or is acquired for specific use in connection with such acquired property or which is real property being improved by such acquired property; (ii) the debt secured by such Lien is the unpaid balance of the acquisition cost

of the specific assets on which the Lien is granted; and (iii) such transaction does not otherwise violate this Agreement;

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

(d) Liens arising out of attachments, judgments or awards as to which an appeal or other appropriate proceedings for contest or review are promptly commenced (and as to which foreclosure and other enforcement proceedings (i) shall not have been commenced (unless fully bonded or otherwise effectively stayed) or (ii) in any event shall be promptly fully bonded or otherwise effectively stayed);

(e) Liens created under any Fundamental Document as contemplated by this Agreement;

(f) Liens securing Indebtedness of any Material Subsidiary to the Borrower;

(g) Liens covering only the property or assets of any Special Purpose Vehicle Subsidiary and securing only such Indebtedness of such Special Purpose Vehicle Subsidiary as is permitted under Section 6.1(g) hereof;

(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;

(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;

(p) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Liens securing Indebtedness and related obligations of the Borrower or any of the Material Subsidiaries that principally transact business in the United States to the extent such Indebtedness and related obligations are permitted under Section 6.1(j) hereof; and

(q) any Liens securing Indebtedness and related obligations of the Borrower or any of the Material Subsidiaries that principally transact business in the United States to the extent such Indebtedness and related obligations are permitted under Section 6.1(k) hereof.

SECTION 6.6. SALE AND LEASEBACK.

Enter into any arrangement with any Person or Persons, whereby in contemporaneous transactions the Borrower or any of its Subsidiaries sells essentially all of its right, title and interest in a material asset and the Borrower or any of its Subsidiaries acquires or leases back the right to use such property except that the Borrower 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, and except (a) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any arrangements of Avis or any of its Subsidiaries existing prior to the date of such Avis Merger and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect; (b) any arrangements of Avis Fleet or any of its Subsidiaries (other than the LEAF Trust Transaction) existing as of the date of the Avis Fleet Transaction and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect; (c) the LEAF Trust Transaction; and (d) without limiting either of the foregoing clauses (b) and (c), any sale-leaseback transaction entered into in connection with an asset securitization transaction the indebtedness or Indebtedness relating to which is permitted to be secured pursuant to Section 6.5(l) or 6.5(n).

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) $900,000,000 PLUS (ii) 25% of Consolidated Net Income, if positive, for each fiscal quarter after December 31, 2000.

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 eight (8) times Consolidated Net Worth.

SECTION 6.9. ACCOUNTING PRACTICES.

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

SECTION 6.10. RESTRICTIONS AFFECTING SUBSIDIARIES.

Enter into, or suffer to exist, any Contractual Obligation with any Person, which prohibits or limits the ability of any Material Subsidiary (other than Special Purpose Vehicle Subsidiaries and Asset Securitization Subsidiaries) to (a) pay dividends or make other distributions or pay any Indebtedness owed to the Borrower or any other Subsidiary, (b) make loans or advances to the Borrower or any other Subsidiary or (c) transfer any of its properties or assets to the Borrower or any other Subsidiary, except in each case (i) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Contractual Obligation of Avis or any of its Subsidiaries (other than Asset Securitization Subsidiaries or Special Purpose Vehicle Subsidiaries) existing as of the date of such Avis Merger and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect, and (b) any Contractual Obligation of Avis Fleet or any of its Subsidiaries (other than Asset Securitization Subsidiaries or Special Purpose Vehicle Subsidiaries) existing as of the date of the Avis Fleet Transaction and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect.

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 any Loan 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 any Loan, 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)), 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 Lead 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 Lead 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) Notwithstanding the other provisions of this Section 9.3, each Lender may at any time make an assignment of all or any part of its interests, rights and obligations under this Agreement to (i) any Affiliate of such Lender or (ii) any other Lender hereunder.

(d) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in, or in connection with, this Agreement 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 Lead 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 and the Administrative Agent 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 and the Administrative Agent 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 or the Administrative Agent 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 Lead 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 22, 2001, among the Borrower, Chase and JP Morgan, a division of 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:

By:____
Title:
Name:

BANK OF AMERICA, N.A.

By:_____
Title:
Name:

BANK OF MONTREAL

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:

ALLFIRST BANK

By:____

Title:

Name:

FIRST UNION NATIONAL BANK

By:_____
Title:
Name:

MELLON BANK, N.A.

By:____

Title:

Name:

NATIONAL WESTMINSTER BANK PLC

By:_____
Title:
Name:

THE SUMITOMO BANK, LIMITED

By:_____
Title:
Name:

WELLS FARGO BANK, N.A.

By:_____________________________________

Title:

Name:

By:_____________________________________

Title:

Name:

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH

By:_____
Title:
Name:

By:_____
Title:
Name:

CITIBANK, N.A.

By:____

Title:

Name:

LEHMAN COMMERCIAL PAPER INC.

By:_____
Title:
Name:

THE BANK OF NEW YORK

By:____

Title:

Name:

Schedule 1.1A

COMMITMENTS

Lender	Commitment
The Chase Manhattan Bank	$110,000,000
Bank of America, N.A.	$80,000,000
The Bank of Nova Scotia	$55,000,000
Bank One, NA	$55,000,000
Westdeutsche Landesbank Girozentrale	$50,000,000
Lehman Commercial Paper Inc.	$50,000,000
Credit Lyonnais	$37,500,000
Bank of Montreal	$37,500,000
The Bank of New York	$37,500,000
First Union National Bank	$37,500,000
Mellon Bank, NA	$25,000,000
Credit Suisse First Boston	$25,000,000
The Bank of Tokyo-Mitsubishi, Limited	$25,000,000
Citibank, NA	$25,000,000
Wells Fargo Bank, N.A.	$25,000,000
Allfirst Bank	$25,000,000
National Westminster Bank plc	$25,000,000
The Sumitomo Bank, Limited	$25,000,000
TOTAL	$750,000,000.00

Schedule 1.1B

AVAILABLE FOREIGN CURRENCIES

For purposes of Competitive Loans, Available Foreign Currencies are the following:

Canadian Dollars
the lawful currency of France
the lawful currency of Germany
Japanese Yen
the lawful currency of England
Swiss Francs
the lawful currency of Italy
euro

Schedule 6.1

EXISTING MATERIAL SUBSIDIARY INDEBTEDNESS

Various Capital Lease Agreements between Cendant Mobility and Steelcase Financial Services with minimum lease payments in the amount of $808,000.

Schedule 6.5

EXISTING LIENS

Liens in connection with leases of office equipment incurred in the ordinary course of business.

AMENDMENT (this "AMENDMENT"), dated as of February 22, 2001, to the FIVE YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT dated as of March 4, 1997, as amended and restated through February 28, 2000 (as amended, supplemented or otherwise modified from time to time, the "CREDIT Agreement"), by and among PHH CORPORATION, a Maryland corporation (the "BORROWER"), the financial institutions parties thereto (the "LENDERS"), THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H:
- - - - - - - - - - -

WHEREAS, the Borrower has requested that certain provisions of the Credit Agreement be amended as set forth herein; and

WHEREAS, the Lenders are willing to agree to such amendments on the terms set forth herein;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the undersigned hereby agree as follows:

I. DEFINED TERMS. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

II. AMENDMENTS TO SECTION 1.

(a) Section 1 of the Credit Agreement is hereby amended by adding thereto the following definitions in their appropriate alphabetical order:

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

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

"AVIS FLEET" shall mean Avis Fleet Leasing and Management Corp., a Texas corporation.

"AVIS FLEET TRANSACTION" shall mean the transaction pursuant to which, after the consummation of the Avis Merger, the Borrower will purchase Avis Fleet from Avis.

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

"AVIS SECURITIZATION ENTITY" means a Subsidiary of Avis or Avis Fleet (or another Person in which Avis, Avis Fleet or any of their respective Subsidiaries makes an investment or to which Avis, Avis Fleet or any of their respective Subsidiaries transfers Permitted Vehicle Collateral or an interest in Permitted Vehicle Collateral) which engages in no activities other than in connection with the ownership, leasing, operation and financing of Eligible Vehicles and other Permitted Vehicle Collateral and which is designated by the board of directors of Avis or Avis Fleet, as applicable, as an Avis Securitization Entity and as to which:

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

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

(b) is recourse to or obligates Avis, Avis Fleet or any of their respective Subsidiaries in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of Avis, Avis Fleet or any of their respective Subsidiaries (other than an Avis Securitization Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

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

(3) neither Avis, Avis Fleet nor any of their respective Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

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

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

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

"ENUMERATED BUSINESS SEGMENTS" means the fleet, relocation or mortgage business segments of the Borrower as described in its Annual Report on Form 10-K, dated March 10, 2000.

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

"LEAF TRUST TRANSACTION" means the financing of motor vehicles and other equipment or personal property pursuant to that certain Amended and Restated Purchase Agreement, to be dated as of the date of the consummation of the Avis Merger, among LEAF Trust, a trust established under the laws of the Province of Ontario, the Canadian Imperial Bank of Commerce, as Administrative Agent and PHH Vehicle Management Services, Inc., a corporation amalgamated under the laws of Canada (the "PURCHASE AGREEMENT"), including any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any facilities or agreements that replace, refund or refinance, in whole or in part, the Purchase Agreement.

"LIBOR" shall mean, with respect to each day during each Interest Period pertaining to a LIBOR Borrowing, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "LIBOR" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"MEDIUM-TERM NOTES" means the Notes issued by the Borrower pursuant to the Indenture entered into by the Borrower dated as of November 6, 2000, as supplemented.

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

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

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

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

(4) any proceeds of any of the foregoing.

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

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

"RATING AGENCIES" means S&P and Moody's, or, if either S&P or Moody's is not publicly rating the Medium-Term Notes, then another nationally recognized securities rating agency selected by the Borrower and substituted for whichever agency is not publicly rating the Medium-Term Notes.

"RATING DECLINE" means a decrease in the rating of the Medium-Term Notes by either of the Rating Agencies by one or more gradations (including gradations within rating categories as well as between rating categories); PROVIDED that such reduction or decrease must occur upon or within 30 days after the occurrence of a Significant Asset Sale, PROVIDED HOWEVER, that such 30-day period shall be extended as long as the rating of the Medium-Term Notes is under publicly announced consideration by either of the Rating Agencies (i) where the rating of the Medium-Term Notes is under publicly announced consideration for possible downgrading, or (ii) where the rating of the Medium-Term Notes is under publicly announced consideration, but where no direction of grading is initially indicated by the Rating Agency, including classifications such as "Credit Watch Developing" or such other similar classification used by the Rating

Agencies, PROVIDED FURTHER, that a Rating Decline shall not have occurred if, after a decrease in rating, the Medium-Term Notes are rated at least Baa1 by Moody's AND A- by S&P.

"SIGNIFICANT ASSET SALE" means (i) any sale by the Borrower or its Subsidiaries of assets with a fair market value greater than $500,000,000, or (ii) the sale of 33-1/3% or more of the assets or capital stock, as the case may be, of any one of the Enumerated Business Segments, PROVIDED HOWEVER, that a Significant Asset Sale shall not include transactions in the ordinary course of business of the Borrower or its Subsidiaries, including, but not limited to, asset securitization and similar transactions or the Avis-Rent-A-Car transaction described in the Borrower's Report on Form 8-K, dated November 20, 2000.

"SIGNIFICANT ASSET SALE TRIGGERING EVENT" means the occurrence of both a Significant Asset Sale and a Rating Decline.

"SPECIAL PURPOSE VEHICLE SUBSIDIARY" shall mean PHH Caribbean Leasing, Inc. and any Subsidiary engaged in the fleet-leasing management business that (i) is, at any time, a party to one or more lease agreements with only one lessee, and (ii) finances, at any one time, its investments in lease agreements or vehicles with only one lender (which lender may be the Borrower if and to the extent that such loans and/or advances by the Borrower are not prohibited hereby).

"STANDARD SECURITIZATION UNDERTAKINGS" means representations, warranties, covenants and indemnities entered into by Avis, Avis Fleet or any of their respective Subsidiaries which are reasonably customary in securitizations of vehicles and vehicle leases.

(b) Section 1 of the Credit Agreement is hereby amended by deleting the definition of the following defined term in its entirety and substituting in lieu thereof the following definition:

"INDEBTEDNESS" shall mean (i) all indebtedness, obligations and other liabilities of the Borrower and its Subsidiaries which are, at the date as of which Indebtedness is to be determined, includable as liabilities in a consolidated balance sheet of the Borrower and its Subsidiaries, other than (x) accounts payable and accrued expenses, (y) advances from clients obtained in the ordinary course of the relocation management services business of the Borrower and its Subsidiaries and (z) current and deferred income taxes and other similar liabilities, plus (ii) without duplicating any items included in Indebtedness pursuant to the foregoing clause (i), the maximum aggregate amount of all liabilities of the Borrower or any of its Subsidiaries under any Guaranty, indemnity or similar undertaking given or assumed of, or in respect of, the indebtedness, obligations or other liabilities, assets, revenues, income or dividends of any Person other than the Borrower or one of its Subsidiaries and (iii) all other obligations or liabilities of the Borrower or any of its Subsidiaries in relation to the discharge of the obligations of any Person other than the Borrower or one of it Subsidiaries; PROVIDED that on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Indebtedness of Avis or any of its Subsidiaries shall not be deemed Indebtedness for the purposes of this definition.

III. AMENDMENTS TO SECTION 6.

(a) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(g):

(g) Indebtedness of Special Purpose Vehicle Subsidiaries incurred to finance investment in lease agreements and vehicles by such Subsidiaries, so long as the lender (and any other party) in respect of such Indebtedness has recourse, if any, solely to the assets of such Special Purpose Vehicle Subsidiary.

(b) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(j):

(j) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Indebtedness of Avis or any of its Subsidiaries issued, outstanding or permitted to exist pursuant to the terms of the Avis Debt Documents as of the date of such Avis Merger and any renewal, extension or modification of such Indebtedness so long as (i) such renewal, extension or modification is effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders and (ii) the principal amount of such Indebtedness issued, outstanding or permitted to exist pursuant to the terms of the Avis Debt Documents is not increased directly or indirectly.

(c) Section 6.1 of the Credit Agreement is hereby amended by adding thereto the following Section 6.1(k):

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

(d) Section 6.3 of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following

SECTION 6.3. LIMITATION ON TRANSACTIONS WITH AFFILIATES. Except for the Avis Fleet Transaction, 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.

(e) Section 6.4(b) of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

(b)(i) 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)(i) 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 or similar transactions entered into in the ordinary course of business) or (ii) permit to occur a Significant Asset Sale Triggering Event.

(f) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(g):

(g) Liens covering only the property or assets of any Special Purpose Vehicle Subsidiary and securing only such Indebtedness of such Special Purpose Vehicle Subsidiary as is permitted under Section 6.1(g) hereof.

(g) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(p):

(p) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Liens securing Indebtedness and related obligations of the Borrower or any of the Material Subsidiaries that principally transact business in the United States to the extent such Indebtedness and related obligations are permitted under Section 6.1(j) hereof; and

(h) Section 6.5 of the Credit Agreement is hereby amended by adding thereto the following Section 6.5(q):

(q) any Liens securing Indebtedness and related obligations of the Borrower or any of the Material Subsidiaries that principally transact business in the United States to the extent such Indebtedness and related obligations are permitted under Section 6.1(k) hereof.

(i) Section 6.6 of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

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, and except (a) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any arrangements of Avis or any of its Subsidiaries existing as of the date of such Avis Merger and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same

terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect; (b) any arrangements of Avis Fleet or any of its Subsidiaries (other than the LEAF Trust Transaction) existing as of the date of the Avis Fleet Transaction and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect; (c) the LEAF Trust Transaction; and (d) without limiting either of the foregoing clauses (b) and (c), any sale-leaseback transaction entered into in connection with an asset securitization transaction the indebtedness or Indebtedness relating to which is permitted to be secured pursuant to Section 6.5(l) or 6.5(n).

(j) Section 6.7 of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

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) $900,000,000 PLUS (ii) 25% of Consolidated Net Income, if positive, for each fiscal quarter after December 31, 2000.

(k) Section 6.8 of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

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 eight (8) times Consolidated Net Worth.

(l) Section 6.10 of the Credit Agreement is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

SECTION 6.10 RESTRICTIONS AFFECTING SUBSIDIARIES. Enter into, or suffer to exist, any Contractual Obligation with any Person, which prohibits or limits the ability of any Material Subsidiary (other than Special Purpose Vehicle Subsidiaries and Asset Securitization Subsidiaries) to (a) pay dividends or make other distributions or pay any Indebtedness owed to the Borrower or any other Subsidiary, (b) make loans or advances to the Borrower or any other Subsidiary or (c) transfer any of its properties or assets to the Borrower or any other Subsidiary, except in each case (i) on the date of the Avis Merger and for a period of thirty (30) days thereafter, any Contractual Obligation of Avis or any of its Subsidiaries (other than Asset Securitization Subsidiaries or Special Purpose Vehicle Subsidiaries) existing as of the date of such Avis Merger and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect, and (b) any Contractual Obligation of Avis Fleet or any of its Subsidiaries (other than Asset Securitization Subsidiaries or Special Purpose Vehicle Subsidiaries) existing as of the date of the Avis Fleet Transaction and any renewals, extensions or modifications thereof so long as such renewals, extensions or modifications are effected on substantially the same terms or on terms which, in the aggregate, are not more adverse to the Lenders in any material respect.

IV. EFFECTIVE DATE. This Amendment shall become effective on the date (the "EFFECTIVE DATE") on which the Borrower, the Administrative Agent and the Required Lenders under the Credit Agreement shall have duly executed and delivered to the Administrative Agent this Amendment, and the Administrative Agent shall have received evidence of the effectiveness of each of (i) the Amendment, dated as of February 22, 2001, to the Three Year Competitive Advance and Revolving Credit Agreement dated August 29, 2000, by and among Cendant Corporation, the lenders parties thereto, and The Chase Manhattan Bank, as administrative agent, (ii) the Amendment, dated as of February 22, 2001, to the Five Year Competitive Advance and Revolving Credit Agreement dated as of October 2, 1996, by and among Cendant Corporation, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent, (iii) the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended and restated through February 22, 2001, among PHH, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent and (iv) the Term Loan Agreement, dated as of February 22, 2001, among Cendant Corporation, the lenders parties thereto and The Chase Manhattan Bank, as administrative agent.

V. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants that (a) each of the representations and warranties in Section 3 of the Credit Agreement shall be, after giving effect to this Amendment, true and correct in all material respects as if made on and as of the Effective Date (unless such representations and warranties are stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date) and (b) after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

VI. NO OTHER AMENDMENTS; CONFIRMATION. Except as expressly amended hereby, the provisions of the Credit Agreement and each of the Fundamental Documents are and shall remain in full force and effect.

VII. GOVERNING LAW. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

VIII. COUNTERPARTS. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Amendment may be delivered by facsimile transmission of the relevant signature pages hereof.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

PHH CORPORATION

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: _____
Name:
Title:

ALLFIRST BANK

By: _____
Name:
Title:

BANK ONE, NA

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

BANK OF MONTREAL

By: _____
Name:
Title:

THE BANK OF NEW YORK

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: _____
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: _____
Name:
Title:

CREDIT SUISSE FIRST BOSTON

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK

By: _____
Name:
Title:

FLEET NATIONAL BANK

By: _____
Name:
Title:

THE FUJI BANK, LIMITED

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY

By: _____
Name:
Title:

NATIONAL WESTMINSTER BANK PLC

By: _____
Name:
Title:

ROYAL BANK OF CANADA

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED

By: _____
Name:
Title:

WELLS FARGO BANK

By: _____
Name:
Title:

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT 12

CENDANT CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN MILLIONS)

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
Earnings before fixed charges:					
Income (loss) before income taxes and minority interest	$ 969	$(740)	$394	$289	$628
Plus: Fixed Charges	596	617	644	396	321
Less Equity income in unconsolidated affiliates	17	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	131	96	80	--	--
Earnings available to cover fixed charges	$1,417	$(237)	$944	$634	$948
Fixed charges(a):					
Interest, including amortization of deferred financing costs	$ 409	$ 460	$506	$379	$298
Capitalized interest	--	--	--	--	1
Other charges, financing costs	--	--	28	--	--
Minority interest in mandatorily redeemable preferred securities issued by subsidiaries	131	96	80	--	--
Interest portion of rental payment	56	61	30	17	22
Total fixed charges	$ 596	$ 617	$644	$396	$321
Ratio of earnings to fixed charges	2.38x(b)	(c)	1.47x(b)	1.60x(b)	2.95x

- ------------------------

(a) 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).

(b) For the years ended December 31, 2000, 1998 and 1997, income (loss) before income taxes and minority interest includes other charges, net, of $99 million, $810 million (exclusive of financing costs of $28 million) and $701 million, respectively. Excluding such charges, the ratio of earnings to fixed charges for the years ended December 31, 2000, 1998 and 1997 is 2.54x, 2.72x and 3.37x, respectively.

(c) Earnings were inadequate to cover fixed charges for the year ended December 31, 1999 (deficiency of $854 million) as a result of unusual charges of $2,947 million, partially offset by $967 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 2.82x.

EXHIBIT 21

CENDANT CORPORATION AND SUBSIDIARIES

SIGNIFICANT SUBSIDIARIES

SUBSIDIARY	STATE OF INCORPORATION
Boardpost	United Kingdom
Cendant Capital II	DE
Cendant Capital III	DE
Cendant Capital IV	DE
Cendant Mortgage Corporation	NJ
Cendant Stock Corporation	DE
HFS New York Corp.	NY
Pointeuro II Limited	United Kingdom
Pointeuro III	United Kingdom
TM Acquisition Corp.	DE

EXHIBIT 23

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, 333-86469, and 333-51586 on Form S-3, Registration Statement No. 333-51682 on Form S-4 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, 333-78475, 333-51544, and 333-38638 on Form S-8 of our report dated March 12, 2001 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the change in certain revenue recognition policies regarding the recognition of non-refundable one-time fees and pro rata refundable subscription revenue as described in Note 1) appearing in this Annual Report on Form 10-K of Cendant Corporation for the year ended December 31, 2000.

New York, New York
March 27, 2001