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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 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)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed in Section 13 or 15(d) of the Securities 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 [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the Registrant's classes of common stock as of October 31, 2000 was 728,958,489 shares of CD common stock and 3,742,586 shares of Move.com common stock.

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CENDANT CORPORATION AND SUBSIDIARIES

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Certain statements in this Quarterly Report on Form 10-Q constitute "forward looking statements" within the meaning of the Private Litigation Reform Act of 1995. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company 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. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward looking statements, include, but are not limited to: the resolution or outcome of the unresolved pending litigation relating to the previously announced accounting irregularities and other related litigation; uncertainty as to the Company's future profitability; the Company's ability to develop and implement operational and financial systems to manage rapidly growing operations; competition in the Company's existing and potential future lines of business; the Company's ability to integrate and operate successfully acquired and merged businesses and the risks associated with such businesses, including the acquisition of Avis Group Holdings, Inc. and Fairfield Communities, Inc.; uncertainty relating to the timing and impact of the proposed dispositions of certain businesses within the Move.com Group and Welcome Wagon International, Inc. and the spin-off of the Company's Individual Membership segment and loyalty business; the Company's ability to obtain financing on acceptable terms to finance the Company's growth strategy and for the Company to operate within the limitations imposed by financing arrangements and the effect of changes in current interest rates, particularly in our Mortgage and Real Estate Franchise segments. 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. The Company assumes no obligation to publicly correct or update these forward looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward looking statements or if the Company later becomes aware that they are not likely to be achieved.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
REVENUES				
Service fees, net	$ 1,009	$ 1,116	$ 2,852	$ 3,280
Fleet leasing (net of depreciation and interest costs of $0, $0, $0 and $670)	-	-	-	30
Other	35	38	110	117
Net revenues	1,044	1,154	2,962	3,427
EXPENSES				
Operating	324	383	994	1,189
Marketing and reservation	151	156	451	471
General and administrative	125	140	353	429
Depreciation and amortization	82	82	244	259
Other charges (credits):				
Restructuring and other unusual charges	3	5	89	27
Litigation settlement and related costs	20	-	(21)	-
Investigation-related costs	7	5	15	13
Termination of proposed acquisition	-	-	-	7
Interest, net	38	51	85	153
Total expenses	750	822	2,210	2,548
Net gain (loss) on dispositions of businesses	3	83	(7)	799
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	297	415	745	1,678
Provision for income taxes	86	166	234	386
Minority interest, net of tax	23	16	61	46
INCOME FROM CONTINUING OPERATIONS	188	233	450	1,246
Discontinued operations:				
Income (loss) from discontinued operations, net of tax	26	(24)	65	6
Gain (loss) on sale of discontinued operations, net of tax	-	(7)	-	174
INCOME BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	214	202	515	1,426
Extraordinary loss, net of tax	-	-	(2)	-
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	214	202	513	1,426
Cumulative effect of accounting change, net of tax	-	-	(56)	-
NET INCOME	$ 214	$ 202	$ 457	$ 1,426
CD COMMON STOCK INCOME PER SHARE				
BASIC				
Income from continuing operations	$ 0.26	$ 0.32	$ 0.63	$ 1.63
Net income	0.30	0.28	0.64	1.86
DILUTED				
Income from continuing operations	$ 0.25	$ 0.30	$ 0.61	$ 1.53
Net income	0.29	0.26	0.62	1.75
MOVE.COM COMMON STOCK LOSS PER SHARE				
BASIC				
Loss from continuing operations	$ (0.55)		$ (1.22)	
Net loss	(0.55)		(1.22)	
DILUTED				
Loss from continuing operations	$ (0.55)		$ (1.22)	
Net loss	(0.55)		(1.22)	

See Notes to Consolidated Condensed Financial Statements.

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

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,215	$ 1,168
Receivables, net	751	991
Deferred income taxes	1,293	1,305
Other current assets	646	771
Total current assets	3,905	4,235
Property and equipment, net	1,242	1,279
Goodwill, net	3,000	3,106
Franchise agreements, net	1,408	1,410
Other intangibles, net	642	655
Other assets	1,371	1,120
Total assets exclusive of assets under management and mortgage programs	11,568	11,805
Assets under management and mortgage programs		
Mortgage loans held for sale	1,249	1,112
Mortgage servicing rights	1,575	1,084
Relocation receivables	194	530
	3,018	2,726
TOTAL ASSETS	$ 14,586	$ 14,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$ 1,076	$ 1,152
Stockholder litigation settlement and related costs	2,886	2,892
Deferred income	293	228
Current portion of debt	-	400
Net liabilities of discontinued operations	163	241
Total current liabilities	4,418	4,913
Long-term debt	2,074	2,445
Deferred income	417	413
Other noncurrent liabilities	467	452
Total liabilities exclusive of liabilities under management and mortgage programs	7,376	8,223
Liabilities under management and mortgage programs		
Debt	2,143	2,314
Deferred income taxes	321	310
	2,464	2,624
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,681	1,478
Mandatorily redeemable preferred interest in a subsidiary	375	-
Commitments and contingencies (Note 11)		
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 907,707,500 and 870,399,635 shares	9	9
Move.com common stock, $.01 par value - authorized 500 million shares and none; issued and outstanding 3,742,586 shares and none; notional issued shares with respect to Cendant Group's retained interest 22,500,000 and none	-	-
Additional paid-in capital	4,571	4,102
Retained earnings	1,883	1,425
Accumulated other comprehensive loss	(204)	(42)
CD treasury stock, at cost, 179,003,833 and 163,818,148 shares	(3,569)	(3,288)
Total stockholders' equity	2,690	2,206
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,586	$ 14,531

See Notes to Consolidated Condensed Financial Statements.

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
OPERATING ACTIVITIES		
Net income	$ 457	$ 1,426
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(65)	(6)
Gain on sale of discontinued operations, net of tax	-	(174)
Extraordinary loss	4	-
Cumulative effect of accounting change	89	-
Restructuring and other unusual charges	89	27
Payments of restructuring, merger-related and other unusual charges	(44)	(46)
Litigation settlement and related costs	(21)	-
Net (gain) loss on dispositions of businesses	7	(799)
Depreciation and amortization	244	259
Other, net	(182)	51
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	578	738
Management and mortgage programs:		
Depreciation and amortization	113	668
Origination of mortgage loans	(17,980)	(20,841)
Proceeds on sale and payments from mortgage loans held for sale	17,839	21,471
	(28)	1,298
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	550	2,036
INVESTING ACTIVITIES		
Property and equipment additions	(147)	(201)
Net assets acquired (net of cash acquired) and acquisition-related payments	(43)	(146)
Net proceeds from dispositions of businesses	4	2,772
Other, net	(60)	84
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	(246)	2,509
Management and mortgage programs:		
Equity advances on homes under management	(2,243)	(6,026)
Repayment on advances on homes under management	2,752	6,033
Additions to mortgage servicing rights	(664)	(560)
Proceeds from sales of mortgage servicing rights	93	84
Investment in leases and leased vehicles, net	-	(774)
	(62)	(1,243)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	(308)	1,266
FINANCING ACTIVITIES		
Proceeds from borrowings	6	1,717
Principal payments on borrowings	(776)	(1,713)
Issuances of CD common stock	506	76
Issuances of Move.com common stock	45	-
Repurchases of CD common stock	(306)	(2,635)
Proceeds from mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	91	-
Proceeds from mandatorily redeemable preferred interest in a subsidiary	375	-
Other, net	(1)	-
NET CASH USED IN FINANCING ACTIVITIES FROM CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	(60)	(2,555)
Management and mortgage programs:		
Principal payments on borrowings	(4,283)	(6,484)
Proceeds from debt issuance or borrowings	3,237	4,157
Net change in short-term borrowings	875	(1,772)
Proceeds received for debt repayment in connection with disposal of Fleet segment	-	3,017
	(171)	(1,082)
NET CASH USED IN FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	(231)	(3,637)

Effect of changes in exchange rates on cash and cash equivalents	25	32
Net cash provided by (used in) discontinued operations	11	(80)
Net increase (decrease) in cash and cash equivalents	47	(383)
Cash and cash equivalents, beginning of period	1,168	1,002
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,215	$ 619

See Notes to Consolidated Condensed Financial Statements.

1. BASIS OF PRESENTATION

The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Cendant Corporation and its wholly-owned subsidiaries (collectively, the "Company").

In management's opinion, the Consolidated Condensed Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim periods. In addition, management is required to make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. The Consolidated Condensed Financial Statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

On October 25, 2000, the Company's Board of Directors committed to a plan to complete a tax-free spin-off of the Company's Individual Membership segment (consisting of Cendant Membership Services, Inc., a wholly-owned subsidiary) and loyalty business (consisting of Cendant Incentives, formerly National Card Control Inc., a wholly-owned subsidiary within the Insurance/Wholesale segment) through a special dividend to CD common stockholders. In connection with the planned spin-off, the account balances and activities of the Company's Individual Membership segment were segregated and reported as discontinued operations for all periods presented (see Note 5 - Discontinued Operations).

On March 21, 2000, the Company's stockholders approved a proposal authorizing a new series of common stock to track the performance of the Move.com Group, a group of businesses which provide a broad range of quality relocation, real estate, and home-related products and services through its flagship portal site, move.com, and through the move.com network. 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"). In addition, the Company's charter was amended and restated to increase the number of authorized shares of common stock from 2.0 billion to 2.5 billion, comprised of 2.0 billion shares of CD common stock and 500 million shares of Move.com common stock. Although the issuance of Move.com common stock is intended to track the performance of the Move.com Group, holders are subject to all of the risks associated with an investment in the Company and all of its businesses, assets and liabilities. The Company has issued shares of Move.com common stock in several private financings. See Note 12 - Stockholders' Equity for a description of those transactions. On October 27, 2000, the Company entered into a definitive agreement to sell certain businesses within its Move.com Group segment, as well as certain other businesses (see Note 14 - Subsequent Events).

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

2. 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 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. The percentage of annual revenues earned from non-refundable one-time fees and from pro rata refundable subscription revenue is not material to the Company's consolidated net revenues or to its consolidated income from continuing operations.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("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 was previously amended by SFAS No. 137, "Accounting For Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which deferred the effective date of SFAS No. 133 to fiscal years commencing after June 15, 2000. The Company has appointed a team to implement these standards on an enterprise-wide basis. The Company has identified certain contracts, which contain embedded derivatives, and additional freestanding derivatives as defined by SFAS No. 133. Completion of the Company's implementation plan and determination of the impact of adopting these standards is expected by the end of the fourth quarter of 2000. Since the impact is dependent upon market fluctuations and the notional value of such contracts at the time of adoption, the impact of adopting these standards is not fully determinable. However, the Company currently does not anticipate material changes to any of its existing hedging strategies as a result of such adoption. The Company will adopt SFAS No. 138 concurrently with SFAS No. 133 on January 1, 2001, as required.

In October 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 will adopt SFAS No. 140 on December 31, 2000, as required.

4. EARNINGS PER SHARE

Earnings per share ("EPS") is calculated using both the basic and diluted methods. Basic EPS reflects the weighted average number of shares outstanding during the period exclusive of non-vested shares. Diluted EPS further reflects all potentially dilutive securities only if the impact is dilutive. Potentially dilutive securities include the assumed exercise of stock options and warrants, non-vested shares, convertible debt and other common stock equivalents (collectively, "common stock equivalents"). Furthermore, 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.

CD COMMON STOCK

Basic EPS is calculated by dividing earnings attributable to CD common stock (including Cendant Group's retained interest in Move.com Group) by the weighted average number of shares of CD common stock outstanding during the period, exclusive of non-vested shares. Diluted EPS further reflects the effects of dilutive common stock equivalents. At September 30, 2000, stock options of 109 million (with a weighted average exercise price of $22.41 per option) and stock warrants of 31 million (with a weighted average exercise price of $22.91 per warrant) were antidilutive. At September 30, 1999, stock options of 59 million (with a weighted average exercise price of $25.50 per option) and stock warrants of 2 million (with a weighted average exercise price of $21.31 per warrant) were antidilutive. Therefore, such options and warrants were excluded from the computation of diluted EPS. In addition, the Company's FELINE PRIDES ("PRIDES"), which provide for the distribution of CD common stock shares in February 2001, were antidilutive at September 30, 2000 and 1999 and therefore also excluded from the computation of diluted EPS.

MOVE.COM COMMON STOCK
Basic EPS 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. Diluted EPS further reflects the effects of dilutive common stock equivalents. At September 30, 2000, stock options of 6 million (with a weighted average exercise price of $18.48 per option) and stock warrants of 2 million (with a weighted average exercise price of $96.12 per warrant) were antidilutive due to losses incurred by Move.com Group and therefore excluded from the computation of diluted EPS.

Income (loss) per common share from continuing operations was computed as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
CD COMMON STOCK				
Income from continuing operations:				
Cendant Group	$ 202	$ 238	$ 498	$ 1,255
Cendant Group's retained interest in Move.com Group	(12)	(5)	(43)	(9)
Income from continuing operations for basic EPS	190	233	455	1,246
Convertible debt interest, net of tax	3	3	8	9
Income from continuing operations for diluted EPS	$ 193	$ 236	$ 463	$ 1,255
Weighted average shares outstanding:				
Basic	725	726	722	765
Dilutive securities				
Stock options, warrants and non-vested shares	16	36	23	36
Convertible debt	18	18	18	18
Diluted	759	780	763	819

	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2000
MOVE.COM COMMON STOCK		
Loss from continuing operations:		
Move.com Group	$ (14)	$ (47)
Less: Cendant Group's retained interest in Move.com Group	(12)	(43)
Loss from continuing operations for basic and diluted EPS	$ (2)	$ (4)
Weighted average shares outstanding:		
Basic and Diluted (1)	4	4

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(1) Weighted average shares outstanding for the nine month period was calculated from the date of issuance of Move.com common stock (March 31, 2000) through September 30, 2000.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
CD COMMON STOCK				
Income (loss) from discontinued operations:				
Basic	$ 0.04	$ (0.03)	$ 0.09	$ 0.01
Diluted	0.04	(0.03)	0.08	0.01
Gain (loss) on sale of discontinued operations:				

Basic	$ -	$ (0.01)	$ -	$ 0.22
Diluted	-	(0.01)	-	0.21

Basic and diluted loss per CD common share from the cumulative effect of an accounting change for the nine months ended September 30, 2000 was $0.08 and $0.07, respectively.

5. DISCONTINUED OPERATIONS

On October 25, 2000, the Company's Board of Directors committed to a plan to complete a tax-free spin-off of the Company's Individual Membership segment and loyalty business through a special dividend to CD common stockholders. The final transaction is expected to close by mid-2001.

Summarized financial data of discontinued operations are as follows:

STATEMENTS OF INCOME:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Net revenues	$ 185	$ 261	$ 540	$ 703
Income (loss) before income taxes	$ 42	$ (46)	$ 107	$ 3
Provision for (benefit from) income taxes	16	(22)	42	(3)
Income (loss) from discontinued operations	$ 26	$ (24)	$ 65	$ 6

BALANCE SHEETS:

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
Current assets	$ 345	$ 357
Goodwill	161	164
Other assets	98	96
Total liabilities	(767)	(858)
Net liabilities of discontinued operations	$ (163)	$ (241)

For the three and nine months ended September 30, 1999, the Company also recorded a gain (loss) on the sale of discontinued operations of ($7) million and $174 million, respectively, relating to certain other business units of the Company which were previously reported as discontinued operations.

6. COMPREHENSIVE INCOME

The components of comprehensive income are summarized as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Net income	$ 214	$ 202	$ 457	$ 1,426
Other comprehensive income (loss):				
Currency translation adjustment	(31)	92	(119)	39
Unrealized loss on marketable securities, net of tax	-	(12)	(43)	(5)
Total comprehensive income	$ 183	$ 282	$ 295	$ 1,460

The after tax components of accumulated other comprehensive loss for the nine months ended September 30, 2000 are as follows:

	CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN/(LOSS) ON MARKETABLE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE LOSS
Balance, January 1, 2000	$ (58)	$ 16	$ (42)
Current period change	(119)	(43)	(162)

Balance, September 30, 2000	$ (177)	$ (27)	$ (204)

7. OTHER CHARGES (CREDITS)

RESTRUCTURING AND OTHER UNUSUAL CHARGES

First Quarter 2000 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 of such initiatives, the Company incurred restructuring and other unusual charges ("Unusual Charges") of $106 million during the first quarter of 2000, of which $86 million is included in restructuring and other unusual charges and $20 million is included in income (loss) from discontinued operations in the Consolidated Condensed Statements of Income. 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 and its discontinued Individual Membership segment. The initiatives are expected to be substantially completed over the next six months. Liabilities associated with Unusual Charges are classified as a component of accounts payable and other current liabilities. The initial recognition of the Unusual Charges and the corresponding utilization from inception is summarized by category of expenditure as follows:

	UNUSUAL CHARGES	CASH PAYMENTS	OTHER REDUCTIONS	BALANCE AT SEPTEMBER 30, 2000
Personnel related	$ 25	$ 17	$ -	$ 8
Asset impairments and contract terminations	26	1	25	-
Facility related	9	1	1	7
Other unusual charges	46	29	14	3
Total Unusual Charges	106	48	40	18
Reclassification for discontinued operations	(20)	(8)	(10)	(2)
Total Unusual Charges related to continuing operations	$ 86	$ 40	$ 30	$ 16

Personnel related costs include severance resulting from the consolidation and relocation of business operations and certain corporate functions as well as other related costs. The Company formally communicated to 971 employees, representing a wide range of employee groups, as to their separation from the Company. As of September 30, 2000, approximately 770 employees were terminated. In connection with a change in the Company's strategic focus to an online business model, the Company recognized $23 million of asset impairments associated with the planned exit of a timeshare software development business and $3 million of other asset write-offs and various contract termination costs. Facility related costs consist of facility closures and lease obligations resulting from the consolidation and relocation of business operations. Other unusual charges include a $21 million charge to fund an irrevocable contribution to an independent technology trust responsible for the installation of a Company sponsored property management system, which will provide for integrated Web capabilities enabling lodging franchisees to maximize Internet opportunities. Additionally, the Company incurred other unusual charges of $11 million associated with executive terminations, $7 million principally related to the abandonment of certain computer system applications, $3 million related to stock option contract modifications and $4 million of other related costs. Liabilities remaining at September 30, 2000 consisted of personnel related costs, charges associated with facility closures and related lease obligations and other unusual charges.

Third Quarter 2000 Charge. During the third quarter of 2000, the Company incurred charges of $3 million in connection with the postponement of the initial public offering of Move.com common stock.

1997 Charge. During the nine months ended September 30, 2000, cash outlays of $1 million were applied against the 1997 merger-related and other unusual charges reserve for severance payments. As a result, the 1997 merger-related and other unusual charges reserve of $71 million at September 30, 2000 primarily relates to future severance payments, executive termination benefits and lease termination payments, which will be settled upon the resolution of related contingencies and in accordance with applicable lease installment plans.

LITIGATION SETTLEMENT AND RELATED COSTS

On March 14, 2000, pursuant to a court order approving the previously disclosed PRIDES settlement, the Company issued approximately 25 million Rights with a calculated value of $11.71 per Right. Right holders may sell or exercise the Rights by delivering 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.

In connection with the issuance of the Rights, the Company recorded a non-cash credit of $41 million to litigation settlement and related costs during the first quarter of 2000, with a corresponding decrease to additional paid-in capital. The credit represented an adjustment related to the number of Rights to be issued, which was decreased by approximately 3 million, as such Rights were unclaimed and uncontested.

On May 3, 2000, pursuant to the PRIDES settlement, the Company issued approximately 4 million additional PRIDES (the "Additional PRIDES"), with a face value of $50 per Additional PRIDES, and received approximately $91 million in cash proceeds related to the issuance of such securities. Only Additional Income PRIDES (having identical terms to the originally issued Income PRIDES) were issued, of which 3,619,374 were immediately converted into 3,619,374 New Income PRIDES and 380,626 remained Additional Income PRIDES. No Additional Growth PRIDES were issued in the offering. Upon the issuance of the Additional Income PRIDES, the Company recorded a reduction to stockholders' equity of $108 million equal to the value of the total future contract adjustment payments to be made.

During the third quarter of 2000, the Company also incurred charges of $20 million in connection with litigation asserting claims associated with accounting irregularities in the former business units of CUC International Inc. ("CUC") and outside of the principal common stockholder class action lawsuit.

8. DEBT REDEMPTION

In January 2000, the Company redeemed its outstanding 7 1/2% senior notes at a redemption price of 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). The loss consisted of the call premium and the write-off of deferred issuance costs.

9. SECURITIZATIONS

During the second and third quarters of 2000, the Company entered into three separate financing agreements with Apple Ridge Funding LLC ("Apple Ridge"), a bankruptcy remote, special purpose entity. Under the terms of these agreements, certain relocation receivables will be transferred for cash, on a revolving basis, to 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 September 30, 2000, the Company was servicing $703 million of receivables under these agreements.

10. MANDATORILY REDEEMABLE PREFERRED INTEREST IN A SUBSIDIARY

In March 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 Condensed 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 Condensed Statements of Income. 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.

11. COMMITMENTS AND CONTINGENCIES

CLASS ACTION LITIGATION AND GOVERNMENT INVESTIGATIONS

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

The Securities and Exchange Commission ("SEC") and the United States Attorney for the District of New Jersey are also conducting investigations relating to the matters referenced above. As a result of the findings from the Company's internal investigations, the Company made all adjustments considered necessary by the Company, which are reflected in its previously filed restated financial statements for the years ended December 31, 1997, 1996 and 1995 and for the six months ended June 30, 1998. On June 14, 2000, pursuant to an offer of settlement made by the Company, the SEC issued an Order Instituting Public Administrative Proceedings Pursuant to Section 21C of the Securities and Exchange Act of 1934, Making Findings and Imposing a Cease and Desist Order. In such Order, the SEC found that the Company had violated certain financial reporting provisions of the Securities and Exchange Act of 1934 and ordered the Company to cease and desist from committing any future violations of such provisions. No financial penalties were imposed against the Company.

On December 7, 1999, the Company announced that it reached a preliminary agreement to settle the principal securities class action pending against the Company in the U.S. District Court in Newark, New Jersey (the "Settlement Agreement") 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 would pay the class members approximately $2.85 billion in cash. The definitive settlement document was approved by the U.S. District Court by order dated August 14, 2000. 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. No appeals challenging the fairness of the $2.85 billion settlement amount were filed. The U.S. Court of Appeals for the Third Circuit has not issued a briefing schedule for the appeals. Accordingly, the Company will not be required to fund the settlement amount of $2.85 billion for some time. However, the Settlement Agreement required the Company to post collateral in the form of credit facilities and/or surety bonds by November 13, 2000. See "Liquidity and Capital Resources" for management's discussion regarding collateral arrangements under the Settlement Agreement.

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

FLEET DISPOSITION

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.

OTHER PENDING LITIGATION

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.

12. STOCKHOLDERS' EQUITY

CD COMMON STOCK TRANSACTIONS

Repurchases. During the nine months ended September 30, 2000, the Company repurchased $306 million (approximately 18 million shares) of CD common stock under its common stock repurchase program.

Strategic Alliance. In February 2000, pursuant to a previously announced strategic alliance, Liberty Media Corporation ("Liberty Media") invested $400 million in cash to purchase 18 million shares of CD common stock and a two-year warrant to purchase approximately 29 million shares of CD common stock at an exercise price of $23.00 per share. In addition, in March 2000, Liberty Media's Chairman, John C. Malone, Ph.D., purchased one million shares of CD common stock for approximately $17 million in cash.

MOVE.COM COMMON STOCK TRANSACTIONS

NRT Incorporated Investment. On April 14, 2000, NRT Incorporated ("NRT") purchased 319,591 shares of Move.com common stock for $31.29 per share or approximately $10 million in cash. The Company owns $179 million of NRT convertible preferred stock, of which $21 million will be convertible, at the Company's option upon occurrence of certain events, into no more than 50% of NRT's common stock.

Chatham Street Holdings, LLC Investment. In connection with the recapitalization of NRT in September 1999, the Company entered into an agreement with Chatham Street Holdings, LLC ("Chatham") 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. On March 31, 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, for every two shares of Move.com common stock purchased, Chatham received a warrant to purchase one share of Move.com common stock at a price equal to $64.08 per share and a warrant to purchase one share of Move.com common stock at a price equal to $128.16 per share. Also during March 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 (which is convertible into 2,541,946 shares or approximately 12% of WMC's common stock at September 30, 2000), and was granted an option to purchase approximately 5 million shares of WMC common stock.

Liberty Digital, Inc. Investment. On March 31, 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.

13. 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.

Prior to the third quarter of 2000, the historical operating results of Cendant Travel, a subsidiary which facilitates travel arrangements for the Company's travel-related and membership businesses, were included

within the Individual Membership segment. Beginning the third quarter of 2000, the operations of Cendant Travel began being managed as a component of the Travel segment. Accordingly, the operating results of Cendant Travel are reflected in the Travel segment for all periods presented.

In connection with the Individual Membership segment being reported as discontinued operations, general corporate overhead previously allocated to the Individual Membership segment has been reclassified to the Diversified Services segment for all periods presented.

SEGMENT INFORMATION

	THREE MONTHS ENDED SEPTEMBER 30,				
	2000 (1)		1999		
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA	1999 PRO FORMA ADJUSTED EBITDA (2)
Travel	$ 344	$ 165	$ 335	$ 164	$ 161
Real Estate Franchise	162	119	161	124	120
Relocation	127	49	117	42	43
Mortgage	132	74	114	59	60
Insurance/Wholesale	145	48	143	48	50
Move.com Group	15	(20)	5	(8)	(8)
Diversified Services	121	9	279	46	49
Inter-segment Eliminations	(2)	-	-	-	-
Total	$ 1,044	$ 444	$ 1,154	$ 475	$ 475

	NINE MONTHS ENDED SEPTEMBER 30,				
	2000 (1)		1999		
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA	1999 PRO FORMA ADJUSTED EBITDA (2)
Travel	$ 954	$ 440	$ 948	$ 463	$ 454
Real Estate Franchise	448	328	417	310	303
Relocation	332	105	315	94	96
Mortgage	306	117	314	153	154
Insurance/Wholesale	435	138	426	137	141
Move.com Group	41	(74)	11	(14)	(14)
Diversified Services	448	110	789	114	123
Fleet	-	-	207	81	81
Inter-segment Eliminations	(2)	-	-	-	-
Total	$ 2,962	$ 1,164	$ 3,427	$ 1,338	$ 1,338

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(1) As of January 1, 2000, the Company refined its corporate overhead allocation method. As a result, expenses determined to be primarily associated with a specific business segment are recorded by that business segment versus allocating those expenses among the segments based on a percentage of revenue. The Company determined the refinement in corporate allocation method to be appropriate subsequent to the completion of the Company's divestiture plan and based on the composition of the business units comprising the Company in 2000.

(2) Pro forma 1999 Adjusted EBITDA is presented as if the refined method of allocating corporate overhead in 2000 was applicable to 1999.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Adjusted EBITDA	$ 444	$ 475	$ 1,164	$ 1,338
Depreciation and amortization	(82)	(82)	(244)	(259)
Other (charges) credits:				
Restructuring and other unusual charges	(3)	(5)	(89)	(27)
Litigation settlement and related costs	(20)	-	21	-
Investigation-related costs	(7)	(5)	(15)	(13)
Termination of proposed acquisition	-	-	-	(7)

Interest, net	(38)	(51)	(85)	(153)
Net gain (loss) on disposition of businesses	3	83	(7)	799
Income before income taxes and minority interest	$ 297	$ 415	$ 745	$ 1,678

14. SUBSEQUENT EVENTS

DISPOSITION

On October 27, 2000, the Company announced that it had entered into a definitive agreement with Homestore.com, Inc. ("Homestore") to sell its Internet real estate portal, move.com, certain other businesses within its Move.com Group segment and Welcome Wagon International, Inc. ("Welcome Wagon") (a wholly-owned subsidiary included within the Diversified Services segment) in exchange for approximately 26 million shares of Homestore common stock valued at approximately $761 million. The Company intends on allocating a portion of the Homestore common stock shares received to existing Move.com common stockholders and option holders. After such allocation, the Company expects to retain approximately 19 or 20 million shares of Homestore common stock. Consummation of the transaction is subject to certain customary closing conditions, including Hart Scott Rodino anti-trust approval. Although no assurances can be given, the Company expects to complete the transaction during the first quarter of 2001.

ACQUISITIONS

Avis Group Holdings, Inc. On November 13, 2000, the Company announced that they entered into a definitive agreement to acquire all of the outstanding shares of Avis Group Holdings, Inc. ("Avis") that are not currently owned by the Company at a price of $33.00 per share in cash. Approximately 26 million outstanding shares of Avis common stock, and options to purchase approximately 7.9 million additional shares, are not currently owned by the Company. Accordingly, the transaction is valued at approximately $935 million, net of option proceeds.

The acquisition will be made by PHH Corporation ("PHH"), a wholly-owned subsidiary of the Company. PHH will distribute the consumer car rental business, Avis Rent a Car, to a Company subsidiary not within PHH's ownership structure. After the acquisition and the distribution of the consumer car rental business, PHH will own and operate the Vehicle Management and Leasing business as well as the Wright Express fuel card business. The merger is conditioned upon, among other things, approval of a majority of the votes cast by Avis stockholders who are unaffiliated with the Company and also customary regulatory approvals. Although no assurances can be given, the Company expects the transaction to close in the first quarter of 2001.

Fairfield Communities, Inc. On November 2, 2000, the Company announced that it had entered into a definitive agreement with Fairfield Communities, Inc. ("Fairfield") to acquire all of its outstanding common stock 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 twenty trading day period prior to the date on which Fairfield stockholders meet to approve the transaction. At least 50% of the consideration will be in cash and the balance will either be in cash or CD common stock, at the Company's election. Consummation of the transaction is subject to customary regulatory approvals. Although no assurances can be given, the Company expects to complete the acquisition in early 2001.

15. CONSOLIDATING CONDENSED FINANCIAL INFORMATION

In connection with the issuance of Move.com common stock, the Company began disclosing separately, for financial reporting purposes, financial information for the Cendant Group and the Move.com Group. Cendant Group provides various services to and receives various services from the Move.com Group. Inter-group revenues and expenses have been broken out seperately and self-eliminate in consolidation.

ALLOCATION POLICIES

Treasury Activities. Through March 31, 2000 (the date of original issuance of Move.com common stock), Cendant Group had provided all necessary funding for the operations and investments of the Move.com Group since inception and such funding had been accounted for as capital contributions from the Cendant Group. Accordingly, no interest charges from the Cendant Group were reflected in the accompanying Consolidating Condensed Statements of Income. Surplus cash, transferred from the Move.com Group to the Cendant Group from time to time, had been accounted for as a return of capital. Subsequent to March 31, 2000, all cash transfers from one group to or for the account of the other group are accounted for as inter-group revolving credit advances and may bear interest at a rate similar to the Company's prevailing revolving line of credit rate determined by the Company's Board of Directors, in its sole discretion.

Revenues. Revenue allocations are supported by signed agreements between the Cendant Group and the Move.com Group and are intended to approximate the fair value of services provided.

Expenses. Cendant Group allocates the cost of its corporate overhead services to the Move.com Group generally based on utilization. Where determinations based on utilization are impracticable, the Cendant Group uses percentages of revenues or other methods and criteria that management believes to be equitable and to provide a reasonable estimate of costs attributable to the Move.com Group. The allocations of corporate overhead to the Move.com Group are consistent with the allocations made to subsidiaries within the Cendant Group. Corporate overhead includes charges for legal,

accounting (tax and financial),

information and telecommunications services, marketing, intellectual property, public relations, corporate offices and travel.

Expenses, other than corporate overhead allocations, are allocated based upon utilization and usage volume.

Income Taxes. Move.com Group is included in the consolidated federal income tax return of Cendant Group. In addition, Move.com Group files unitary and combined state income tax returns with Cendant Group in jurisdictions where required. As such, income tax expense is allocated to Move.com Group in accordance with Cendant Group's tax allocation policy.

ALLOCATIONS

The allocations from the Cendant Group to the Move.com Group are comprised as follows: (a) revenues for selling advertising space and links on the Cendant Group real estate franchise systems Web sites, (b) revenues for Web site management associated with the Cendant Group's real estate franchise systems, (c) revenues associated with the Web site development of Welcome Wagon, (d) expenses for overhead charges, (e) expenses associated with an Internet engineering services agreement and (f) expenses associated with the Web site development Welcome Wagon. Additionally, portions of the benefit for income taxes and balance sheet accounts of Move.com Group are based on allocations from the Cendant Group.

The consolidating condensed financial information, which includes certain allocations between the Cendant Group and the Move.com Group, is presented as follows:

CONSOLIDATING CONDENSED STATEMENTS OF INCOME

	THREE MONTHS ENDED SEPTEMBER 30, 2000			THREE MONTHS ENDED SEPTEMBER 30, 1999		
	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED
REVENUES						
External revenues	$ 1,035	$ 9	$ 1,044	$ 1,149	$ 5	$ 1,154
Inter-group agreements	(6)	6	-	-	-	-
Net revenues	1,029	15	1,044	1,149	5	1,154
EXPENSES						
Operating:						
External expenses	313	11	324	375	8	383
Inter-group allocated expenses	(6)	6	-	(1)	1	-
Marketing and reservation	142	9	151	156	-	156
General and administrative:						
External expenses	118	7	125	136	4	140
Inter-group allocated expenses	(1)	1	-	-	-	-
Depreciation and amortization	80	2	82	81	1	82
Other charges, net	27	3	30	10	-	10
Interest, net	38	-	38	51	-	51
Total expenses	711	39	750	808	14	822
Net gain on dispositions of businesses	3	-	3	83	-	83
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	321	(24)	297	424	(9)	415
Provision (benefit) for income taxes	96	(10)	86	170	(4)	166
Minority interest, net of tax	23	-	23	16	-	16
INCOME (LOSS) FROM CONTINUING OPERATIONS	202	(14)	188	238	(5)	233
Discontinued operations:						
Income (loss) from discontinued operations	26	-	26	(24)	-	(24)
Loss on sale of discontinued operations, net of tax	-	-	-	(7)	-	(7)
NET INCOME (LOSS)	$ 228	$ (14)	$ 214	$ 207	$ (5)	$ 202

CONSOLIDATING CONDENSED STATEMENTS OF INCOME (CONTINUED)

	NINE MONTHS ENDED SEPTEMBER 30, 2000			NINE MONTHS ENDED SEPTEMBER 30, 1999		
	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED
REVENUES						
External revenues	$ 2,937	$ 25	$ 2,962	$ 3,416	$ 11	$ 3,427
Inter-group agreements	(16)	16	-	-	-	-
Net revenues	2,921	41	2,962	3,416	11	3,427
EXPENSES						
Operating:						
External expenses	964	30	994	1,176	13	1,189
Inter-group allocated expenses	(15)	15	-	(1)	1	-
Marketing and reservation	402	49	451	471	-	471
General and administrative:						
External expenses	334	19	353	418	11	429
Inter-group allocated expenses	(2)	2		-	-	-
Depreciation and amortization	240	4	244	257	2	259
Other charges, net	79	4	83	47	-	47
Interest, net	86	(1)	85	153	-	153
Total expenses	2,088	122	2,210	2,521	27	2,548
Net gain (loss) on dispositions of businesses	(7)	-	(7)	799	-	799
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	826	(81)	745	1,694	(16)	1,678
Provision (benefit) for income taxes	267	(33)	234	393	(7)	386
Minority interest, net of tax	61	-	61	46	-	46
INCOME (LOSS) FROM CONTINUING OPERATIONS	498	(48)	450	1,255	(9)	1,246
Discontinued operations:						
Income from discontinued operations	65	-	65	6	-	6
Gain on sale of discontinued operations, net of tax	-	-	-	174	-	174
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	563	(48)	515	1,435	(9)	1,426
Extraordinary loss, net of tax	(2)	-	(2)	-	-	-
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	561	(48)	513	1,435	(9)	1,426
Cumulative effect of accounting change, net of tax	(56)	-	(56)	-	-	-
NET INCOME (LOSS)	$ 505	$ (48)	$ 457	$ 1,435	$ (9)	$ 1,426

CONSOLIDATING CONDENSED BALANCE SHEETS

	SEPTEMBER 30, 2000			DECEMBER 31, 1999		
	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED
ASSETS						
Cash and cash equivalents	$ 1,211	$ 4	$ 1,215	$ 1,167	$ 1	$ 1,168
Receivables, net	743	8	751	983	8	991
Deferred income taxes	1,287	6	1,293	1,305	-	1,305
Other current assets	635	11	646	768	3	771
Property and equipment, net	1,227	15	1,242	1,276	3	1,279
Goodwill, net	2,991	9	3,000	3,101	5	3,106
Other noncurrent assets	3,407	14	3,421	3,183	2	3,185
Assets under management and mortgage programs	3,018	-	3,018	2,726	-	2,726
TOTAL ASSETS	$ 14,519	$ 67	$ 14,586	$ 14,509	$ 22	$ 14,531
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities	$ 4,397	$ 21	$ 4,418	$ 4,892	$ 21	$ 4,913
Noncurrent liabilities	2,955	3	2,958	3,310	-	3,310
Liabilities under management and mortgage programs	2,464	-	2,464	2,624	-	2,624
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,681	-	1,681	1,478	-	1,478
Mandatorily redeemable preferred interest in a subsidiary	375	-	375	-	-	-
Stockholders' equity						
Common stock	9	-	9	9	-	9
Additional paid-in capital	4,454	117	4,571	4,083	19	4,102
Retained earnings (accumulated deficit)	1,949	(66)	1,883	1,443	(18)	1,425
Accumulated other comprehensive loss	(196)	(8)	(204)	(42)	-	(42)
CD treasury stock, at cost	(3,569)	-	(3,569)	(3,288)	-	(3,288)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,519	$ 67	$ 14,586	$ 14,509	$ 22	$ 14,531

CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30, 2000			NINE MONTHS ENDED SEPTEMBER 30, 1999		
	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED	CENDANT GROUP	MOVE.COM GROUP	CENDANT CONSOLIDATED
OPERATING ACTIVITIES						
Net income (loss)	$ 505	$ (48)	$ 457	$ 1,435	$ (9)	$ 1,426
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Income from discontinued operations, net of tax	(65)	-	(65)	(6)	-	(6)
Gain on sale of discontinued operations, net of tax	-	-	-	(174)	-	(174)
Extraordinary loss	4	-	4	-	-	-
Cumulative effect of accounting change	89	-	89	-	-	-
Restructuring and other unusual charges	85	4	89	27	-	27
Payments of restructuring, merger-related and other unusual charges	(40)	(4)	(44)	(46)	-	(46)
Litigation settlement and related costs	(21)	-	(21)	-	-	-
Net (gain) loss on dispositions of businesses	7	-	7	(799)	-	(799)
Depreciation and amortization	240	4	244	257	2	259
Other, net	(167)	(15)	(182)	47	4	51
Management and mortgage programs	(28)	-	(28)	1,298	-	1,298
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	609	(59)	550	2,039	(3)	2,036
INVESTING ACTIVITIES						
Property and equipment additions	(134)	(13)	(147)	(200)	(1)	(201)
Net assets acquired (net of cash acquired) and acquisition-related payments	(43)	-	(43)	(146)	-	(146)
Net proceeds from dispositions of businesses	4	-	4	2,772	-	2,772
Other, net	(62)	2	(60)	84	-	84
Management and mortgage programs	(62)	-	(62)	(1,243)	-	(1,243)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(297)	(11)	(308)	1,267	(1)	1,266
FINANCING ACTIVITIES						
Proceeds from borrowings	6	-	6	1,717	-	1,717
Principal payments on borrowings	(776)	-	(776)	(1,713)	-	(1,713)
Issuances of CD common stock	506	-	506	76	-	76
Issuances of Move.com common stock	-	45	45	-	-	-
Repurchases of CD common stock	(306)	-	(306)	(2,635)	-	(2,635)
Proceeds from mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	91	-	91	-	-	-
Proceeds from mandatorily redeemable preferred interest in a subsidiary	375	-	375	-	-	-
Other, net	(1)	-	(1)	-	-	-
Management and mortgage programs	(171)	-	(171)	(1,082)	-	(1,082)
Inter-group funding, net	(28)	28	-	(4)	4	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(304)	73	(231)	(3,641)	4	(3,637)
Effect of changes in exchange rates on cash and cash equivalents	25	-	25	32	-	32
Net cash provided by (used in) discontinued operations	11	-	11	(80)	-	(80)
Net increase (decrease) in cash and cash equivalents	44	3	47	(383)	-	(383)
Cash and cash equivalents, beginning of period	1,167	1	1,168	1,002	-	1,002

CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,211	$ 4	$ 1,215	$ 619	$ -	$ 619

ITEM 2. 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 Condensed Financial Statements and accompanying Notes thereto included elsewhere herein. Unless otherwise noted, all dollar amounts are in millions.

RESULTS OF CONSOLIDATED OPERATIONS

REVENUES

Revenues for the three months ended September 30, 2000 decreased $110 million (10%) compared with the corresponding period in 1999 primarily due to the effects of non-strategic businesses disposed throughout 1999. Excluding the operating results of such dispositions, revenues increased $32 million (3%), which primarily reflected increased loan production in our mortgage business and an increase in service based fees from our relocation business, partially offset by a decline in revenues related to financial investment income.

Revenues for the nine months ended September 30, 2000 decreased $465 million (14%) compared with the corresponding period in 1999 due to the effects of non-strategic businesses disposed throughout 1999. Excluding the operating results of such dispositions, revenues increased $103 million (4%), which primarily reflected growth attributable to (i) an increase in real estate royalty fees, (ii) an increase in service based fees from our relocation business, (iii) an increase in sponsorship revenues due to our continued investment in the marketing of the move.com network and (iv) an increase in tax return volume and average fee per tax return; partially offset by a decline related to a decrease in mortgage volume.

OTHER CHARGES (CREDITS)

RESTRUCTURING AND OTHER UNUSUAL CHARGES

First Quarter 2000 Charge. During the first quarter of 2000, management, with the appropriate level of authority, formally committed to various strategic initiatives. As a result of such initiatives, we incurred restructuring and other unusual charges ("Unusual Charges") of $106 million during the first quarter of 2000, of which $86 million is included in restructuring and other unusual charges and $20 million is included in income (loss) from discontinued operations in the Consolidated Condensed Statements of Income. The restructuring initiatives were aimed at improving the overall level of organizational efficiency, consolidating and rationalizing existing processes, reducing cost structures in our underlying businesses and other related efforts. These initiatives primarily affected our Travel and Insurance/Wholesale segments and our discontinued Individual Membership segment. The initiatives are expected to be substantially completed over the next six months. The initial recognition of the Unusual Charges and the corresponding utilization from inception is summarized by category of expenditure as follows:

	CHARGES	UNUSUAL CASH PAYMENTS	OTHER REDUCTIONS	BALANCE AT SEPTEMBER 30, 2000
Personnel related	$ 25	$ 17	$ -	$ 8
Asset impairments and contract terminations	26	1	25	-
Facility related	9	1	1	7
Other unusual charges	46	29	14	3
Total Unusual Charges	106	48	40	18
Reclassification for discontinued operations	(20)	(8)	(10)	(2)
Total Unusual Charges related to continuing operations	$ 86	$ 40	$ 30	$ 16

Personnel related costs include severance resulting from the consolidation and relocation of business operations and certain corporate functions as well as other related costs. We formally communicated to 971 employees, representing a wide range of employee groups, as to their separation from us. As of September 30, 2000, approximately 770 employees were terminated. In connection with a change in our strategic focus to an online business model, we recognized $23 million of asset impairments associated

with the planned exit of a timeshare software development business and $3 million of other asset write-offs and various contract termination costs. Facility related costs consist of facility closures and lease obligations resulting from the consolidation and relocation of business operations. Other unusual charges include a $21 million charge to fund an irrevocable contribution to an independent technology trust responsible for the installation of a property management system sponsored by us, which will provide for integrated Web capabilities enabling lodging franchisees to maximize Internet opportunities. Additionally, we incurred other unusual charges of $11 million associated with executive terminations, $7 million principally related to the abandonment of certain computer system applications, $3 million related to stock option contract modifications and $4 million of other related costs. The total Unusual Charges will require cash expenditures of approximately $62 million, expected to be spent primarily in 2000, and are anticipated to increase pre-tax income by approximately $25 million to $30 million annually, commencing in 2001. All cash requirements are expected to be funded from operations. Liabilities remaining at September 30, 2000 consisted of personnel related costs, charges associated with facility closures and related lease obligations and other unusual charges.

Third Quarter 2000 Charge. During the third quarter of 2000, we incurred charges of $3 million in connection with the postponement of the initial public offering of Move.com common stock.

1997 Charge. During the nine months ended September 30, 2000, cash outlays of $1 million were applied against the 1997 merger-related and other unusual charges reserve for severance payments. As a result, the 1997 merger-related and other unusual charges reserve of $71 million at September 30, 2000 primarily relates to future severance payments, executive termination benefits and lease termination payments, which will be settled upon the resolution of related contingencies and in accordance with applicable lease installment plans.

LITIGATION SETTLEMENT AND RELATED COSTS

In connection with the issuance of Rights on March 14, 2000 under the FELINE PRIDES ("PRIDES") settlement, we recorded a non-cash credit of $41 million during the first quarter of 2000. The credit represented an adjustment related to the number of Rights to be issued, which was decreased by approximately 3 million, as such Rights were unclaimed and uncontested. For a detailed discussion regarding the issuance of Rights pursuant to the PRIDES settlement, see Note 7 to our Consolidated Condensed Financial Statements.

During the third quarter of 2000, we also incurred charges of $20 million in connection with litigation asserting claims associated with accounting irregularities in the former business units of CUC International Inc. ("CUC") and outside of the principal common stockholder class action lawsuit.

INTEREST, NET AND MINORITY INTEREST, NET OF TAX

Interest, net for the three and nine months ended September 30, 2000 decreased $13 million (25%) and $68 million (44%), respectively, primarily as a result of a decrease in the average debt balance outstanding, partially offset by $20 million of interest expense incurred on the common stockholder litigation settlement. Minority interest, net of tax for the three and nine months ended September 30, 2000 increased $7 million (44%) and $15 million (33%), respectively, primarily due to the May 2000 issuance of Additional PRIDES and the March 2000 issuance of a mandatorily redeemable preferred interest in a subsidiary. For a detailed discussion regarding the Additional PRIDES and the mandatorily redeemable preferred interest, see Notes 7 and 10, respectively, to our Consolidated Condensed Financial Statements.

PROVISION FOR INCOME TAXES

Our effective tax rate for the three months ended September 30, 2000 decreased to 29.0% from 40.0% in 1999. Such change is attributable to higher income taxes provided on net gains on certain businesses which were disposed of in the third quarter of 1999 and also the recognition in 2000 of a portion of the deferred gain on the disposition of our former Fleet segment that was treated as a tax-free reorganization. Our effective tax rate for the nine months ended September 30, 2000 increased to 31.4% from 23.0% in 1999. Such change is attributable to the June 1999 disposition of our former Fleet segment.

INCOME FROM CONTINUING OPERATIONS

Income from continuing operations for the three months ended September 30, 2000 decreased $45 million (19%) compared with the corresponding period in 1999 primarily as a result of:

- the 1999 net gain on dispositions of businesses ($32 million),
- the impact of operating results from disposed businesses ($15 million)
- an increase in other charges ($12 million) and
- an increase in minority interest ($7 million);

partially offset by:

- the 2000 net gain on dispositions of businesses ($15 million) and
- a reduction in interest expense ($8 million).

Income from continuing operations for the nine months ended September 30, 2000 decreased $796 million (64%) compared with the corresponding period in 1999 primarily as a result of:

- the 1999 net gain on dispositions of businesses ($720 million),
- the impact of operating results from disposed businesses ($51 million),
- an increase in other charges ($24 million) and
- an increase in minority interest ($15 million);

partially offset by:

- a reduction in interest expense ($43 million) and
- the 2000 net gain on dispositions of businesses ($9 million).

DISCONTINUED OPERATIONS

On October 25, 2000, our Board of Directors committed to a plan to complete a tax-free spin-off of our Individual Membership segment (consisting of Cendant Membership Services, Inc., a wholly-owned subsidiary) and loyalty business (consisting of Cendant Incentives, formerly National Card Control Inc., a wholly-owned subsidiary included within our Insurance/Wholesale segment) through a special dividend to CD common stockholders. In connection with the planned spin-off, the account balances and activities of our Individual Membership segment were segregated and reported as discontinued operations for all periods presented. The final transaction is expected to close by mid-2001.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

On January 1, 2000, we 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." We 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. We 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 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.

RESULTS OF REPORTABLE OPERATING SEGMENTS

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.

Prior to the third quarter of 2000, the historical operating results of Cendant Travel, our subsidiary which facilitates travel arrangements for our travel-related and membership businesses, were included within the Individual Membership segment. Beginning in the third quarter of 2000, the operations of Cendant Travel began being managed as a component of our Travel segment. Accordingly, the operating results of Cendant Travel are reflected in the Travel segment for all periods presented.

In connection with the Individual Membership segment being reported as discontinued operations, general corporate overhead previously allocated to the Individual Membership segment has been reclassified to the Diversified Services segment for all periods presented.

THREE MONTHS ENDED SEPTEMBER 30, 2000 VS. THREE MONTHS ENDED SEPTEMBER 30, 1999

	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	2000	1999	% CHANGE	2000	1999	% CHANGE	2000	1999
Travel	$ 344	$ 335	3%	$ 165 (1)	$ 164	1%	48%	49%
Real Estate Franchise	162	161	1%	119	124	(4)%	73%	77%
Relocation	127	117	9%	49	42	17%	39%	36%
Mortgage	132	114	16%	74	59	25%	56%	52%
Insurance/ Wholesale	145	143	1%	48	48	-	33%	34%
Move.com Group	15	5	*	(20)(2)	(8)	*	*	*
Diversified Services	121	279	(57)%	9 (3)	46(4)	(80%)	7%	16%
Inter-segment Eliminations	(2)	-		-	-			
Total	$ 1,044	$ 1,154		$ 444	$ 475			

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* Not meaningful.

(1) Excludes $8 million of losses related to the dispositions of businesses.

(2) Excludes charges of $3 million in connection with the postponement of the initial public offering of Move.com common stock.

(3) Excludes (i) a loss of $24 million related to the dispositions of businesses, (ii) $20 million in connection with litigation asserting claims associated with accounting irregularities in the former business units of CUC International, Inc. and outside of the principal common stockholder class action lawsuit and (iii) $7 million for investigation-related costs; partially offset by a gain of $35 million, which represents the recognition of a portion of our previously recorded deferred gain from the sale of our fleet businesses due to the disposition of VMS Europe by Avis Group Holdings, Inc. in August 2000.

(4) Excludes a net gain of $83 million related to the dispositions of businesses, partially offset by $5 million of investigation-related costs and a $5 million charge principally related to the consolidation of European call centers in Cork, Ireland.

TRAVEL

Revenues increased $9 million (3%) while Adjusted EBITDA increased $1 million (1%) in third quarter 2000 compared with third quarter 1999. Royalties from our franchise business increased $5 million (5%) principally due to a 3% increase in available rooms and a 3% increase in the average daily room rate within our lodging business and a 3% increase in the volume of car rental transactions at Avis Group Holdings, Inc. ("Avis"). Our common equity interest in Avis, which is approximately 18% and accounted for under the equity method, resulted in equity in earnings of $8 million and $7 million for the three months ended September 30, 2000 and 1999, respectively. Timeshare subscription and exchange fees grew $8 million (9%) primarily due to a 3% growth in memberships, a 3% increase in exchange volume, and an 8% increase in the

average fee per exchange. The favorable operations of our Travel segment were partially offset by a collective $11 million reduction in the recognition of preferred alliance access fees and timeshare subscription revenues in third quarter 2000 compared to third quarter 1999, due primarily to the January 1, 2000 implementation of SAB 101. Adjusted EBITDA in third quarter 2000 also reflects a net reduction from the timing of cost allocations to the lodging brands' national advertising funds and additional corporate overhead allocations. The increase in corporate overhead allocations resulted from a refinement of allocation methods in 2000 due to our significant divestitures in 1999. Excluding the impact of non-recurring items, comprised of SAB 101 and the net increase in allocations, revenues and Adjusted EBITDA increased $20 million (6%) and $16 million (10%), respectively, in third quarter 2000 compared with third quarter 1999.

REAL ESTATE FRANCHISE

Revenues increased $1 million (1%) while EBITDA decreased $5 million (4%) in third quarter 2000 compared with third quarter 1999. Royalties and initial franchise fees for the CENTURY 21 (Registered Trademark), COLDWELL BANKER (Registered Trademark) and ERA(Registered Trademark) franchise brands remained constant quarter over quarter. An 8% reduction in home sale volume was offset by a 9% increase in the average price of homes sold. While our results reflected soft industry-wide conditions early in the third quarter 2000, we continued to add franchised brokerages to our brands' systems. The volume of annual commission revenue added by franchise sales in third quarter 2000 was 10% higher than in third quarter 1999. Conversely, growth has been moderated by modestly declining volume and significantly reduced acquisition activity at our largest franchisee, NRT Incorporated. The EBITDA reduction includes a $3 million increase in corporate overhead allocations due to a refinement of allocation methods used in 2000 compared to 1999 and also reflects $2 million of increased costs for enhanced franchisee training programs.

RELOCATION

Revenues and EBITDA increased $10 million (9%) and $7 million (17%), respectively, in third quarter 2000 compared with third quarter 1999 and the EBITDA margin grew from 36% to 39% for the comparable periods. Revenues and EDITDA reflect a continuing trend in our business operations from asset based to service based. Higher service based fees in third quarter 2000 versus third quarter 1999 include increases in (i) outsourcing fees of $3 million as a result of expanded services, (ii) international service fees of $3 million as a result of increased marketing and sales efforts, and (iii) referral fees of $4 million. Partially offsetting the increase in service fee revenues was a decline in corporate and government homesale closings and the related management fees, which contributed reductions in revenue and EBITDA of $3 million and $5 million, respectively, in third quarter 2000 versus third quarter 1999. Revenues and EBITDA also reflect $4 million of improved net interest income in third quarter 2000 compared with third quarter 1999.

MORTGAGE

Revenues and EBITDA increased $18 million (16%) and $15 million, (25%), respectively, in third quarter 2000 compared with the third quarter 1999, principally as a result of increased revenues from loan production. Revenues from mortgage loans closed increased $18 million due to favorable production margins. Accordingly, the average production fee increased 28 basis points in third quarter 2000 compared with third quarter 1999. Total mortgage closings for third quarter 2000 amounted to $6.5 billion, which was equal to the comparable prior year quarter. Purchase mortgage closings, however increased by $278 million (5%) while refinancing volume decreased by $287 million (41%). Retail purchase mortgages, which are loans where we interact directly with the consumer, increased $225 million to $4.9 billion. Retail mortgage lending has been our primary focus and accounted for more than 80% of loan volume in third quarter 2000. Moreover, we ranked as the fourth largest retail mortgage lender by the National Mortgage News(TM) for the second quarter of 2000, the latest period for which data are available. Mortgage closings from our Internet business, known as Log-In, Move-In, amounted to $183 million in third quarter 2000, compared with $73 million in third quarter 1999. Revenues generated by our servicing portfolio remained relatively level with last year despite a $17 billion (36%) increase in the average servicing portfolio, principally because of higher servicing amortization and interest expenses and lower revenues from mortgage insurance. The EBITDA margin increased from 52% in third quarter 1999 to 56% in third quarter 2000. The increase in EBITDA and EBITDA margin resulted principally from the increase in the average production fee on mortgage originations. As we had anticipated, market conditions improved in third quarter 2000 which produced more positive margin comparisons. The amount of loans in process at September 30, 2000 was 13% higher than at September 30, 1999. Although no assurances can be made, we continue to expect period-over-period market conditions to improve in the fourth quarter of the year.

INSURANCE/WHOLESALE
Revenues increased $2 million (1%) in third quarter 2000 compared with third quarter 1999 while EBITDA remained flat for the comparable periods. The increase in revenues was principally attributable to international expansion. There was a 17% increase in international memberships quarter over quarter.

MOVE.COM GROUP
Move.com Group is our Internet real estate services portal which was launched in January 2000. Revenues increased $10 million to $15 million in third quarter 2000, while Adjusted EBITDA decreased $12 million to a loss of $20 million for the same period. The increase in revenues principally reflects a significant increase in sponsorship revenues made possible by the portal's launch. The decline in Adjusted EBITDA reflects our increased investment in marketing and development of the move.com network.

DIVERSIFIED SERVICES
Revenues decreased $158 million while Adjusted EBITDA decreased $37 million in third quarter 2000 compared with third quarter 1999. Revenues and Adjusted EBITDA decreased primarily as a result of the 1999 dispositions of several business operations. The operating results of divested businesses, which were included through their respective disposition dates in 1999 contributed revenues and Adjusted EBITDA of $139 million and $27 million in 1999. Additionally, reductions in revenues and Adjusted EBITDA resulted from a quarter over quarter decline in financial investment income and costs incurred during third quarter 2000 to pursue Internet initiatives through our Cendant Internet Group subsidiary.

NINE MONTHS ENDED SEPTEMBER 30, 2000 VS. NINE MONTHS ENDED SEPTEMBER 30, 1999

	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	2000	1999	% CHANGE	2000	1999	% CHANGE	2000	1999
Travel	$ 954	$ 948	1%	$ 440 (1)	$ 463 (4)	(5)%	46%	49%
Real Estate Franchise	448	417	7%	328	310	6%	73%	74%
Relocation	332	315	5%	105	94	12%	32%	30%
Mortgage	306	314	(3%)	117	153	(24)%	38%	49%
Insurance/ Wholesale	435	426	2%	138	137	1%	32%	32%
Move.com Group	41	11	*	(74)(2)	(14)	*	*	*
Diversified Services	448	789	*	110 (3)	114 (5)	*	*	*
Fleet	-	207	*	-	81	*	*	39%
Inter-segment Eliminations	(2)	-		-	-			
Total	$ 2,962	$ 3,427		$ 1,164	$ 1,338			

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* Not meaningful.
(1) Excludes $12 million of losses related to the dispositions of businesses.
(2) Excludes charges of $3 million in connection with the postponement of the initial public offering of Move.com common stock.
(3) Excludes (i) a non-cash credit of $41 million in connection with a change in the original estimate of the number of Rights to be issued in connection with the PRIDES settlement resulting from unclaimed and uncontested Rights and (ii) a gain of $35 million, which represents the recognition of a portion of our previously recorded deferred gain from the sale of our fleet businesses due to the disposition of VMS Europe and Avis Group Holdings, Inc. in August 2000; partially offset by (i) $30 million of losses related to the dispositions of businesses, (ii) $15 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.
(4) Excludes a charge of $23 million in connection with the transition of the Company's lodging franchisees to a Company sponsored property management system.
(5) Excludes a net gain of $799 million related to the dispositions of businesses and an unusual credit of $1 million recorded in connection with the sale of a Company subsidiary, partially offset by (i) $13 million of investigation-related costs, (ii) a $7 million charge related to the termination of a proposed acquisition and (iii) $5 million principally related to the consolidation of European call centers in Cork, Ireland.

TRAVEL
Revenues increased $6 million (1%) while Adjusted EBITDA decreased $23

million (5%) in nine months 2000 compared with nine months 1999. Royalties from our franchise business increased $9 million (3%), principally due to a 4% increase in available rooms within our lodging business and a 3% increase in the volume of car rental transactions at Avis. Timeshare exchange revenues grew $8 million (5%) primarily due

to a 6% increase in the average exchange fee. Timeshare subscription revenues increased $3 million (3%) period over period, despite the impact of SAB 101, which resulted in a $6 million reduction in timeshare subscription revenues. In addition, preferred alliance access fees were $7 million lower in nine months 2000 compared with the prior year period primarily due to SAB 101. Contributing to the Adjusted EBITDA reduction in nine months 2000 was an additional $13 million of corporate overhead allocations. The increase in overhead allocations resulted from a refinement of allocation methods in 2000 due to our significant divestitures in 1999. Other contributing factors to the Adjusted EBITDA reduction was the recognition in nine months 2000 of $3 million of obligations relating to a prior acquisition and $6 million of initial franchise fees received during nine months 1999 in connection with the generation of a master license agreement and joint venture within our timeshare business. Additionally, $11 million of gains were recognized in nine months 1999 associated with the sale of a portion of our common equity interest in Avis and incremental dividend income of $10 million was recognized in nine months 2000 from our preferred stock investment in Avis. Our common equity interest in Avis, which is approximately 18% and accounted for under the equity method, resulted in equity in earnings of $14 million and $15 million for the nine months ended September 30, 2000 and 1999, respectively. Excluding the impact of non-recurring items, comprised of SAB 101, the increase in corporate allocations and the 1999 gains on sale of Avis stock, revenues and Adjusted EBITDA increased $30 million (3%) and $14 million (3%), respectively, in nine months 2000 compared with nine months 1999.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $31 million (7%) and $18 million (6%), respectively, in nine months 2000 compared with nine months 1999. Royalty fees for the CENTURY 21(Registered Trademark), COLDWELL BANKER (Registered Trademark) and ERA(Registered Trademark) franchise brands collectively increased $25 million (7%). In addition, initial franchise fees increased $4 million (48%) primarily from the sale of international franchise agreements. Industry statistics provided by the National Association of Realtors for the eight months ended August 31, 2000 (the latest period for which information is available) indicate that the number of homes sold has declined by 5% versus the prior year, while the average price of those homes sold has increased 4%. We have out-performed such industry statistics as our homesale transactions decreased only 4% while the average price of such homesale transactions increased by more than 11%. This was accomplished through a combination of homesales through existing franchised brokerages and new franchises added during the period. Corporate overhead allocations were $7 million higher in nine months 2000 due to a refinement of allocation methods used in 2000 compared to 1999. In addition, broker services related expenses increased $4 million in nine months 2000 principally due to increased costs for enhanced franchisee training programs. The Adjusted EBITDA Margin decreased only 1% despite the aforementioned increases in expenses. Increases in royalties and franchise fees are recognized with minimal corresponding increases in expenses due to our significant operating leverage within our franchise operations. Excluding the increase in corporate allocations, the Adjusted EBITDA margin increased 1 percentage point to 75% in nine months 2000 compared with 74% for the prior year period.

RELOCATION

Revenues and Adjusted EBITDA increased $17 million (5%) and $11 million (12%), respectively, in nine months 2000 compared with nine months 1999 and the Adjusted EBITDA margin increased from 30% to 32% for the comparable periods. Revenues and Adjusted EBITDA reflect a continuing trend in our business operations from asset based to service based. Higher service based fees for nine months 2000 versus nine months 1999 including increases in: (i) outsourcing fees of $9 million as a result of expanded services; (ii) international fees of $7 million as a result of increased marketing and sales efforts and; (iii) referral and other ancillary service fees of $10 million. Partially offsetting the increase in service fee revenues was a decline in corporate and government homesale closings and the related management fees which contributed reductions in revenues and Adjusted EBITDA of $10 million and $16 million, respectively, in third quarter 2000 versus third quarter 1999. Also contributing to increases in revenues and Adjusted EBITDA was $8 million of improved net interest income in nine months 2000 compared with nine months 1999. In addition, a $7 million gain was recognized in nine months 1999 on the sale of a minority interest in an insurance subsidiary. On a comparable basis, excluding the non-recurring gain, revenues and Adjusted EBITDA increased $24 million (8%) and $18 million (21%), respectively, in nine months 2000 compared with nine months 1999.

MORTGAGE

Revenues and Adjusted EBITDA decreased $8 million (3%) and $36 million (24%), respectively in nine months 2000 compared with nine months 1999. The impact on Revenues and Adjusted EBITDA from a $4.8

billion (23%) reduction in mortgage loan closings was offset by an increase in the average production fee. The average production fee increased 29 basis points (25%) in nine months 2000 compared to the prior year period due to a reduction in the direct cost per loan. Mortgage loan closings for nine months 2000 were $16.3 billion, consisting of $15.1 billion in purchase mortgages and $1.2 billion in refinancing mortgages. The decline in loans closed in nine months 2000 is substantially a result of a $4.6 billion reduction in mortgage refinancing volume due to the unprecedented industry-wide refinancing activity in 1999. Purchase mortgage closings in our retail lending business amounted to $12.6 billion in nine months 2000 and 1999. Mortgage closings from our Internet business, known as Log-In, Move-In, amounted to $587 million in nine months 2000, compared with $165 million in nine months 1999. Loan servicing revenues in 1999 included a $9 million gain on the sale of servicing rights. Excluding such gain, recurring loan servicing revenue increased $11 million (18%) in nine months 2000 compared to nine months 1999. The increase in loan servicing revenues was principally attributable to a corresponding increase in the average servicing portfolio which grew approximately $12.7 billion (28%) in nine months 2000 versus the prior year period. The Adjusted EBITDA margin decreased from 49% in nine months 1999 to 38% in nine months 2000. The decline in Adjusted EBITDA and Adjusted EBITDA margin resulted principally from increased expenses to market to the real estate Phone-In Move-In offices and salary and infrastructure expenses incurred in the first half of 2000 which were not fully utilized. As we anticipated, market conditions improved in third quarter 2000, and we continue to expect improvement of our operating results in fourth quarter 2000 versus fourth quarter 1999.

INSURANCE/WHOLESALE

Revenues increased $9 million (2%) in nine months 2000 compared with nine months 1999. Adjusted EBITDA increased $1 million (1%) over the same period. The increase in revenues and Adjusted EBITDA was principally attributable to international expansion. International revenues and Adjusted EBITDA increased $8 million and $3 million, respectively, primarily due to a 20% increase in memberships. Also, the quarter over quarter impact of a decrease in marketing expense resulting from longer amortization periods for certain customer acquisition costs was substantially offset by costs incurred during nine months 2000 related to a consolidation of domestic operations in Nashville, Tennessee. The consolidation of such domestic operations is expected to generate significant expense savings in future periods. The Adjusted EBITDA margin remained constant at 32% for the comparable nine month periods.

MOVE.COM GROUP

Revenues increased $30 million to $41 million in nine months 2000, while Adjusted EBITDA decreased $60 million to a loss of $74 million for the same period. These results reflect a significant increase in sponsorship revenues made possible by the portal's launch and our increased investment in marketing and development of the portal.

DIVERSIFIED SERVICES

Revenues and Adjusted EBITDA decreased $341 million and $4 million, respectively in nine months 2000 compared with nine months 1999. Revenues decreased primarily as a result of the 1999 dispositions of several business operations. The operating results of divested businesses were included through their respective disposition dates in 1999. The absence of such divested businesses from nine months 2000 operations resulted in a reduction in revenues and Adjusted EBITDA of $360 million and $25 million, respectively. Excluding the impact of divested businesses on nine months 1999 operating results, revenues and Adjusted EBITDA increased $16 million and $15 million, respectively, in nine months 2000. Revenues and Adjusted EBITDA increases were partially due to the favorable operating results from our Jackson Hewitt tax preparation franchise business. Jackson Hewitt, which experienced a 25% increase in year over year tax return volume, contributed an incremental $14 million and $18 million to revenues and Adjusted EBITDA, respectively in nine months 2000 compared with nine months 1999. During nine months 2000 we incurred expenses of $16 million to pursue Internet initiatives through our Cendant Internet Group. Such expenses were partially offset by $8 million of incremental income recognized from financial investments.

FLEET

On June 30, 1999, we completed the disposition of our Fleet segment for aggregate consideration of $1.8 billion. Revenues and EBITDA for the nine months ended September 30, 1999, were $207 million and $81 million, respectively.

RESULTS OF DISCONTINUED OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2000 VS. THREE MONTHS ENDED SEPTEMBER 30, 1999

In the third quarter of 2000, revenues and Adjusted EBITDA for Individual Membership decreased $76 million (29%) and $5 million (10%), respectively, compared with the third quarter of 1999, while the Adjusted EBITDA margin increased from 18% to 23% quarter-over-quarter. The 1999 dispositions of certain business units and the formation of Netmarket Group, Inc. ("NGI") as an independent company in 1999 collectively contributed $61 million to the decrease in revenues with no impact to Adjusted EBITDA. On a comparable basis, excluding the operations of such divested businesses, revenues and Adjusted EBITDA decreased $15 million (8%) and $5 million (10%), respectively, while the Adjusted EBITDA margin decreased from 24% to 23% quarter-over-quarter. The net decline in both revenues and Adjusted EBITDA primarily reflects fewer annual memberships expiring in the third quarter of 2000 than in the third quarter of 1999 (since revenues are recorded upon expiration of the membership term). Such decline was partially offset by a favorable mix of products and programs with marketing partners.

NINE MONTHS ENDED SEPTEMBER 30, 2000 VS. NINE MONTHS ENDED SEPTEMBER 30, 1999

In the nine months ended September 30, 2000, revenues decreased $163 million (23%) compared with the nine months ended September 30, 1999, while Adjusted EBITDA increased $68 million (100%) over the same period. The Adjusted EBITDA margin improved to 25% in the nine months ended September 30, 2000 from 10% in the corresponding period for 1999. The 1999 dispositions of certain business units and the formation of NGI as an independent company collectively contributed $171 million to the period-over-period decrease in revenues and $15 million to the period-over-period increase in Adjusted EBITDA. On a comparable basis, excluding the operating results of such divested businesses, revenues and Adjusted EBITDA increased $8 million (2%) and $53 million (64%), respectively. The Adjusted EBITDA margin increased substantially as fewer annual memberships expired in the nine months ended September 30, 2000 than in the corresponding period for 1999, reflecting our strategy in 2000 to focus principally on profitability within this business by carefully targeting our marketing efforts and reducing expenses incurred to reach potential new members. We reduced our solicitation spending by $26 million in the nine months ended September 30, 2000 compared with the corresponding period for 1999. In addition, we experienced a favorable mix of products and programs with marketing partners, which further contributed to revenue and Adjusted EBITDA growth. Also, the sale of certain referral agreements with car dealers resulted in an additional $8 million of revenues and Adjusted EBITDA in 2000.

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. 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 and cash flows of management and mortgage programs separately from the debt financing and cash flows of our other activities.

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 the transactions previously announced. As part of this regular on-going evaluation of acquisition opportunities, we currently are engaged in a number of separate, unrelated preliminary discussions concerning possible acquisitions. The purchase price for the possible acquisitions may be paid in cash, through the issuance of CD common stock (which would increase the number of shares 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.

ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS On November 13, 2000, we announced that we entered into a definitive agreement to acquire all of the outstanding shares of Avis Group Holdings, Inc. ("Avis") that are not currently owned by us at a price of $33.00 per share in cash. Approximately 26 million outstanding shares of Avis common stock, and options to purchase approximately 7.9 million additional shares, are not currently owned by us. Accordingly, the transaction is valued at approximately $935 million, net of option proceeds. We anticipate that more than 50% of the purchase price will be financed from new borrowings available to us and to PHH Corporation ("PHH"), our wholly-owned subsidiary, and expect that the remaining amount will be provided either from available cash or from the issuance of CD common stock. However, the actual funding for the acquisition will be finalized before the closing of the transaction.

The acquisition will be made by PHH. PHH will distribute the consumer car rental business, Avis Rent a Car, to one of our subsidiaries not within PHH's ownership structure. After the acquisition and the distribution of the consumer car rental business, PHH will own and operate the Vehicle Management and Leasing business as well as the Wright Express fuel card business. The merger is conditioned upon, among other things, approval of a majority of the votes cast by Avis stockholders who are unaffiliated with us and also customary regulatory approvals. Although no assurances can be given, we expect the transaction to close in first quarter of 2001.

On November 2, 2000, we announced that we had entered into a definitive agreement with Fairfield Communities, Inc. ("Fairfield") to acquire all of its outstanding common stock 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 twenty trading day period prior to the date on which Fairfield stockholders meet to approve the transaction. At least 50% of the consideration will be in cash and the balance will either be in cash or CD common stock, at our election. Consummation of the transaction is subject to customary regulatory approvals. Although no assurances can be given, we expect to complete the acquisition in early 2001.

DISPOSITIONS
On October 27, 2000, we announced that we had entered into a definitive agreement with Homestore.com, Inc. ("Homestore") to sell our Internet real estate portal, move.com, certain other businesses within our Move.com Group segment and Welcome Wagon International, Inc., (a subsidiary within our Diversified Services segment) in exchange for approximately 26 million shares of Homestore common stock valued at approximately $761 million. We intend on allocating a portion of the Homestore common stock shares received to existing Move.com common stockholders and option holders. After such allocation, we expect to retain approximately 19 or 20 million shares of Homestore common stock. Consummation of the transaction is subject to certain customary closing conditions, including Hart Scott Rodino anti-trust approval. Although no assurances can be given, we expect to complete the transaction during the first quarter of 2001.

On October 25, 2000, our Board of Directors committed to a plan to complete a tax-free spin-off of our Individual Membership segment and loyalty business through a special dividend to CD common stockholders. The final transaction is expected to close by mid-2001.

CLASS ACTION LITIGATION SETTLEMENT

On December 7, 1999, we announced that we reached a preliminary agreement to settle the principal securities class action pending against us in the U.S. District Court in Newark, New Jersey (the "Settlement Agreement") 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 would pay the class members approximately $2.85 billion in cash. The definitive settlement document was approved by the U.S. District Court by order dated August 14, 2000. 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. No appeals challenging the fairness of the $2.85 billion settlement amount were filed. The U.S. Court of Appeals for the Third Circuit has not issued a briefing schedule for the appeals. Accordingly, we will not be required to fund the settlement amount of $2.85 billion for some time. However, the Settlement Agreement required us to post collateral in the form of credit facilities and/or surety bonds by November 13, 2000. Accordingly, on November 13, 2000, we posted a surety bond in the amount of $790 million and letters of credit aggregating $1.71 billion. 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 funded such trust with a cash deposit of approximately $350 million. Such deposit will serve to reduce the amount of collateral required to be posted under the Settlement Agreement. See Debt Financing - Exclusive of Management and Mortgage Programs for further detail regarding the collateral arrangements in connection with the Settlement Agreement.

The settlement does not encompass all litigation asserting claims associated with the accounting irregularities. We do not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be

material with respect to earnings in any given reporting period. However, we
do not believe that the impact of such unresolved

proceedings should result in a material liability to us in relation to our consolidated financial position or liquidity.

DEBT FINANCING

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS

At September 30, 2000, aggregate outstanding borrowings consisted of the following:

7 3/4% senior notes (1)	$ 1,149
3% convertible subordinated notes (1)	548
Term loan facility	375
Other	2
	$ 2,074

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(1) Publicly issued fixed rate debt.

During August 2000, we replaced our $1.0 billion, 364-day revolving credit facility with a $1.75 billion three-year competitive advance and revolving credit agreement maturing on August 29, 2003. Borrowings under this new agreement will bear interest at LIBOR plus a margin of approximately 60 basis points. In addition, we are required to pay a per annum facility fee of approximately 15 basis points and a 0.125% utilization fee of daily commitments above a certain threshold. The agreement also contains the committed capacity to issue up to $1.75 billion in letters of credit, which can be used as part of the collateral arrangements under the Settlement Agreement. We utilized $1.71 billion of the facility for this purpose at the time collateral was required to be posted under the Settlement Agreement. The interest rates and facility fees are subject to change based upon credit ratings on our senior unsecured long-term debt by nationally recognized debt rating agencies. As of September 30, 2000, there were no outstanding borrowings related to the $1.75 billion three-year competitive advance and revolving credit agreement.

During August 2000, we obtained $790 million in commitments for surety bonds as an additional source of collateral required to be posted under the Settlement Agreement.

The $1.75 billion three-year competitive advance and revolving credit agreement and the $790 million in surety bonds require us to fund a settlement trust on behalf of the plantiffs in the stockholder securities class action litigation in four quarterly payments of $150 million, followed by eight quarterly payments of $200 million, commencing in the quarter ended March 31, 2001. The escrow deposits will serve to reduce the amount of collateral previously posted by us, as required by the Settlement Agreement.

We also have $750 million of committed bank facilities, which are currently undrawn and available, with the exception of $25 million of letters of credit, and $2.2 billion of availability under existing shelf registration statements. Our credit facilities contain certain restrictive covenants, including restrictions on indebtedness of material subsidiaries, consent to mergers and limitations on liens, liquidations, and sale and leaseback transactions. Maintenance of certain financial ratios is also required.

In January 2000, we used available cash to redeem our outstanding 7 1/2% senior notes at a redemption price of 100.695% of par, plus accrued interest.

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. 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. At September 30, 2000, aggregate outstanding borrowings under management and mortgage programs consisted of the following:

Commercial paper	$ 1,494
Secured obligations (1)	400
Medium-term notes	124
Other	125
	$ 2,143

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(1) Consists of a 364-day financing agreement to sell mortgage loans under an agreement to repurchase such mortgages. The agreement is collateralized by the underlying mortgage loans held in safekeeping by the custodian to the agreement. The total commitment under this agreement is $500 million. The agreement is renewable on an annual basis at the discretion of the lender in accordance with the securitization agreement.

Debt is issued by PHH without recourse to the parent company. 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 establishing credit standards to minimize credit risk and the potential for losses.

PHH minimizes its exposure to interest rate and liquidity risk by effectively matching floating and fixed interest rate and maturity characteristics of funding to related assets, varying short and long-term domestic and international funding sources and securing available credit under committed banking facilities. Depending upon asset growth and financial market conditions, PHH utilizes domestic commercial paper markets, public and private debt markets, as well as other cost-effective short-term instruments. As of November 3, 2000, PHH had approximately $3.0 billion available for issuing medium-term notes under its existing shelf registration statement. Proceeds from future offerings will continue to be used to finance assets PHH manages for its clients, for a portion of the acquisition of Avis and for general corporate purposes.

Augmenting these sources, 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 November 3, 2000, PHH maintained the following agreements, whereby managed assets were sold or transferred to third parties.

Mortgage. PHH maintains a revolving sales agreement, under which an unaffiliated bankruptcy remote buyer, Bishops Gate Residential Mortgage Trust (the "Buyer"), a special purpose entity, committed to purchase, at PHH's option, mortgage loans originated by PHH on a daily basis, up to the Buyer's asset limit of $2.1 billion. Under the terms of this sales agreement, PHH 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 September 30, 2000, PHH was servicing approximately $980 million of mortgage loans owned by the Buyer.

Relocation. PHH maintains three separate financing agreements with Apple Ridge Funding LLC ("Apple Ridge"), a bankruptcy remote, special purpose entity. Under the terms of these agreements, certain relocation receivables will be transferred for cash, on a revolving basis, to Apple Ridge until March 31, 2007. PHH retains a subordinated residual interest and the related servicing rights and obligations in the relocation receivables. At September 30, 2000, PHH was servicing approximately $703 million of receivables under these agreements.

To provide additional financial flexibility, PHH's current policy is to ensure that minimum committed facilities aggregate 100 percent of the average amount of outstanding commercial paper. As of September 30, 2000, PHH maintained $1.625 billion of unsecured committed credit facilities, which were provided by domestic and foreign banks. The facilities consisted of a $750 million revolving credit facility maturing in February 2001, a $125 million revolving credit facility maturing in September 2001 and a $750 million revolving credit facility maturing in February 2005. The full amount of PHH's committed facilities at September 30, 2000 was undrawn and available to support the average outstanding commercial paper balance.

We closely evaluate not only the credit of the banks, 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 securitized obligations and its revolving credit facilities.

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

On May 3, 2000, pursuant to the PRIDES settlement, we issued approximately 4 million additional PRIDES (the "Additional PRIDES"), with a face value of $50 per Additional PRIDES, and received approximately $91 million in cash proceeds related to the issuance of such securities. Only Additional Income PRIDES (having identical terms to the originally issued Income PRIDES) were issued, of which 3,619,374 were immediately converted into 3,619,374 New Income PRIDES and 380,626 remained Additional Income PRIDES. No Additional Growth PRIDES were issued in the offering.

MANDATORILY REDEEMABLE PREFERRED INTEREST IN A SUBSIDIARY

In March 2000, through a limited liability corporation ("LLC"), we issued a mandatorily redeemable preferred interest ("Senior Preferred Interest") in exchange for $375 million in cash. The Senior Preferred Interest is mandatorily redeemable 15 years from the date of issuance and may be redeemed 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%). Simultaneously with the issuance of the Senior Preferred Interest, we transferred certain assets to the LLC. After the sale of the Senior Preferred Interest, we 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. Proceeds were used to repay a portion of the outstanding borrowings under our term loan facility.

STOCKHOLDERS' EQUITY

CD COMMON STOCK TRANSACTIONS

Repurchases. Since inception of our common stock repurchase program in October 1998 and through September 30, 2000, we repurchased a total of approximately $2.3 billion (121 million shares) of CD common stock. As of September 30, 2000, we had approximately $488 million remaining availability under our common stock repurchase program.

Strategic Alliance. In February 2000, pursuant to a previously announced strategic alliance, Liberty Media Corporation ("Liberty Media") invested $400 million in cash to purchase 18 million shares of CD common stock and a two-year warrant to purchase approximately 29 million shares of CD common stock at an exercise price of $23.00 per share. In addition, in March 2000, Liberty Media's Chairman, John C. Malone, Ph.D., purchased one million shares of CD common stock for approximately $17 million in cash. The strategic alliance with Liberty Media is intended to develop Internet and related opportunities associated with our travel, mortgage, real estate and direct marketing businesses.

MOVE.COM COMMON STOCK TRANSACTIONS

Authorization of Tracking Stock. On March 21, 2000, our stockholders approved a proposal authorizing a new series of common stock to track the performance of the Move.com Group, a group of businesses which provide a broad range of quality relocation, real estate and home-related products and services through its flagship portal site, move.com, and through the move.com network. Our existing common stock was reclassified as CD common stock, which reflects the performance of our other businesses and also a retained interest in the Move.com Group (collectively referred to as the "Cendant Group"). In addition, our charter was amended and restated to increase the number of authorized shares of common stock from 2.0 billion to approximately 2.5 billion, comprised of 2.0 billion shares of CD common stock and 500 million shares of Move.com common stock. Although the issuance of Move.com common stock is intended to track the performance of the Move.com Group, holders are subject to all of the risks associated with an investment in all of our businesses, assets and liabilities. We issued shares of Move.com common stock in the following private financings:

NRT Incorporated Investment. On April 14, 2000, NRT Incorporated ("NRT") purchased 319,591 shares of Move.com common stock for $31.29 per share or approximately $10 million in cash. We own $179 million of NRT convertible preferred stock, of which $21 million will be convertible, at our option upon occurrence of certain events, into no more than 50% of NRT's common stock.

Chatham Street Holdings, LLC Investment. On March 31, 2000, Chatham Street Holdings, LLC ("Chatham") exercised a contractual right to purchase 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, for every two shares of Move.com common stock purchased, Chatham received a warrant to purchase one share of Move.com common stock at a price equal to $64.08 per share and a warrant to purchase one share of Move.com common stock at a price equal to $128.16 per share. Also during March 2000, we 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 were granted an option to purchase approximately 5 million shares of WMC common stock.

Liberty Digital, Inc. Investment. On March 31, 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. We and Liberty Digital also agreed to use good faith efforts to negotiate and enter into mutually acceptable agreements relating to the development of real estate related programming for Liberty Digital's interactive home channel based on Move.com Group's Web content.

CASH FLOWS

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE
Cash provided by (used in) continuing operations:			
Operating activities	$ 578	$ 738	$ (160)
Investing activities	(246)	2,509	(2,755)
Financing activities	(60)	(2,555)	2,495
Effects of exchange rate changes on cash and cash equivalents	25	32	(7)
Net cash provided by (used in) discontinued operations	11	(80)	91
Net change in cash and cash equivalents	$ 308	$ 644	$ (336)

Cash flows from operating activities decreased primarily due to:

- the effects of non-strategic businesses disposed throughout 1999 and
- a decrease in working capital.

Cash flows from investing activities resulted in an outflow of $246 million in 2000 compared to an inflow of $2,509 million in 1999, primarily due to the absence in 2000 of $2.8 billion of net cash proceeds received from the disposition of businesses in 1999.

Cash flows used in financing activities decreased primarily due to:

- an increase in the issuances of common stock,
- a decrease in the repurchases of CD common stock and
- proceeds from the issuance of a mandatorily redeemable preferred interest and the Additional PRIDES;

partially offset by:

- a net outflow of funds from borrowing activities.

MANAGEMENT AND MORTGAGE PROGRAMS CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE
Cash provided by (used in):			
Operating activities	$ (28)	$ 1,298	$ (1,326)
Investing activities	(62)	(1,243)	1,181
Financing activities	(171)	(1,082)	911
Net change in cash and cash equivalents	$ (261)	$ (1,027)	$ 766

Cash flows from operating activities resulted in an outflow of $28 million in 2000 compared to an inflow of $1,298 million in 1999, primarily due to:

- a decrease in cash flows from the originations of mortgage loans, which reflects larger mortgage loan originations in proportion to mortgage loan sales and
- a decrease in depreciation and amortization due to the 1999 disposition of our former Fleet segment.

Cash flows used in investing activities decreased primarily due to:

- 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.

Cash flows used in financing activities decreased primarily due to:

- the absence in 2000 of $3.0 billion in proceeds received for debt repayment in connection with the disposal of our former Fleet segment and
- a reduction in net borrowing requirements for our investment in assets under management and mortgage programs.

CAPITAL EXPENDITURES

During the nine months ended September 30, 2000, we invested $147 million in property and equipment to support operational growth and to enhance marketing opportunities. In addition, technological improvements were made to improve operating efficiencies. We anticipate an aggregate capital expenditure investment of approximately $210 million.

FLEET DISPOSITION

On June 30, 1999, we completed the disposition of our Fleet segment for aggregate consideration of $1.8 billion. The consideration consisted of the assumption and subsequent repayment of $1.44 billion of intercompany debt and the issuance of $360 million of non-voting convertible preferred stock of Avis Fleet Leasing and Management Corporation. We account for this convertible preferred stock investment using the cost method. Conversion of the convertible preferred stock is at our option, subject to earnings and stock price thresholds within specified intervals of time. As of September 30, 2000, the conversion conditions had not been satisfied. In connection with our current business plans, we announced on August 15, 2000, that we had submitted to the Board of Directors of Avis, a preliminary, non-binding proposal to acquire all of the outstanding shares of Avis that are not currently owned by us. See "Liquidity and Capital Resources - Acquisitions and Dispositions" for further detail regarding this proposed transaction.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("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 was previously amended by SFAS No. 137 "Accounting For Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which deferred the effective date of SFAS No. 133 to fiscal years commencing after June 15, 2000. We have appointed a team to implement these standards on an enterprise-wide basis. We have identified certain

contracts, which contain embedded derivatives, and additional freestanding derivatives as defined by SFAS No. 133. Completion of our implementation plan and determination of the impact of adopting these standards is expected by the end of the fourth quarter of 2000. Since the impact is dependent upon market fluctuations and the notional value of such contracts at the time of adoption, the impact of adopting these standards is not fully determinable. However, we currently do not anticipate material changes to any of our existing hedging strategies as a result of such adoption. We will adopt SFAS No. 138 concurrently with SFAS No. 133 on January 1, 2001, as required.

In October 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 will adopt SFAS No. 140 on December 31, 2000, as required.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As previously discussed in our 1999 Annual Report filed on Form 10-K, 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 our market risk sensitive positions. We used September 30, 2000 market rates to perform a sensitivity analysis separately for each of our market risk exposures. The estimates assume instantaneous, parallel shifts in interest rate yield curves and exchange rates. We have determined, through such analyses, 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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The discussions contained under the headings "Class Action Litigation and Government Investigations" in Note 11 contained in PART I FINANCIAL INFORMATION, Item 1. Financial Statements, are incorporated herein by reference in their entirety.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

See Exhibit Index.

(B) REPORTS ON FORM 8-K

On August 29, 2000, we filed a current report on Form 8-K to report under Item 5 that the U.S. District Court in Newark, New Jersey approved as final the previously announced class action litigation settlement with Cendant common stockholders.

On August 15, 2000, we filed a current report on Form 8-K to report under Item 5 that a preliminary, non-binding proposal to acquire all of the outstanding shares of Avis Group Holdings, Inc. that are not currently owned by us at a price of $29.00 per share in cash.

On July 21, 2000, we filed a current report on Form 8-K to report under Item 5 our second quarter 2000 financial results.

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

/s/ David M. Johnson

David M. Johnson
Senior Executive Vice President and
Chief Financial Officer

/s/ John T. McClain

John T. McClain
Senior Vice President, Finance and
Corporate Controller

Date: November 14, 2000

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2000 dated July 28, 2000)
3.2	Amended and Restated By-Laws of the Company (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2000 dated July 28, 2000)
10.1	Amendment, effective May 15, 2000, to the Amended and Restated Employment Agreement, dated as of June 30, 1996 and all subsequent amendments thereto, by and between Cendant Corporation, successor to HFS Incorporated, and Henry R. Silverman.
10.2	Agreement and Plan of Merger, dated as of November 1, 2000, by and among Cendant Corporation, Grand Slam Acquisition Corp. and Fairfield Communities, Inc.
10.3	Agreement and Plan of Reorganization by and among Homestore.com, Inc., Metal Acquisition Corp, Welcome Wagon Acquisition Corp., Move.com, Inc., Welcome Wagon International Inc., Cendant Membership Services, Inc. and Cendant Corporation, dated as of October 26, 2000.
10.4	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.
10.5	Three Year Competitive Advance and Revolving Credit Agreement, dated as of August 29, 2000, among Cendant Corporation, the lenders referred to therein, and the Chase Manhattan Bank, as Administrative Agent.
12	Computation of Ratio of Earnings to Fixed Charges
27	Financial Data Schedule (electronic transmission only)

AMENDMENT TO EMPLOYMENT AGREEMENT

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

Dear Mr. Silverman:

Reference is made to that certain amended and restated employment agreement, dated as of June 30, 1996, as amended to date, by and between Cendant Corporation, the successor to HFS Incorporated ("Cendant") and you (the "Agreement"). Capitalized terms used in this letter shall have the meanings assigned to them in the Agreement unless otherwise defined herein. For good and valid consideration, the receipt and sufficiency of which is hereby acknowledged, Cendant and you hereby agree that the Agreement is hereby amended as follows, effective as of May 15, 2000:

1. In the event that the Board shall determine that the Executive shall no longer serve the Company in the capacity of President and/or Chief Executive Officer, then so long as the Board permits the Executive to continue to serve the Company in the capacity of Chairman of the Board of Directors, such determination by the Board shall not be deemed a termination of the Executive's employment by the Company (within the meaning of Section 6(a)(iv) of the Agreement).

2. Section 1 of the Agreement is hereby amended to read, in its entirety, as follows: "The employment of the Executive by the Company pursuant to this Agreement will end on August 1, 2010."

This letter is intended to constitute an amendment to the Agreement and, as amended hereby, the Agreement shall remain in full force and effect. In order to evidence your agreement to the provisions of this letter, please sign and return the enclosed copy of this letter, which shall constitute a binding agreement between Cendant and you.

CENDANT CORPORATION

By: /s/ James E. Buckman

James E. Buckman
Vice Chairman and General Counsel

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

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

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

CENDANT CORPORATION,

GRAND SLAM ACQUISITION CORP.

AND

FAIRFIELD COMMUNITIES, INC.

DATED AS OF NOVEMBER 1, 2000

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Exhibit 5.10(a) - Form of Affiliate Agreement

AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of November 1, 2000, by and among CENDANT CORPORATION, a Delaware corporation ("Parent"), FAIRFIELD COMMUNITIES, INC., a Delaware corporation (the "Company"), and GRAND SLAM ACQUISITION CORP., a Delaware corporation and a subsidiary of Parent ("Merger Sub").

WHEREAS, the respective Board of Directors of Parent and the Company have determined that the Merger (as defined below) and the other transactions contemplated under this Agreement are in the best interest of Parent and the Company;

WHEREAS, each of Parent, Merger Sub and the Company desire to enter into a transaction whereby Merger Sub will merge with and into the Company (the "Merger"), with the Company being the surviving corporation, upon the terms and subject to the conditions set forth in this Agreement, whereby each issued and outstanding share of common stock, par value $0.01 per share, of the Company (together with the rights associated with such shares issued pursuant to the Rights Agreement, dated as of September 1, 1992, as amended, between the Company and The First National Bank of Boston (as successor to Society National Bank), as Rights Agent (the "Rights Agreement"), "Company Common Stock"), will be converted into the right to receive the Merger Consideration (as defined in Section 2.1(c));

WHEREAS, the respective Boards of Directors of Parent and the Company have each approved the possible transfer of certain assets and liabilities related to the resort and vacation ownership interest development business currently operated by the Company to a newly formed corporation ("DevCo.") and the distribution of DevCo. common stock, on a pro rata basis, to stockholders of the Company or the transfer of such common stock to a third party immediately prior to the Effective Time (as defined in Section 1.3), in accordance with the terms and provisions set forth on Exhibit A attached hereto (each, a "DevCo. Distribution");

WHEREAS, the respective Boards of Directors of Parent, Merger Sub and the Company have each approved and adopted this Agreement and approved the Merger in accordance with the General Corporation Law of the State of Delaware (the "DGCL"), and Parent has approved this Agreement and the Merger as the parent of Merger Sub;

WHEREAS, the parties desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

WHEREAS, concurrently with the execution of this Agreement, and as an inducement to Parent and Merger Sub to enter into this Agreement, Parent and certain stockholders of the Company have entered into a Voting Agreement, dated as of the date hereof (the "Voting Agreement"), providing, among other things, that such stockholders will vote, or cause to be voted, at the meeting of the Company's stockholders for the purpose of voting on the adoption of this Agreement (the "Company Stockholders Meeting") all of the shares of Company Common Stock owned by them in favor of the Merger; and

WHEREAS, concurrently with the execution of this Agreement,

Parent and the Company have entered into a Stock Option Agreement , dated as of the date hereof, providing, among other things, that the Company grants to Parent an option to purchased shares of Company Common Stock (the "Stock Option Agreement").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the DGCL, Merger Sub shall be merged with and into the Company at the Effective Time. Following the Effective Time, the Company shall be the surviving corporation (the "Surviving Corporation"), shall become a subsidiary of Parent and shall succeed to and assume all the rights and obligations of Merger Sub in accordance with the DGCL.

SECTION 1.2 Closing. Subject to the satisfaction or waiver of all the conditions to closing contained in Article VI hereof, the closing of the Merger (the "Closing") will take place at 10:00 a.m. on a date to be specified by the parties (the "Closing Date"), which shall be no later than the second day after satisfaction or waiver of the conditions set forth in Article VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions; provided, that if the DevCo. Distribution shall be scheduled to occur within 15 business days after satisfaction or waiver of the conditions set forth in Article VI (other than the Company Stockholders Meeting), the closing shall take place upon written election of Parent, delivered to the Company prior to 5:00 p.m., New York City time, on the date of such satisfaction or waiver (the "Closing Extension Notice") on (subject to the satisfaction or waiver of all of the conditions set forth in Article VI) the earlier of (i) the date of the DevCo. Distribution and (ii) the 15th business day after the date of the Closing Extension Notice, unless another time or date is agreed to by the parties hereto). The Closing will be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036 or at such other location as is agreed to by the parties hereto.

SECTION 1.3 Effective Time. Subject to the provisions of this Agreement, as soon as practicable following the Closing, the parties shall cause the Merger to be consummated by filing a certificate of merger (the "Certificate of Merger") executed in accordance with the relevant provisions of the DGCL and shall make all other filings or recordings required under the DGCL to effectuate the Merger. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware, or at such subsequent date or time as Parent and the Company shall agree and specify in the Certificate of Merger (the time the Merger becomes effective being hereinafter referred to as the "Effective Time").

SECTION 1.4 Effects of the Merger. The Merger shall have the effects set forth in Section 259 of the DGCL.

SECTION 1.5 Certificate of Incorporation and By-laws of the Surviving Corporation. The certificate of incorporation and the by-laws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation and the by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law, except that the first article of the certificate of incorporation of the Merger Sub shall be amended as of the Effective Time to read in its entirety as follows: "The name of the corporation is Fairfield Communities, Inc."

SECTION 1.6 Directors and Officers. The directors of Merger Sub shall, from and after the Effective Time, become the directors of the Surviving Corporation until their successors shall have been duly elected, appointed or qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and the by-laws of the Surviving Corporation. The officers of Merger Sub shall, from and after the Effective Time, become the officers of the Surviving Corporation until their successors shall have been duly elected, appointed or qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and the by-laws of the Surviving Corporation.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

SECTION 2.1 Effect on Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of Company Common Stock:

(a) Capital Stock of Merger Sub. Each issued and outstanding share of the common stock, par value $.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and nonassessable share of common stock, par value $.01 per share, of the Surviving Corporation.

(b) Cancellation of Treasury Stock. Each share of Company Common Stock that is owned by the Company, Parent, Merger Sub or any of their respective wholly owned subsidiaries shall automatically be cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(c) Conversion of Company Common Stock; Proration. Subject to Section 2.2 hereof, each issued and outstanding share of Company Common Stock, other than shares to be cancelled and retired in accordance with Section 2.1(b) and Dissenting Shares (as defined in Section 2.4), shall be converted, at the election of the holder thereof, in accordance with the procedures set forth in Section 2.2 below, into the following (the "Merger Consideration"):

(i) For each share of Company Common Stock with respect to which an election to receive shares of common stock, par value $0.01 per share, of Parent, designated as CD common stock ("Parent Common Stock"), has been effectively made and not revoked pursuant to Section 2.2 ("Stock Election") and for each Non-Electing Share (as defined in subsection (iv) below), the right to receive 1.2500 (the "Initial Exchange Ratio" and as adjusted pursuant to Section 2.3 and this subsection (i), the "Exchange Ratio") fully paid and nonassessable shares of Parent Common Stock (as may be adjusted pursuant to the remainder of this subsection (i), the "Stock Election Consideration"); provided, however, that (x) if the Average Trading Price (as defined below) is between $12.0 and $13.5960, then the Exchange Ratio shall be equal to the sum of (a) the Initial Exchange Ratio divided by two, and (b) the quotient of $7.5 divided by the Average Trading Price, (y) if the Average Trading Price is equal to, or greater than, $13.5960, then the Exchange Ratio shall be equal to the quotient of $16 divided by the Average Trading Price and (z) if the Average Trading Price is below $12.0, then the Exchange Ratio shall be equal to the quotient of $15 divided by the Average Trading Price; provided, further, that if the Average Trading Price of Parent Common Stock is $7.00 or less, the Exchange Ratio will be 2.1428. As used herein, the "Average Trading Price" shall mean the arithmetic average of the 4:00 p.m. Eastern Time closing sales prices of Parent Common Stock reported on the New York Stock Exchange ("NYSE") Composite Tape for the 20 consecutive NYSE trading days (each, a "Trading Day") ending on (and including) the Trading Day immediately prior to the date of the Company Stockholders Meeting (as defined herein).

(ii) For each share of Company Common Stock with respect to which an election to receive cash has been effectively made and not revoked pursuant to Section 2.2 ("Cash Election"), the right to receive $15 in cash, subject to proration pursuant to subsection (iii) below (the "Cash Election Consideration"); provided, however, that in the event that the Average Trading Price is greater than $12.0, for each share of Company Common Stock with respect to which a Cash Election was made and not subject to proration, in addition to the Cash Election Consideration received with respect to such share, there shall be a right to receive a fraction of a share of Parent Common Stock which shall equal the value, based on the Average Trading Price, of the Stock Election Consideration minus $15 (the "Additional Stock Consideration"); provided, further, that the Additional Stock Consideration shall not exceed $1.

(iii) The manner in which each share of Company Common Stock (other than shares of Company Common Stock to be cancelled as set forth in Section 2.1(b) and Dissenting Shares) for which a Cash Election has been made shall be converted into the right to receive either the Cash Election Consideration and Additional Stock Consideration, if any, or the Stock Election Consideration on the Effective Date shall be as set forth in this subsection (iii). All references to "outstanding" shares of Company Common Stock in this subsection (iii) shall mean all shares of

Company Common Stock issued and outstanding immediately prior to the Effective Time.

(A) As is more fully set forth below and except as provided in Section 2.1(c)(v), the aggregate amount of cash which Parent shall be obligated to pay in the Merger pursuant to this Agreement (other than in respect of Dissenting Shares) shall not be more than the product of multiplying $7.5 by the number of outstanding shares of the Company's Common Stock (the "Total Cash Actual"). "Total Cash Potential" shall mean the sum of (1) the aggregate Cash Election Consideration elected by stockholders of the Company, and (2) a cash amount equal to the number of Dissenting Shares multiplied by the value, based on the Average Trading Price, of the Stock Election Consideration.

(B) If the Total Cash Potential is equal to or less than the Total Cash Actual, each share of Company Common Stock covered by a Cash Election shall be converted in the Merger into the right to receive the Cash Election Consideration and the Additional Stock Consideration, if any.

(C) If the Total Cash Potential is greater than the Total Cash Actual, each share of Company Common Stock covered by a Cash Election shall be converted in the Merger into the right to receive the Cash Election Consideration and the Stock Election Consideration in the following manner:

(a) The Exchange Agent (as defined in Section 2.2(d) below) will distribute with respect to each share of Company Common Stock as to which a Cash Election has been made the Cash Election Consideration multiplied by a fraction, (x) the numerator of which shall be the product of multiplying (A) $15 by (B) 50.0% of the number of outstanding shares of Company Common Stock minus the product of multiplying (C) the number of Dissenting Shares by (D) the value, based on the Average Trading Price, of the Stock Election Consideration, and (y) the denominator of which shall be the aggregate Cash Election Consideration elected by stockholders of the Company; and

(b) Each share of Company Common Stock covered by a Cash Election and not fully converted into the right to receive the Cash Election Consideration as set forth in clause (a) above shall be converted in the Merger into the right to receive a fraction of a share of Parent Common Stock which shall equal the value, based on the Average Trading Price, of the sum of (x) the product of multiplying (A) the Stock Election Consideration by (B) a fraction equal to 1.0 minus the fraction set forth in clause (a) above plus (y) the product of multiplying (A) the value, based on the Average Trading

Price, of the Additional Stock Consideration, if any, by (B) the fraction set forth in clause (a) above, subject to subsection (v) below.

(iv) Each share of Company Common Stock for which a valid Stock Election has been received and each share of Company Common Stock for which an Election (as defined in Section 2.2 below) is not in effect at the Election Deadline (a "Non-Electing Share"), shall be converted into the right to receive the Stock Election Consideration in the Merger, subject to subsection (v) below. If Parent and the Company shall determine that any Election is not properly made with respect to any shares of Company Common Stock, such Election shall be deemed to be not in effect, and the shares of Company Common Stock covered by such Election shall, for purposes hereof, be deemed to be Non- Electing Shares.

(v) Notwithstanding subsections (i) through (iv) above, Parent shall have the right, exercisable at any time at least two business days prior to the Closing, at Parent's sole discretion, to pay in cash for any shares for which an Election (as defined below) was made and to substitute on a pro rata basis a payment of cash in an amount equal to the Average Trading Price multiplied by the Exchange Ratio for any or all shares of Company Common Stock for which the Stock Election has been made or which would otherwise be converted into Parent Common Stock pursuant to Section 2.1(c)(iii)(C); provided, that prior to making such substitution, Parent shall first have paid in cash for all shares for which a Cash Election has been made and which were not fully converted into the right to receive the Cash Election Consideration.

SECTION 2.2 Election Procedure. Each holder of shares of Company Common Stock (other than Dissenting Shares) shall have the right, subject to the limitations set forth in this Article II, to submit an Election (as defined below) in accordance with the following procedures (as used in this Section 2.2, "holder" shall mean "record holder"):

(a) Each holder of shares of Company Common Stock may specify in a request made in accordance with the provisions of this Section (herein called an "Election") (A) the number of shares of Company Common Stock owned by such holder with respect to which such holder desires to make a Stock Election and (B) the number of shares of Company Common Stock owned by such holder with respect to which such holder desires to make a Cash Election.

(b) Parent shall prepare a form reasonably acceptable to the Company (the "Form of Election") which shall be mailed to the Company's stockholders entitled to vote at the Company Stockholders Meeting so as to permit the Company's stockholders to exercise their right to make an Election prior to the Election Deadline (as defined in subsection (d)).

(c) Parent shall use all reasonable efforts to make the Form of Election initially available to all stockholders of the Company

at least twenty business days prior to the Election Deadline and shall use all reasonable efforts to make available as promptly as possible a Form of Election to any stockholder of the Company who requests such Form of Election following the initial mailing of the Forms of Election and prior to the Election Deadline.

(d) Any Election shall have been made properly only if the person authorized to receive Elections and to act as exchange agent under this Agreement, which person shall be designated by Parent (the "Exchange Agent"), shall have received, by 5:00 p.m. local time in the city in which the principal office of such Exchange Agent is located, on the date of the Election Deadline, a Form of Election properly completed and signed and accompanied by certificates of the shares of Company Common Stock (the "Company Stock Certificates") to which such Form of Election relates or by an appropriate guarantee of delivery of such certificates, as set forth in such Form of Election, from a member of any registered national securities exchange or a commercial bank or trust company in the United States; provided, that such certificates are in fact delivered to the Exchange Agent by the time required in such guarantee of delivery. Failure to deliver shares of Company Common Stock covered by such a guarantee of delivery within the time set forth on such guarantee shall be deemed to invalidate any otherwise properly made Election. As used herein, "Election Deadline" means the date on which the Effective Time occurs.

(e) Any Company stockholder may at any time prior to the Election Deadline change his or her Election by written notice received by the Exchange Agent prior to the Election Deadline accompanied by a properly completed and signed, revised Form of Election.

(f) Any Company stockholder may, at any time prior to the Election Deadline, revoke his or her Election by written notice received by the Exchange Agent prior to the Election Deadline or by withdrawal prior to the Election Deadline of his or her Company Stock Certificate, or of the guarantee of delivery of such certificates, previously deposited with the Exchange Agent. All Elections shall be revoked automatically if the Exchange Agent is notified in writing by Parent or the Company that this Agreement has been terminated in accordance with Article VII.

(g) If any portion of the Merger Consideration is to be paid to a person other than the person in whose name a Company Stock Certificate so surrendered is registered, it shall be a condition to such payment that such Company Stock Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment shall pay to the Exchange Agent any transfer or other Taxes (as defined in Section 3.1(m)) required as a result of such payment to a person other than the registered holder of such Company Stock Certificate, or establish to the satisfaction of the Exchange Agent that such Tax has been paid or is not payable.

(h) After the Effective Time there shall be no further registration of transfers of shares of Company Common Stock. If after the Effective Time, Company Stock Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for the Merger

Consideration in accordance with the procedures set forth in this Article II.

(i) At any time following the first anniversary of the Effective Time, the Surviving Corporation shall be entitled to require the Exchange Agent to deliver to it any remaining portion of the Merger Consideration not distributed to holders of shares of Company Common Stock that was deposited with the Exchange Agent at the Effective Time (the "Exchange Fund") (including any interest received with respect thereto and other income resulting from investments by the Exchange Agent, as directed by Parent), and holders shall be entitled to look only to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) with respect to the Merger Consideration, any cash in lieu of fractional shares of Parent Common Stock and any dividends or other distributions with respect to Parent Common Stock payable upon due surrender of their Company Stock Certificates, without any interest thereon. Notwithstanding the foregoing, neither the Surviving Corporation nor the Exchange Agent shall be liable to any holder of a Company Stock Certificate for Merger Consideration (or dividends or distributions with respect thereto) or cash from the Exchange Fund in each case delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(j) In the event any Company Stock Certificates shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Company Stock Certificate(s) to be lost, stolen or destroyed and, if required by Parent, the posting by such person of a bond in such sum as Parent may reasonably direct as indemnity against any claim that may be made against it or the Surviving Corporation with respect to such Company Stock Certificate(s), the Exchange Agent will issue the Merger Consideration deliverable in respect of the shares of Company Common Stock represented by such lost, stolen or destroyed Company Stock Certificates.

(k) No dividends or other distributions with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Company Stock Certificate with respect to the shares of Parent Common Stock represented thereby, and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to subsection (l) below, and all such dividends, other distributions and cash in lieu of fractional shares of Parent Common Stock shall be paid by Parent to the Exchange Agent and shall be included in the Exchange Fund, in each case until the surrender of such Company Stock Certificate in accordance with subsection (l) below. Subject to the effect of applicable abandoned property, escheat or similar laws, following surrender of any such Company Stock Certificate there shall be paid to the holder of a certificate for Parent Common Stock (a "Parent Stock Certificate") representing whole shares of Parent Common Stock issued in exchange therefore, without interest, (i) at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock and the amount of any cash payable in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to subsection (l), and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective

Time but prior to such surrender and with a payment date subsequent to such surrender payable with respect to such whole shares of Parent Common Stock. Parent shall make available to the Exchange Agent cash for these purposes, if necessary.

(l) No Parent Stock Certificates representing fractional shares of Parent Common Stock shall be issued upon the surrender for exchange of Company Stock Certificates; no dividend or distribution by Parent shall relate to such fractional share interests; and such fractional share interests will not entitle the owner thereof to vote or to any rights as a shareholder of Parent. In lieu of any such fractional shares, each holder of a Company Stock Certificate who would otherwise have been entitled to receive a fractional share interest in exchange for such Company Stock Certificate shall receive from the Exchange Agent an amount in cash equal to the product obtained by multiplying (A) the fractional share interest to which such holder (after taking into account all shares of Company Common Stock held by such holder at the Effective Time) would otherwise be entitled by (B) the Average Trading Price. Parent shall provide the Exchange Agent the aggregate amount of cash payable pursuant to this subsection (l) promptly following the Effective Time.

(m) Parent shall have the right to make rules, not inconsistent with the terms of this Agreement, governing (A) the validity of the Forms of Election, (B) the manner and extent to which Elections are to be taken into account in making the determinations prescribed by Section 2.1, (C) the issuance and delivery of Parent Stock Certificates into which shares of Company Common Stock are converted in the Merger and (D) the method of payment of cash for shares of Company Common Stock converted into the right to receive the Cash Election Consideration.

(n) Promptly after the Effective Time, Parent will deposit with the Exchange Agent an amount of cash and shares of Parent Common Stock sufficient to pay in a timely manner, and the Parent shall instruct the Exchange Agent to timely pay, the aggregate Cash Election Consideration and cash in lieu of fractional shares of Parent Common Stock and the aggregate Additional Stock Consideration and Stock Election Consideration. Upon surrender to the Exchange Agent of its Company Stock Certificate or Company Stock Certificates, accompanied by a properly completed Form of Election, a holder of Company Common Stock will be entitled to receive promptly after the Election Deadline the Merger Consideration (elected or deemed elected by it, subject to Sections 1.2 and 2.1) in respect of the shares of Company Common Stock represented by its Company Stock Certificate. Until so surrendered, each such Company Stock Certificate shall represent after the Effective Time, for all purposes, only the right to receive the Merger Consideration.

SECTION 2.3 Certain Adjustments. If after the date hereof and on or prior to the Effective Time the outstanding shares of Parent Common Stock or Company Common Stock shall be changed into a different number of shares by reason of any reclassification, recapitalization, combination or any similar event shall occur (including an extraordinary dividend, the record date for payment of which occurs during the Election Period) (any such action, an "Adjustment Event"), the Exchange Ratio shall be adjusted accordingly to provide to the holders of Company Common Stock

whose shares of Company Common Stock have been converted into the right to receive either Stock Election Consideration or Additional Stock Consideration the same economic effect as contemplated by this Agreement prior to such reclassification, recapitalization, combination or similar event.

SECTION 2.4 Shares of Dissenting Stockholders. Notwithstanding anything in this Agreement to the contrary, any shares of Company Common Stock that are issued and outstanding as of the Effective Time and that are held by a stockholder who has properly exercised his appraisal rights under the DGCL (the "Dissenting Shares") shall not be converted into the right to receive the Merger Consideration unless and until the holder shall have failed to perfect, or shall have effectively withdrawn or lost, his right to dissent from the Merger under the DGCL and to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to and subject to the requirements of the DGCL. If any such holder shall have so failed to perfect or have effectively withdrawn or lost such right, each share of such holder's Company Common Stock shall thereupon be deemed to have been converted into and to have become, as of the Effective Time, the right to receive, without any interest thereon, the Stock Election Consideration or the Cash Election Consideration or a combination thereof as determined by Parent in its sole discretion. The Company shall give Parent (i) prompt notice of any notice or demands for appraisal or payment for shares of Company Common Stock received by the Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands or notices. The Company shall not, without the prior written consent of Parent, make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.1 Representations and Warranties of the Company. Except as set forth on the Disclosure Schedule delivered by the Company to Parent prior to the execution of this Agreement (the "Company Disclosure Schedule") and making reference to the particular subsection of this Agreement to which exception is being taken (regardless of whether such subsection refers to the Company Disclosure Schedule), the Company represents and warrants to Parent as follows:

(a) Organization, Standing and Corporate Power.

(i) Each of the Company and its subsidiaries (as defined in Section 8.3) is a corporation or other legal entity duly organized, validly existing and in good standing (with respect to jurisdictions which recognize such concept) under the laws of the jurisdiction in which it is organized and has the requisite corporate or other power, as the case may be, and authority to carry on its business as now being conducted. Each of the Company and its subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of

its business or the ownership, leasing or operation of its properties makes such qualification or licensing necessary, except for those jurisdictions where the failure to be so qualified or licensed or to be in good standing individually or in the aggregate would not reasonably be expected to have a material adverse effect on the Company or the applicable subsidiary.

(ii) The Company has delivered or provided to Parent prior to the execution of this Agreement complete and correct copies of its certificate of incorporation and by-laws, as amended to date.

(iii) In all material respects, the minute books of the Company contain accurate records of all meetings and accurately reflect all other actions taken by the stockholders, the Board of Directors and all committees of the Board of Directors of the Company since January 1, 1997.

(b) Subsidiaries. Section 3.1(b) of the Company Disclosure Schedule lists all the subsidiaries of the Company, whether consolidated or unconsolidated as of the end of the most recently completed fiscal year. All outstanding shares of capital stock of, or other equity interests in, each such subsidiary (i) have been validly issued and are fully paid and nonassessable; (ii) are owned directly or indirectly by the Company, free and clear of all pledges, claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever (collectively, "Liens"); and (iii) are free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests) that would prevent the operation by the Surviving Corporation of such subsidiary's business as currently conducted.

(c) Capital Structure. The authorized capital stock of the Company consists of 100,000,000 shares of Company Common Stock and 5,000,000 shares of preferred stock, par value $.01 per share, of the Company ("Company Authorized Preferred Stock"), of which 1,000,000 shares have been designated as Company Series A Junior Participating Preferred Stock ("Company Preferred Stock") and no other shares of Company Authorized Preferred Stock have been designated. At the close of business on October 29, 2000: (i) 42,382,655 shares of Company Common Stock were issued and outstanding; (ii) 10,376,039 shares of Company Common Stock were held by the Company in its treasury (such shares, "Company Treasury Stock") and no shares of Company Common Stock were held by subsidiaries of the Company; (iii) no shares of Company Preferred Stock were issued and outstanding and 1,000,000 shares of Company Preferred Stock were reserved for issuance pursuant to the Rights Agreement; (iv) no shares of Company Preferred Stock were held by the Company in its treasury or were held by any subsidiary of the Company; and (v) 5,987,587 shares of Company Common Stock were reserved for issuance pursuant to the Company's 1992 Warrant Plan, Vacation Break U.S.A., Inc. 1995 Stock Option Plan, 1997 Stock Option Plan, 2000 Incentive Stock Plan, Vacation Break U.S.A. Inc. Directors' Plan, as amended, Warrant Agreements dated December 27, 1995, Warrant Agreements dated May 22, 1997 and Employee Stock Purchase Plan (the "Company Stock Plans"), of which 3,628,956 shares are subject to outstanding employee and non-employee

director stock options (the "Company Stock Options"), 1,745,510 shares are subject to employee warrants (the "Company Warrants"), 230,322 shares are subject to awards of restricted Company Common Stock (collectively with Company Stock Options, Company Warrants and the awards described in Section 5.6(b), the "Company Awards"). All outstanding shares of capital stock of the Company are, and all shares thereof which may be issued prior to the Closing will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. Except as set forth in this Section 3.1(c) and except for changes since October 31, 2000 resulting from the issuance of shares of Company Common Stock pursuant to and in accordance with Company Awards and other rights referred to above in this Section 3.1(c), outstanding prior to October 31, 2000 (x) there are not issued, reserved for issuance or outstanding (A) any shares of capital stock or voting securities or other ownership interests of the Company, (B) any securities of the Company or any Company subsidiary convertible into or exchangeable or exercisable for shares of capital stock or voting securities or other ownership interests of the Company, or (C) any warrants, calls, options or other rights to acquire from the Company or any Company subsidiary, or any obligation of the Company or any of its subsidiaries to issue, any capital stock, voting securities or other ownership interests in, or securities convertible into or exchangeable or exercisable for, capital stock or voting securities or other ownership interests of the Company, and (y) there are no outstanding obligations of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire any such securities or to issue, deliver or sell, or cause to be issued, delivered or sold, any such securities. There are no outstanding (A) securities of the Company or any of its subsidiaries convertible into or exchangeable or exercisable for shares of capital stock or voting securities or other ownership interests in any subsidiary of the Company, (B) warrants, calls, options or other rights to acquire from the Company or any of its subsidiaries, or any obligation of the Company or any of its subsidiaries to issue, any capital stock, voting securities or other ownership interests in, or any securities convertible into or exchangeable or exercisable for, any capital stock, voting securities or other ownership interests in, any subsidiary of the Company or (C) obligations of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire any such outstanding securities of subsidiaries of the Company or to issue, deliver or sell, or cause to be issued, delivered or sold, any such securities. To the Company's knowledge, neither the Company nor any of its subsidiaries is a party to any agreement restricting the transfer of, relating to the voting of, requiring registration of, or granting any preemptive or antidilutive rights with respect to any of the securities of the Company or any of its subsidiaries. To the knowledge of the Company, there are no voting trusts or other agreements or understandings to which the Company or any of its subsidiaries is a party with respect to the voting of the capital stock of the Company or any of the subsidiaries.

(d) Authority; Noncontravention. The Company has all requisite corporate power and authority to enter into this Agreement, the Stock Option Agreement and, subject, in the case of the Merger, to the Company Stockholder Approval (as defined in Section 3.1(v)) to consummate the transactions contemplated hereby and thereby, including with respect to the "spin-off" of DevCo., the requisite corporate power to declare the DevCo. Distribution as presently described in Exhibit A. The execution and

delivery of this Agreement and the Stock Option Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (other than the DevCo. Distribution) have been duly authorized by all necessary corporate action on the part of the Company, subject, in the case of the Merger, to the Company Stockholder Approval. This Agreement and the Stock Option Agreement have been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Merger Sub, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that (i) such enforceability may be subject to applicable bankruptcy, insolvency or other similar laws now or hereafter in effect affecting creditors' rights generally and (ii) the availability of the remedy of specific performance or injunction or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought. The execution and delivery of this Agreement and the Stock Option Agreement do not, and the consummation of the transactions contemplated hereby and thereby (other than the DevCo. Distribution) and compliance with the provisions of this Agreement and the Stock Option Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its subsidiaries under, (i) the certificate of incorporation or by-laws of the Company, (ii) the certificate of incorporation or by-laws or the comparable organizational documents of any of its subsidiaries, (iii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise, license or similar authorization applicable to the Company or any of its subsidiaries or their respective properties or assets or (iv) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or any of its subsidiaries or their respective properties or assets, other than, in the case of clauses (iii) and (iv), any such conflicts, violations, defaults, rights, losses or Liens that individually or in the aggregate would not reasonably be expected to have a material business impact on the Company or that relate to or arise as a result of the DevCo. Distribution, provided, however, that the failure to list on Section 3.1(d) of the Company Disclosure Schedule a conflict, violation, default, right, loss or Lien with respect to an agreement, instrument, permit, concession, franchise, license or similar authorization specified in clause (iii) that is cured by the time of the Closing by obtaining the consent of the other party to such agreement, instrument, permit, concession, franchise, license or similar authorization shall not be considered a violation of the representation in Section 3.1(d)(iii). No consent, approval, order or authorization of, action by or in respect of, or registration, declaration or filing with, any federal, state, local or foreign government, any court, administrative, regulatory or other governmental agency, commission or authority or any non- governmental self-regulatory agency, commission or authority (a "Governmental Entity") is required by or with respect to the Company or any of its subsidiaries in connection with the execution and delivery of this Agreement and the Stock Option Agreement by the Company or the consummation by the Company of the transactions contemplated hereby,

except for (1) the filing of a pre-merger notification and report form by the Company under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (2) the filings with the Securities and Exchange Commission (the "SEC") of (A) a proxy statement relating to the Company Stockholders Meeting (such proxy statement, as amended or supplemented from time to time, the "Proxy Statement") and a registration statement on Form S-4 to be prepared and filed in connection with the issuance of Parent Common Stock in the Merger (the "Form S-4"), and (B) such reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as may be required in connection with this Agreement and the transactions contemplated by this Agreement; (3) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and such filings with Governmental Entities to satisfy the applicable requirements of the laws of states in which the Company and its subsidiaries are qualified or licensed to do business or state securities or "blue sky" laws; (4) such registrations and amendments thereto set forth on Section 3.1(d) of the Company Disclosure Schedule and the related consents, approvals or exemptions under state timeshare registration laws or, in states that do not have specific timeshare laws, related real estate or securities registration laws (the "VOI Registrations"); and (5) such other filings and consents as may be required to effect the DevCo. Distribution.

(e) Company Documents; Undisclosed Liabilities.

(i) Since January 1, 1997, the Company and its subsidiaries have filed all required reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) with the SEC (the "Company SEC Documents"). As of their respective filing dates, (i) the Company SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Company SEC Documents, and (ii) no Company SEC Document when filed (or when amended and restated or as supplemented by a subsequently filed Company SEC Document) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company and its subsidiaries included in Company SEC Documents complied as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of the Company and its subsidiaries, as the case may be, as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited

statements, to normal year-end audit adjustments and to other adjustments described in the notes to such unaudited statements). Except (A) as reflected in the Company's unaudited balance sheet as of June 30, 2000, (B) for liabilities incurred in connection with this Agreement or the transactions contemplated hereby, (C) for liabilities incurred in the ordinary course of business consistent with past practice since June 30, 2000 or (D) for liabilities incurred after the date hereof that would not reasonably be expected to have a material adverse effect on the Company, neither the Company nor any of its subsidiaries has any liabilities or obligations of any nature other than liabilities or obligations that are immaterial and that were incurred in the ordinary course of business consistent with past practice.

(ii) Neither the Company nor any of its subsidiaries has any continuing obligations (other than obligations of confidentiality under the Letter Agreement dated December 21, 1999, between the Company and Carnival Corporation ("Carnival")) incurred in connection with the Letter of Intent, dated as of January 23, 2000, between the Company and Carnival or the transactions contemplated thereby or pursuant to any other agreements with Carnival.

(iii) The Company has provided or made available to Parent true and complete copies of the audited financial statements for the years ended December 31, 1998 and 1999 and the unaudited financial statements for the quarter ended June 30, 2000 for Fairfield Receivable Corporation and Fairfield Funding Corporation, II (the "Company Unconsolidated Subsidiaries") (collectively, the "Unconsolidated Subsidiaries Statements"). The Unconsolidated Subsidiaries Statements were prepared in conformity with GAAP for the periods covered thereby, except as may be noted therein, and present in all material respects the financial position of the Company Unconsolidated Subsidiaries as at the respective dates thereof and the results of operations of such subsidiaries for the respective periods then ended. The Company Unconsolidated Subsidiaries are not required to be consolidated with the Company's financial statements under GAAP.

(iv) The Company has provided to Parent true and complete copies of the audited financial statements for the years ended December 31, 1998 and 1999 for The FairShare Vacation Plan Use Management Trust (the "Trust") (the "Trust Financial Statements"). The Trust Financial Statements were prepared in conformity with GAAP for the periods covered thereby and present in all material respects the financial position of the Trust as at the respective dates thereof and the results of operations of the Trust for the respective periods then ended.

(f) Certain Contracts.

(i) Neither the Company nor any of its subsidiaries is a party to or bound by (i) any agreement relating to the incurring of indebtedness, (ii) any "material contract" (as

such term is defined in Item 601(b)(10) of Regulation S-K of the SEC), (iii) any non-competition agreement or any other agreement or obligation which purports to limit in any material respect the manner in which, or the localities in which, all or any substantial portion of the business of the Company and its subsidiaries, taken as a whole, is or would be conducted, (iv) any agreement providing for the indemnification by the Company or a subsidiary of the Company of any person, except an agreement entered into in the ordinary course of business, (v) any joint venture, partnership or similar document or agreement, (vi) any agreement that limits or purports to limit the ability of the Company or any of its subsidiaries to own, operate, sell, transfer, pledge or otherwise dispose of any assets having an aggregate value in excess of $1,000,000 (other than in connection with securitization or financing transactions), (vii) any contract or agreement providing for future payments that are conditioned, in whole or in part, on a change of control of the Company or any of its subsidiaries, (viii) any collective bargaining agreement, (ix) employment agreement or any agreement or arrangement that contains any severance pay or post-employment liabilities or obligations to a Key Employee (as defined herein), other than as required under law, (x) any resort affiliation agreement, (xi) any agreement that contains a "most favored nation" clause, (xii) any management agreement between the Company and each Association (as defined in Section 3.1(i) herein), (xiii) any marketing alliance agreement involving a strategic corporate relationship that requires payment of at least $1,000,000 thereunder by the Company or any of its subsidiaries or which is not cancellable by either party thereto on 30 days' notice or (xiv) any contract or other agreement not made in the ordinary course of business which is material to the Company and its subsidiaries taken as a whole or which would prohibit or delay the consummation of the Merger or any of the transactions contemplated by this Agreement and the Stock Option Agreement (the agreements, contracts and obligations of the type described in clauses (i) through (xiii) being referred to herein as "Company Material Contracts"). Each Company Material Contract is valid and binding on the Company (or, to the extent a subsidiary of the Company is a party, such subsidiary) and is in full force and effect. Neither the Company nor any of its subsidiaries is in a material breach or default under any Company Material Contract. Neither the Company nor any subsidiary of the Company knows of, or has received notice of, any material violation or default under (nor, to the knowledge of the Company, does there exist any condition which with the passage of time or the giving of notice or both would result in such a violation or default under) any Company Material Contract by the other party thereto.

(ii) There is no agreement (noncompete or otherwise), commitment, judgment, injunction, order or decree to which the Company or any of its subsidiaries or affiliates is a party or which is otherwise binding upon the Company or any of its subsidiaries or affiliates which has or reasonably would be expected to have the effect of prohibiting or impairing any business practice of the Company or any of its subsidiaries or

affiliates, any acquisition of property (tangible or intangible) by the Company or any of its subsidiaries.

(g) VOIs.

(i) Accounts Receivable.

(A) The VOI Receivables (as defined below) owned by each of the Company and its subsidiaries reflected in the unaudited financial statements of the Company for the quarter ended June 30, 2000 included in the Company SEC Documents and in the Unconsolidated Subsidiaries Statements, are (except to the extent reserved against in such financial statements, which reserves have been determined based upon actual prior and current experience and are consistent with prior practices) valid, genuine and subsisting, arise out of bona fide sales of VOIs, goods, performance of services or other business transactions relating to the sale of VOIs and are not subject to defenses, setoffs, counterclaims or rights of rescission that would reasonably be expected to have a material business impact on the Company. All VOI Receivables owned by the Company and its subsidiaries are owned free and clear of all Liens for funded indebtedness. "VOI Receivables" shall mean, with respect to the Company and its subsidiaries, any contracts for deed, deeds of trust, promissory notes, installment notes, mortgages or similar security instruments and all related documents and instruments (including, without limitation, any security agreements entered into in connection with or a part of any purchase agreement or any installment sales contract relating to the sale of a VOI) creating a first and prior lien on a VOI and securing a purchase money loan to acquire a VOI (collectively, the "Mortgages") or any installment sales contract creating a purchaser's beneficial or equitable interest in a VOI (collectively with the Mortgages, the "Debt Instruments"). For purposes of this Agreement, "VOI" shall mean a fee simple or leasehold ownership interest in a condominium unit or an entire timeshare resort developed or acquired by the Company or a subsidiary of the Company, coupled with the right to use and occupy one or more residential accommodations at such timeshare resort in accordance with the terms, provisions, and conditions of the applicable declaration of condominium, master deed and all other documents and instruments that govern the use and occupancy of such resort's accommodations and facilities. The term "VOI" shall further include all rights, benefits, privileges, obligations and liabilities granted to or imposed upon the owner of a VOI with respect to the Company's FairShare Plus Program (the "Program"), pursuant to the Amended and Restated FairShare Vacation Plan Use Management Trust Agreement dated as of January 1, 1996, as amended (the "Trust Agreement") or under applicable VOI Laws.

(B) Section 3.1(g) of the Company Disclosure Schedule sets forth certain reports (the "Reports") routinely prepared by the Company or any of its subsidiaries that identify, as of the date indicated in the Reports, (i) the aggregate amount of VOI Receivables owned or pledged as security by each of the Company or its subsidiaries identified in the Reports and (ii) the weighted average maturity of such VOI Receivables. The Reports are true, accurate and complete in all material respects.

(ii) Registrations. Set forth on Section 3.1(g) of the Company Disclosure Schedule are all the resorts where each of the Company or any of its subsidiaries owns VOIs and each jurisdiction in which each of those resorts is registered, other than an inadvertent omission of a jurisdiction, for (i) the ownership of any VOI or real estate or (ii) the advertising, marketing or selling of VOIs by the Company or its subsidiaries or the soliciting of consumers to visit a resort or a sales office by the Company or its subsidiaries.

(iii) Debt Instruments.

(A) Each form that is underlying or related to a Debt Instrument securing or creating an equitable interest in a VOI Receivable reflected in the financial statements described in subsection (i)(A) above and that is routinely used by the Company and its subsidiaries or is permitted by the Company or its subsidiaries to be used by others in connection with the sale of VOIs, meets all material requirements of applicable VOI Laws.

(B) The Debt Instruments contain customary and enforceable provisions such as to render the rights and remedies of the holders thereof adequate for the practical realization against the related property of the principal benefits of the security or property interest intended to be provided thereby.

(C) Each Mortgage which requires recordation to perfect the related VOI interest has been properly recorded or is in the process of being recorded in the appropriate jurisdiction and is in material compliance with all applicable laws of the jurisdiction in which the related VOI is located, and all costs, fees, and expenses, including where applicable, recording fees, documentary stamps and intangible taxes, due in connection with the filing of each Mortgage that has been filed have been paid, except for any failures to pay costs, fees and expenses that would not reasonably be expected to have a material business impact on the Company.

(h) Resorts.

(i) Section 3.1(h) of the Company Disclosure Schedule contains a list of each resort where (A) the VOIs owned or otherwise controlled by the Company or its subsidiaries consist of more than 5% of the total VOI inventory at such resort and (B) the Company or any of its subsidiaries owns, has an option or contract for or otherwise controls the real estate that is intended to accommodate the development of VOIs in the future (the "Resorts"), indicating whether each Resort is owned, under option or contract or otherwise controlled by the Company or any of its subsidiaries.

(ii) The Company or one of its subsidiaries, as the case may be, has good and marketable title in fee simple or a leasehold interest to all VOIs and other real estate owned by the Company free and clear of all Liens, except for Permitted Encumbrances. As used in this Agreement, "Permitted Encumbrances" means (i) Liens imposed by law for Taxes, assessments or charges of any Governmental Entity that are not yet due and payable or are being contested in good faith by proper proceedings (and in each case as to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP); (ii) carriers', warehousemen's, mechanics, landlords', materialmen's, repairmen's or other like Liens arising in the ordinary course of business in respect of obligations that are not yet due or that are bonded or that are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained in accordance with GAAP; (iii) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids, leases, contracts, statutory obligations and other similar obligations; (iv) easements (including, without limitation, reciprocal easement agreements and utility agreements), rights-of-way, covenants, consents, reservations, encroachments, variations and zoning and other restrictions, charges, or encumbrances (whether or not recorded) which do not interfere materially with the ordinary conduct of the business of the Company and which do not detract materially from the property to which they attach or impair materially the use thereof by the Company; (v) the encumbrances set forth on title policies or title commitments provided to or made available to Parent; and (vi) extensions, renewals or replacements of any Lien referred to in clauses (i) through (v) above.

(iii) The current use of the Resorts by the Company and its subsidiaries does not violate any instrument or agreement of record affecting the Resorts or any applicable local zoning or similar land use laws, except for violations that would not have a material business impact on the Company. To the knowledge of the Company, none of the

occupiable structures on the Resorts encroaches upon real property of another person and no occupiable structure of any other person encroaches upon any part of a Resort, except for encroachments that would not have a material business impact on the Company.

(iv) To the knowledge of the Company, each Resort has sufficient vehicular access for its purposes.

(v) There are no leases, subleases, licenses, concessions or other agreements between the Company or any of its subsidiaries to a third party that grants the right of use or occupancy of any material portion of the real estate, accommodations or facilities owned by the Company or any of its subsidiaries at the Resorts and there are no outstanding options or rights of first refusal to purchase any material portion of the real estate, accommodations or facilities owned by the Company or any of its subsidiaries at the Resorts other than rights held by the related property owners associations at the Resorts, and except for agreements with VOI owners or for such leases, subleases, licenses, concessions or other agreements entered into by the Company or any of its subsidiaries in the ordinary course of business.

(vi) Each timeshare plan related to a Resort that is required to be filed in the real estate records of the county in which the Resort is located has been properly filed and recorded with the appropriate county office in which the respective Resort is located, except for a failure to file or record a timeshare plan that would not have a material business impact on the Company.

(vii) Each of the Company and its subsidiaries has delivered or made available to Parent complete and correct copies of all surveys, engineering reports, appraisals, certificates of occupancy and recorded plats relating to a Resort in the possession of the Company and its subsidiaries. The Company has delivered or made available to Parent complete and correct copies of the title insurance policies that are in the possession of the Company and its subsidiaries which insure the Company or a subsidiary of the Company of good and marketable title, or as otherwise described therein, at the time of the acquisition of the properties described therein.

(i) Condominium Associations.

(i) Each condominium, timeshare or other form of owner's association organized by the Company or any of its subsidiaries has been duly organized. Each condominium, timeshare or other form of owner's association managed by the Company or any of its subsidiaries in existence with

respect to a Resort (each, an "Association"), is duly organized, legally existing, and in good standing under the laws of the state of its incorporation, except where the failure to be so qualified would not have a material adverse effect on an Association. The books and records of each Association are correct and complete in all material respects and all funds collected from VOI owners and others on behalf of the Associations have been properly accounted for in all material respects and expended in all material respects for such purposes as are authorized under the articles of incorporation or by-laws of the applicable Association. For purposes of this Agreement, an Association is managed by the Company or any of its subsidiaries if (i) it has the statutory right to elect or appoint a majority of the members of the Association's board of directors or other governing body and (ii) it is party to a management contract with the Association.

(ii) Correct and complete copies of the most recent audited financial statements and interim unaudited financial statements of each Association have been delivered or made available to Parent. Such financial statements adequately reflect in all material respects the financial condition of each Association as of the dates indicated, and there have been no changes to the Association's financial conditions since the date of its most recent financial statements which would have a material adverse effect on the Association.

(iii) Each Association maintains adequate reserves for deferred maintenance and capital improvements as set forth in the budget approved by such Association, in accordance with the articles of incorporation or by-laws of each Association and applicable VOI Laws.

(iv) The Tax Returns of each Association have been timely filed (giving effect to all extensions) and are true, correct and complete in all material respects, and copies of such Tax Returns for the most recent tax year have been delivered or will be delivered, as promptly as practicable following the date hereof to Parent.

(j) FairShare Plus Program.

(i) The Trust is in compliance in all material respects with all applicable VOI Laws. The Program, the Program Manager (as defined in the Trust Agreement) and FairShare Vacation Owners Association, Inc. (the "Trustee") are in compliance in all material respects with all applicable VOI Laws.

(ii) The Trustee is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Arkansas. The Trustee is duly

qualified as a foreign corporation in each jurisdiction in which its assets or the conduct of its business require such qualification, except where the failure to qualify would not reasonably be expected to have a material adverse effect on the Trustee. The Trustee has the full power and authority to perform all duties and obligations imposed upon it by the Trust Agreement and, to the Company's knowledge, has acted in good faith and used commercially reasonable efforts with respect to the performance of such duties and obligations. The fees paid and payable to the Trustee and to the Program Manager for services rendered during the fiscal year ended December 31, 1999 and the eight month period ended August 31, 2000 in connection with the Program are set forth on Section 3.1(j) of the Company Disclosure Schedule.

(iii) The consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a benefit (i) of the Trustee under the certificate of incorporation or by-laws of the Trustee and (ii) of the Trustee or the Trust under any material contracts or agreements to which either the Trustee or the Trust is a party, as applicable, other than any conflict, violation, default or termination, cancellation or acceleration that would not reasonably be expected to have a material adverse effect on the Trust or the Trustee. All contracts or agreements material to the operation of the Trust to which either the Trustee or the Trust is a party have been delivered or made available to Parent.

(iv) All VOIs and the use and occupancy rights that correspond to the VOIs that have been subjected to the terms, provisions, and conditions of the Trust Agreement have been so subjected in compliance in all material respects with the requirements of the Trust Agreement and all applicable VOI Laws.

(v) All of the Accommodations (as such term is defined in the Trust Agreement) are substantially furnished and ready for occupancy, and all furnishings are substantially paid for. None of the VOIs subjected to the Program (and/or beneficial use rights appertaining thereto) consist of a limited duration contractual right, lease, license or right-to-use timeshare interest in a Program Resort (as defined in the Trust Agreement).

(vi) The Trust conducts and operates its business in material compliance with Section 4.02 of the Trust Agreement and all applicable VOI Laws.

(vii) The marketing and sales by the Company and its subsidiaries of VOIs in the Program have been

conducted in material compliance with all applicable VOI Laws.

(viii) The Program's reservation system is fully operational for its intended purpose subject to normal maintenance. Such reservation system, including all related computer hardware and software, is owned, leased or licensed by the Company, free and clear of any Liens, except for Liens arising in the ordinary course of business of the Trust or the acquisition of such hardware and software.

(ix) The Company has delivered or made available to Parent complete and correct copies of (A) the Trust Agreement, including all exhibits, attachments or amendments thereto and (B) the forms of (1) the FairShare Plus Program Summary and Acknowledgment of Receipt; (2) the Ernst & Young Report dated May 30, 2000 and (3) the Destinations FairShare Plus Exchange Program Summary used in connection with the sale of VOIs, together with such other documents executed ancillary thereto and all such documents meet in all material respects the requirements of applicable VOI Laws.

(x) The Trust Agreement does not violate Arkansas' Rule Against Perpetuities.

(k) Absence of Certain Changes or Events. Except for liabilities incurred in connection with this Agreement or the transactions contemplated hereby, since January 1, 2000, the Company and its subsidiaries have conducted their respective businesses only in the ordinary course, and there has not been (i) the occurrence of an event that could reasonably be expected to result in any material adverse effect on the Company, except for an effect due to changes affecting the economy or financial markets generally other than such changes which affect the Company in a manner which is not proportionate with the effect of such changes on similarly situated companies, (ii) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of the Company's capital stock, (iii) any split, combination or reclassification of any of the Company's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of the Company's capital stock, except for issuances of Company Common Stock upon the exercise of Company Stock Options or Company Warrants, in each case awarded prior to the date hereof in accordance with their present terms, (iv) prior to the date hereof (A) any granting by the Company or any of its subsidiaries to any current or former director, executive officer or other Key Employee of the Company or its subsidiaries of any increase in compensation, bonus or other benefits, except for increases in the ordinary course of business, (B) any granting by the Company or any of its subsidiaries to any such current or former director, executive officer or Key Employee of any increase in severance or termination pay, or (C) any entry by the Company or any of its subsidiaries into, or any amendment of, any employment, deferred compensation, consulting, severance, termination or indemnification agreement with any such current or former director,

executive officer or Key Employee, (v) except insofar as may have been disclosed in Company SEC Documents or required by a change in GAAP, any material change in accounting methods (or underlying assumptions), principles or practices by the Company affecting its assets, liabilities or business, including, without limitation, any reserving, renewal or residual method, or estimate of practice or policy, (vi) any tax election by the Company or its subsidiaries or any settlement or compromise of any income tax liability by the Company or its subsidiaries, except as would not be required to be disclosed in the Company SEC Documents, (vii) any material insurance transaction other than in the ordinary course of business consistent with past practice, (viii) any transaction or commitment, or series of related transactions or commitments, to acquire real estate for VOI development in excess of $1,000,000 (ix) any material labor trouble or claim of wrongful discharge or other unlawful labor practice or action, (x) any improper subjection of VOI inventory by the Company to the FairShare Program or (xi) any agreement or commitment (contingent or otherwise) to do any of the foregoing.

(l) Compliance with Applicable Laws; Litigation.

(i) The Company, its subsidiaries and employees hold all permits, licenses, variances, exemptions, orders, registrations and approvals of all Governmental Entities which are required for the operation of the businesses of the Company and its subsidiaries (the "Company Permits") as presently conducted, except for any failure that would not reasonably be expected to result in a material business impact on the Company. The Company and its subsidiaries are in compliance in all respects with the terms of the Company Permits and all applicable statutes, laws, ordinances, rules and regulations (including the VOI Laws (as defined in Section 8.3)), except for a failure to comply that does not have individually or in the aggregate a material business impact on the Company. Except as set forth in Section 3.1(l) of the Company Disclosure Schedule, which contains a true, complete and current description of any pending and, to the Company's knowledge, threatened litigation, action, suit, proceeding or investigation, the forum, the parties thereto, the subject matter thereof and the amount of damages claimed or other remedies requested as of September 30, 2000, no action, demand, charge, requirement or investigation by any Governmental Entity and no litigation, suit, action, proceeding or arbitration by any person or Governmental Entity, in each case with respect to the Company or any of its subsidiaries or any of their respective properties, is pending or, to the knowledge of the Company, threatened, except for any litigation, suit, action, demand, charge, requirement, investigation, proceeding or arbitration that would not reasonably be expected to have a material business impact on the Company.

(ii) No Company Permit issued in connection with any construction of any accommodations and facilities, other improvements and the purchase of any fixtures or equipment, inventory, furnishings or other personalty located in, at, or on accommodations or facilities developed by the Company and its subsidiaries has been suspended or canceled (or is threatened to be

canceled, suspended or materially modified) or has expired, except where the failure to hold such Company Permit would not individually or in the aggregate, reasonably be expected to have a material business impact on the Company, and, with respect to any such Company Permit expiring prior to March 31, 2001, the Company has no reason to believe that such Company Permits will not be renewed or extended.

(m) Taxes.

(i) Each of the Company and its subsidiaries has (A) duly filed (or there have been filed on its behalf) with the appropriate Governmental Entities all material Tax Returns (as defined below) required to be filed by it (giving effect to all extensions) and such Tax Returns are true, correct and complete in all material respects; (B) duly paid in full (or there has been paid on its behalf) all material Taxes required to be paid by it; and (C) made provision in accordance with GAAP (or provision has been made on its behalf) for all accrued Taxes not yet due; and

(ii) There are no material Liens for Taxes upon any property or assets of the Company or any subsidiary of the Company, except for Liens for Taxes not yet due or for Taxes which are being contested in good faith, which are set forth in Section 3.1(m) of the Company Disclosure Schedule.

(iii) Each of the Company and its subsidiaries has complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes (or similar provisions under any foreign laws) and has, within the time and the manner prescribed by law, withheld and paid over to the proper Governmental Entities all material amounts required to be so withheld and paid over under applicable laws.

(iv) No federal, state, local or foreign audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Tax Returns of the Company or any of its subsidiaries, and neither the Company nor any subsidiary of the Company has received a written notice of any pending audits or proceedings.

(v) Neither the Company nor any of its subsidiaries has granted in writing any power of attorney which is currently in force with respect to any Taxes or Tax Returns.

(vi) Neither the Company nor any of its subsidiaries has requested an extension of time within which to file any Tax Return in respect of a taxable year which has not since been filed and no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to Taxes or Tax Returns has been given by or on behalf of the Company or any of its subsidiaries.

(vii) Neither the Company nor any of its

subsidiaries is a party to any agreement providing for the allocation or sharing of Taxes.

(viii) The federal income Tax Returns of the Company and of its subsidiaries have been examined by the applicable taxing authorities (or the applicable statutes of limitation for the assessment of Taxes for such periods have expired) for all periods through and including 1996, and no material deficiencies were asserted as a result of such examinations which have not been resolved and fully paid.

(ix) Neither the Company nor any of its subsidiaries has been included in any "consolidated," "unitary" or "combined" Tax Return (other than Tax Returns which include only the Company and any of its subsidiaries) provided for under the laws of the United States, any foreign jurisdiction or any state or locality with respect to Taxes.

(x) No election under Section 341(f) of the Code has been made to treat the Company or any of its subsidiaries as a consenting corporation, as defined in Section 341 of the Code.

(xi) To the knowledge of the Company, no claim has been made by any Governmental Entities in a jurisdiction where the Company or any of its subsidiaries does not file Tax Returns that any such entity is, or may be, subject to taxation by that jurisdiction.

(xii) Each of the Company and its subsidiaries have made available to Parent correct and complete copies of (i) all of their Tax Returns, (ii) all audit reports, letter rulings, technical advice memoranda and similar documents issued by a governmental authority relating to the United States federal, state, local or foreign Taxes due from or with respect to the Company and each of its subsidiaries, and (iii) any closing agreements entered into by the Company and each of its subsidiaries with any Governmental Entities with respect to Taxes, in each case from 1995.

(xiii) For purposes of this Agreement (A) "Taxes" shall mean any and all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, excise, real or personal property, sales, withholding, social security, occupation, use, service, service use, license, net worth, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the IRS or any taxing authority (whether domestic or foreign including, without limitation, any state, county, local or foreign government or any subdivision or taxing agency thereof (including a United States possession)), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such amounts, and (B) "Tax Return" shall

mean any report, return, document, declaration or other information or filing required to be supplied to any taxing authority or jurisdiction (foreign or domestic) with respect to Taxes, including, without limitation, information returns, any documents with respect to or accompanying payments of estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information.

(n) Employee Benefit Plans.

(i) Section 3.1(n) of the Company Disclosure Schedule contains a true and complete list of each deferred compensation and each bonus or other incentive compensation, stock purchase, stock option and other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance and other "welfare" plan, fund or program (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); each profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of Section 3(2) of ERISA); each employment, termination or severance agreement or arrangement with any director or executive officer and any other employee whose base salary is $100,000 or more, excluding site sales vice presidents (the "Key Employees"); and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by the Company or by any trade or business, whether or not incorporated, that together with the Company would be deemed a "single employer" within the meaning of Section 4001(b) of ERISA (an "ERISA Affiliate"), or to which the Company or an ERISA Affiliate is party, whether written or oral, for the benefit of any director, employee or former employee of the Company or any of its subsidiaries (the "Plans"). Section 3.1(n) of the Company Disclosure Schedule identifies each of the Plans that is subject to Section 302 or Title IV of ERISA or Section 412 of the Code (the "Title IV Plans"). Neither the Company, any subsidiary of the Company nor any ERISA Affiliate has any commitment or formal plan, whether legally binding or not, to create any additional employee benefit plan or modify or change any existing Plan other than as may be required by the terms of such Plan.

(ii) With respect to each Plan, the Company has heretofore delivered or made available to Parent true and complete copies of each of the following documents:

(A) a copy of the Plan and any amendments thereto (or if the Plan is not a written Plan, a description thereof);

(B) a copy of the two most recent annual reports and actuarial reports, if required under ERISA, and the most recent report prepared with respect

thereto in accordance with Statement of Financial Accounting Standards No. 87;

(C) a copy of the most recent Summary Plan Description required under ERISA with respect thereto;

(D) if the Plan is funded through a trust or any third party funding vehicle, a copy of the trust or other funding agreement and the latest financial statements thereof; and

(E) the most recent determination letter received from the Internal Revenue Service with respect to each Plan intended to qualify under section 401 of the Code.

(iii) No liability under Title IV or Section 302 of ERISA has been incurred by the Company or any ERISA Affiliate that has not been satisfied in full or accrued on the Company's financial statements in accordance with GAAP, and no condition exists that presents a material risk to the Company or any ERISA Affiliate of incurring any such liability, other than liability for premiums due the Pension Benefit Guaranty Corporation ("PBGC") (which premiums have been paid when due). Insofar as the representation made in this Section 3.1(n) applies to Sections 4064, 4069 or 4204 of Title IV of ERISA, it is made with respect to any employee benefit plan, program, agreement or arrangement subject to Title IV of ERISA to which the Company or any ERISA Affiliate made, or was required to make, contributions during the five (5)-year period ending on the last day of the most recent plan year ended prior to the Closing Date.

(iv) The PBGC has not instituted proceedings to terminate any Title IV Plan and no condition exists that presents a material risk that such proceedings will be instituted.

(v) No Plan is, or ever has been, a Title IV Plan.

(vi) No Title IV Plan or any trust established thereunder has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of each Title IV Plan ended prior to the Closing Date.

(vii) All contributions required to be made with respect to any Plan on or prior to the Closing Date have been timely made or are reflected on the balance sheet of the Company filed with the Company SEC Documents. There has been no amendment to, written interpretation of or announcement (whether or not written) by the Company or any affiliate or the Company or any subsidiary of the Company relating to, or change in employee participation or coverage under, any Plan that would increase materially the expense of maintaining such Plan above the level or

expense incurred in respect thereof for the most recent fiscal year ended prior to the date hereof.

(viii) Neither the Company nor any ERISA Affiliate contributes to, or is obligated, or has ever been obligated, to contribute to a "multiemployer pension plan," as defined in Section 3(37) of ERISA, nor is any Title IV Plan a plan described in Section 4063(a) of ERISA.

(ix) Neither the Company or any subsidiary of the Company, any Plan, any trust created thereunder, nor, to the knowledge of the Company, any trustee or administrator thereof has engaged in a transaction in connection with which the Company or any subsidiary of the Company, any Plan, any such trust, or any trustee or administrator thereof, or any party dealing with any Plan or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code.

(x) Each Plan has been operated and administered in accordance with its terms and applicable law in all material respects, including but not limited to ERISA and the Code.

(xi) Each Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is so qualified and the trusts maintained thereunder are exempt from taxation under Section 501(a) of the Code. Each Plan intended to satisfy the requirements of Section 501(c)(9) of the Code has satisfied such requirements in all material respects.

(xii) No Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for employees or former employees of the Company or any subsidiary of the Company for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable law, (ii) death benefits under any "pension plan," or (iii) benefits the full cost of which is borne by the current or former employee (or his beneficiary).

(xiii) No amounts payable under the Plans will fail to be deductible for federal income tax purposes by virtue of Section 162(m) of the Code.

(xiv) No condition exists that would prevent the Company or any subsidiaries of the Company from amending or terminating any Plan providing health or medical benefits in respect of any active employee of the Company or any subsidiary of the Company without material liability.

(xv) The consummation of the transactions contemplated by this Agreement will not, either alone or in combination with another event, (i) entitle any current or former employee or officer of the Company or any ERISA Affiliate to severance pay, except as expressly provided in this Agreement, or

(ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer.

(xvi) There has been no material failure of a Plan that is a group health plan (as defined in Section 5000(b)(1) of the Code) to meet the requirements of Section 4980B(f) of the Code with respect to a qualified beneficiary (as defined in Section 4980B(g) of the Code). Neither the Company nor any subsidiary of the Company has contributed to a nonconforming group health plan (as defined in Section 5000(a) of the Code) and no ERISA Affiliate of the Company or any subsidiary of the Company has incurred a tax under Section 5000(a) of the Code which is or could become a material liability of the Company or a subsidiary of the Company.

(xvii) None of the Company or any subsidiary of the Company is a party to any employment, consulting, non-competition, severance, or indemnification agreement still in effect with any current or former Key Employee or director of the Company or any subsidiary of the Company.

(xviii)There are no pending or, to the knowledge of the Company, threatened or anticipated claims by or on behalf of any Plan by any employee or beneficiary covered under any such Plan, or otherwise involving any such Plan (other than routine claims for benefits).

(xix) Neither the Company nor any of its subsidiaries is a party to any agreement, contract or arrangement that could result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(o) Labor Matters. There are no labor or collective bargaining agreements to which the Company or any subsidiary of the Company is a party. There is no union organizing effort pending or, to the knowledge of the Company, threatened against the Company or any subsidiary of the Company. There is no labor strike, labor dispute (other than routine employee grievances that are not related to union employees), work slowdown, stoppage or lockout pending or, to the knowledge of the Company, threatened against or affecting the Company or any subsidiary of the Company. There is no unfair labor practice or labor arbitration proceeding pending or, to the knowledge of the Company, threatened against the Company or any subsidiary of the Company (other than routine employee grievances). The Company and its subsidiaries are in compliance in all material respects with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and are not engaged in any unfair labor practice.

(p) Environmental Liability.

(i) Each of the Company and its subsidiaries is in compliance with all applicable Environmental Laws (as defined below), which compliance includes the possession by the Company and its subsidiaries of all Permits and other governmental

authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof, except for such noncompliance that would not reasonably be expected to have, individually or in the aggregate, a material business impact on the Company. Neither the Company nor any of its subsidiaries has received any communication or written notice, whether from a Governmental Entity, citizens group, employee or otherwise, that alleges that the Company or any of its subsidiaries is not in compliance in all material respects. All Permits and other governmental authorizations currently held by the Company or any of its subsidiaries pursuant to the Environmental Laws that are material to the business of the Company are identified in Section 3.1(p) of the Company Disclosure Schedule.

(ii) There are no Environmental Claims (as defined below) pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries or against any person or entity whose liability for any Environmental Claim has or may have retained or assumed either contractually or by operation of law.

(iii) There are no present or past actions, activities, circumstances, conditions, events or incidents taken or caused by the Company or, to the knowledge of the Company, there are no present or past actions, activities, circumstances, conditions, events or incidents taken or caused by a third party, including the Release (as defined below) of any Hazardous Materials (as defined below) that could reasonably be expected to form the basis of any Environmental Claim against the Company or any of its subsidiaries or against any person or entity whose liability for any Environmental Claim the Company or any of its subsidiaries has or may have retained or assumed either contractually or by operation of law that would reasonably be expected to result in a material adverse effect on the Company.

(iv) Without in any way limiting the generality of the foregoing, (i) all on-site and, to the knowledge of the Company, off-site locations, where the Company or any of its subsidiaries has stored, disposed or arranged for the disposal of Hazardous Materials, are in accordance with applicable Environmental Laws, (ii) all underground storage tanks, and the capacity and contents of such tanks, located on property owned, operated, or leased by the Company or any of its subsidiaries are identified in Section 3.1(p) of the Company Disclosure Schedule, (iii) there is no asbestos contained in or forming part of any building, building component, structure or office space owned or leased by the Company or any of its subsidiaries, (iv) no polychlorinated biphenyls (PCB's) are used or stored at any property owned or leased by the Company or any of its subsidiaries and (v) all underground storage tanks owned, operated, or leased by the Company or any of its subsidiaries and which are subject to regulation under the federal Resource Conservation and Recovery Act (or equivalent state or local law regulating underground storage tanks) meet the technical standards prescribed at Title 40 Code of

Federal Regulations Part 280 which became effective December 22, 1998 (or any applicable state or local law requirements which are more stringent than such technical standards or which became effective before such date).

(v) The Company has provided or made available to Parent true and correct copies of all assessments, reports and investigations or audits in the possession of the Company or its subsidiaries regarding environmental matters pertaining to, or the environmental condition of, the Company Real Properties (as defined below) and the businesses of the Company and its subsidiaries, or the compliance (or noncompliance) by the Company or any of its subsidiaries with any Environmental Laws.

(vi) For purposes of this Agreement:

(A) "Environmental Claim" means any claim, action, cause of action, investigation or notice (written or oral) by any person or entity alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (a) the presence, or Release into the environment, of any Hazardous Materials at any location, whether or not owned or operated by the Company or any of its subsidiaries or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

(B) "Environmental Laws" means all federal, interstate, state, local and foreign laws and regulations relating to pollution or protection of human health (excluding the federal Occupational Safety and Health Act and similar laws affecting workers safety) or the environment (including ambient air, surface water, ground water, land surface or subsurface strata) and all laws and regulations relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

(C) "Hazardous Materials" means (1) those materials, pollutants and/or substances defined in or regulated under the following federal statutes and their state counterparts, as each may be amended from time to time, and all regulations thereunder: the Hazardous Materials Transportation Act of 1980, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Toxic Substances Control Act and the Clean Air Act; (2) petroleum and petroleum products

including crude oil and any fractions thereof; (3) natural gas, synthetic gas and any mixtures thereof; (4) radon; (5) any other contaminant; and (6) any materials, pollutants and/or substance with respect to which any Governmental Entity requires environmental investigation, monitoring, reporting or remediation.

(D) "Release" shall mean releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, escaping, leaching, disposing or dumping.

(q) Intellectual Property.

(i) The Company and its subsidiaries own or have a valid and enforceable license to use all trademarks, service marks, trade names, patents, Internet domains and copyrights (including any registrations or applications for registration of any of the foregoing) (collectively, "Company Intellectual Property"), in each case, free and clear of any material Liens or other material limitations or restrictions (including any settlements, agreements, consents or judgments), necessary to carry on its business substantially as currently conducted, and the consummation of the Merger and the other transactions contemplated hereby will not result in the loss of any such rights (or require the payment of any material additional fees or royalties in order to maintain such rights). Section 3.1(q) of the Company Disclosure Schedule sets forth a true and correct list of all of the material Company Intellectual Property and indicates those items which the Company owns (distinguishing between exclusive and non-exclusive ownership and indicating any licenses granted to other persons) or has the exclusive right to use or license. Neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with and, to the knowledge of the Company, there are no infringements of or conflicts with the rights of others with respect to the use of, or the rights by others with respect to, any Company Intellectual Property. To the knowledge of the Company, no third party is infringing or otherwise violating any Intellectual Property owned by the Company or by any of its subsidiaries.

(ii) The Company and its subsidiaries own or have a valid and enforceable license to use all computer and telecommunication software including source and object code and documentation and any other media (including, without limitation, manuals, journals and reference books) (in each case, free and clear of any material Liens or other material limitations or restrictions) (collectively, "Company Software") necessary to carry on its business substantially as currently conducted and the other transactions contemplated hereby will not result in the loss of any such rights (or require the payment of any material additional fees or royalties in order to maintain such rights). Neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with and, to the Company's knowledge, there are no infringements of or conflicts with the rights of others with respect to the use of, or the rights by others with respect to, any

Company Software.

(r) Insurance Matters. Section 3.1(r) of the Company Disclosure Schedule describes all material primary, excess and umbrella policies of general liability, fire, workers' compensation, products liability, completed operations, employers, liability, health, bonds and other forms of insurance providing insurance coverage to the Company or any of its subsidiaries. The Company has heretofore made available to Parent true, complete and correct copies of all such policies. All such policies are sufficient for compliance in all material respects with all requirements of law and of all contracts or leases to which the Company is a party. The Company has not failed to give any notice or to present any material claim under any such policy in a due and timely fashion. There are no outstanding unpaid claims under any such policies or binders for which adequate reserves have not been established. Such policies provide insurance coverage that is customary in amount and scope for other companies in the industry in which the Company operates, are in full force and effect on the date hereof and shall be kept in full force and effect by the Company through the Effective Time. With respect to all such policies, all premiums currently payable or previously due and payable with respect to all periods up to and including the Effective Time have been paid and no notice of cancellation or termination has been received with respect to such policy.

(s) Information Supplied. The Form S-4, the Proxy Statement and a registration statement on Form 10, under the Exchange Act, relating to the equity securities of DevCo. (the "Form 10") to be filed with the SEC will not, at the time the Form S-4 becomes effective under the Securities Act, at the date the Proxy Statement is first mailed to the Company's stockholders or at the time of the Company Stockholders Meeting, and at the time the Form 10 becomes effective under the Securities Act, respectively, contain any 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; provided, however, that no representation is made by the Company with respect to statements made therein based on information concerning, supplied or incorporated by reference by Parent or Merger Sub for inclusion in the Form S-4, the Proxy Statement and the Form 10. None of the information supplied by the Company for inclusion or incorporation by reference in the Form S-4 will, at the date it becomes effective and at the time of the Company Stockholders Meeting, contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. Subject to the provisions set forth in the second preceding sentence, the Form S-4, the Proxy Statement and the Form 10 will comply as to form in all material respects with the requirements of the Exchange Act and the Securities Act, as appropriate, and the rules and regulations thereunder.

(t) Rights Agreement. As of the date of this Agreement, the Company or the Board of Directors of the Company, as the case may be, (i) has taken all necessary actions so that the execution and delivery of this Agreement, the Stock Option Agreement and the consummation of the transactions contemplated hereby and thereby will not result in a "Distribution Date" (as defined in the Rights Agreement) and (ii) has

amended the Rights Agreement to render it inapplicable to this Agreement, the Stock Option Agreement and the Voting Agreement and the transactions contemplated hereby and thereby.

(u) Transactions with Affiliates. As of the date hereof, (i) there are no outstanding amounts payable to or receivable from, or advances by the Company or any of its subsidiaries to, and neither the Company nor any of its subsidiaries is otherwise a creditor or debtor to, any stockholder, officer, director, employee or affiliate of the Company or any of its subsidiaries, other than as part of the normal and customary terms of such persons' employment with the Company or any of its subsidiaries, and (ii) neither the Company nor any subsidiary of the Company whose board is controlled by the Company is a party to any transaction agreement, arrangement or understanding with any stockholder, officer, director or employee of the Company or any of its subsidiaries.

(v) Voting Requirements. The affirmative vote at the Company Stockholders Meeting (the "Company Stockholder Approval") of a majority of the number of outstanding shares of Company Common Stock to approve and adopt this Agreement is the only vote of the holders of any class or series of the Company's capital stock necessary to approve and adopt this Agreement and the transactions contemplated hereby, including the Merger.

(w) Opinions of Financial Advisor. The Company has received the opinion of Stephens Inc. and Bear, Stearns & Co. Inc., dated the date hereof, to the effect that, as of such dates, the Merger Consideration is fair from a financial point of view to the stockholders of the Company.

(x) State Takeover Statutes. To the knowledge of the Company, no state takeover statute is applicable to the Merger or the other transactions contemplated hereby.

(y) Brokers. Except for Stephens Inc. and Bear, Stearns & Co. Inc., no broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company. The Company has delivered to Parent complete and correct copies of such arrangements which are set forth as part of the Company Disclosure Schedule.

(z) Takeover Laws. The approval of this Agreement and the Merger and the Stock Option Agreement by the Board of Directors of the Company constitutes approval of this Agreement and the Merger and the Stock Option Agreement and the transactions contemplated hereby and thereby for purposes of Section 203 of the DGCL. Except for Section 203 of the DGCL (which has been rendered inapplicable), no "moratorium", "control share", "fair price" or other antitakeover laws and regulations of any state are applicable to the Merger or other transactions contemplated by this Agreement and the Stock Option Agreement.

(aa) No Other Agreement. Except as contemplated

hereby, the Company has no legal obligation, absolute or contingent, as the date hereof, to any other person or entity to sell any material portion of the assets of the Company, to sell the capital stock of the Company, to effect any merger, consolidation or reorganization of the Company, or to enter into any agreement with respect thereto.

SECTION 3.2 Representations and Warranties of Parent. Except as set forth on the Disclosure Schedule delivered by Parent to the Company prior to the execution of this Agreement (the "Parent Disclosure Schedule") and making reference to the particular subsection of this Agreement to which exception is being taken (regardless of whether such subsection refers to the Parent Disclosure Schedule), Parent represents and warrants to the Company as follows:

(a) Organization, Standing and Corporate Power.

(i) Each of Parent, its subsidiaries (as defined in Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act by the SEC ("significant subsidiaries")) and Merger Sub is a corporation or other legal entity duly organized, validly existing and in good standing (with respect to jurisdictions which recognize such concept) under the laws of the jurisdiction in which it is organized and has the requisite corporate or other power, as the case may be, and authority to carry on its business as now being conducted. Each of Parent and its subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification or licensing necessary, except for those jurisdictions where the failure to be so qualified or licensed or to be in good standing, individually or in the aggregate, would not have a material adverse effect on Parent.

(ii) Parent has delivered or provided to the Company prior to the execution of this Agreement complete and correct copies of the certificate of incorporation and by-laws of Parent and Merger Sub, each as amended to date.

(iii) Merger Sub is a newly formed corporation with no assets or liabilities, except for liabilities arising under this Agreement. Merger Sub will not conduct any business or activities other than the issuance of its stock to Parent prior to the Merger.

(b) Capital Structure. As of September 30, 2000, the authorized capital stock of Parent consists of 2,500,000,000 shares of common stock, par value $0.01 per share, of which 2,000,000,000 shares are Parent Common Stock and 500,000,000 shares are designated as move.com common stock ("move.com Common Stock"), 10,000,000 shares of preferred stock, par value $.01 per share, of Parent ("Parent Authorized Preferred Stock"). At the close of business on September 30, 2000: (i) 728,703,667 shares of Parent common stock and 3,742,286 shares of move.com Common Stock were issued and outstanding; (ii) 179,003,833 shares of Parent Common Stock were held by Parent in its treasury; (iii) no shares of Parent Authorized

Preferred Stock were issued and outstanding; (iv) 238,428,979 shares of Parent Common Stock and 10,993,642 shares of move.com Common Stock were reserved for issuance pursuant to the stock-based plans identified in Section 3.2(b) of the Parent Disclosure Schedule (such plans, collectively, the "Parent Stock Plans"), of which approximately 188,175,715 shares of Parent Common Stock and 6,282,196 shares of move.com Common Stock are subject to outstanding employee stock options or other rights to purchase or receive Parent Common Stock granted under the Parent Stock Plans (collectively, "Parent Employee Stock Options"); and (vi) 30,997,000 shares of Parent Common Stock and 1,586,000 shares of move.com Common Stock are subject to warrants (collectively, "Parent Warrants"). All outstanding shares of capital stock of Parent are, and all shares thereof which may be issued pursuant to this Agreement or otherwise will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. Except (i) as set forth in this Section 3.2(b), (ii) for the 3% Convertible Subordinated Notes, (iii) for the 34,000,000 PRIDES, of which 32,000,000 have been designated as Income PRIDES and 2,000,000 have been designated as Growth PRIDES, and (iv) for changes since September 30, 2000 resulting from the issuance of shares of Parent Common Stock pursuant to the Parent Stock Plans or Parent Employee Stock Options or Parent Warrants and other rights referred to in this Section 3.2(b), as of the date hereof, (x) there are not issued, reserved for issuance or outstanding (A) any shares of capital stock or other voting securities of Parent, (B) any securities of Parent or any Parent subsidiary convertible into or exchangeable or exercisable for shares of capital stock or voting securities of Parent, (C) any warrants, calls, options or other rights to acquire from Parent or any Parent subsidiary, and any obligation of Parent or any Parent subsidiary to issue, any capital stock, voting securities or securities convertible into or exchangeable or exercisable for capital stock or voting securities of Parent or other ownership interests of Parent, and (y) there are no outstanding obligations of Parent or any Parent subsidiary to repurchase, redeem or otherwise acquire any such securities or to issue, deliver or sell, or cause to be issued, delivered or sold, any such securities. As of the date hereof, there are no outstanding (A) securities of Parent or any Parent subsidiary convertible into or exchangeable or exercisable for shares of capital stock or other voting securities or other ownership interests in any Parent subsidiary, (B) warrants, calls, options or other rights to acquire from Parent or any Parent subsidiary, and any obligation of Parent or any Parent subsidiary to issue, any capital stock, voting securities or other ownership interests in, or any securities convertible into or exchangeable or exercisable for any capital stock, voting securities or ownership interests in, any Parent subsidiary or (C) obligations of Parent or any Parent subsidiary to repurchase, redeem or otherwise acquire any such outstanding securities of Parent subsidiaries or to issue, deliver or sell, or cause to be issued, delivered or sold, any such securities. To Parent's knowledge, neither Parent nor any Parent subsidiary is a party to any agreement restricting the transfer of, relating to the voting of, requiring registration of, or granting any preemptive or, except as provided by the terms of Parent Stock Plans, antidilutive rights with respect to, any securities of the type referred to in the two preceding sentences.

(c) Authority; Noncontravention. Each of Parent and Merger Sub has all requisite corporate power and authority to enter into

this Agreement, the Stock Option Agreement (to which is a party) and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement by Parent and Merger Sub and the consummation by Parent and Merger Sub of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate and shareholder action on the part of Parent and Merger Sub, respectively. This Agreement and the Stock Option Agreement have been duly executed and delivered by each of Parent and Merger Sub, and, assuming the due authorization, execution and delivery by the Company, constitutes the legal, valid and binding obligations of Parent and Merger Sub, respectively, enforceable against Parent and Merger Sub, respectively, in accordance with their terms except that (i) such enforceability may be subject to applicable bankruptcy, insolvency or other similar laws now or hereafter in effect affecting creditors' rights generally and (ii) the availability of the remedy of specific performance or injunction or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the courts for which any proceeding therefor may be brought. The execution and delivery of this Agreement and the Stock Option Agreement do not, and the consummation of the transactions contemplated hereby and thereby (other than the DevCo. Distribution) and compliance with the provisions of this Agreement and the Stock Option Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of Parent or any of its subsidiaries under, (i) the certificate of incorporation or by-laws of Parent, (ii) the certificate of incorporation or by-laws of the comparable organizational documents of any of its significant subsidiaries or Merger Sub, (iii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise, license or similar authorization applicable to Parent or any of its subsidiaries or their respective properties or assets or (iv) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or any of its subsidiaries or their respective properties or assets, other than, in the case of clauses (ii), (iii) and (iv), any such conflicts, violations, defaults, rights, losses or Liens that individually or in the aggregate would not (x) have a material adverse effect on Parent or (y) reasonably be expected to impair or delay the ability of Parent or Merger Sub to perform its obligations under this Agreement. To the knowledge of Parent, no consent, approval, order or authorization of, action by, or in respect of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to Parent or any of its subsidiaries in connection with the execution and delivery of this Agreement by Parent and Merger Sub or the consummation by Parent and Merger Sub of the transactions contemplated by this Agreement, except for (1) the filing of a pre-merger notification and report form by Parent under the HSR Act; (2) the filing with the SEC of (A) the Form S-4 and the Proxy Statement and (B) such reports under the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby; (3) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and such filings with Governmental Entities to satisfy the applicable requirements of the laws of

states in which Parent and its subsidiaries are qualified or licensed to do business or state securities or "blue sky" laws; (4) such VOI Registrations; (5) such filings with and approvals of the NYSE to permit the shares of Parent Common Stock to be issued in the Merger and under the Company Stock Plan to be listed on the NYSE; and (6) such other filings and consents as may be required to effect the DevCo. Distribution.

(d) Parent Documents. Since January 1, 2000, Parent has filed all required reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) with the SEC (the "Parent SEC Documents"). As of their respective filing dates, (i) the Parent SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Parent SEC Documents, and (ii) none of the Parent SEC Documents when filed (or when amended and restated and as supplemented by subsequently filed Parent SEC Document) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Parent included in the Parent SEC Documents complied as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of Parent and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments and to other adjustments described in the notes to such unaudited statements).

(e) Information Supplied. The Form S-4, the Proxy Statement and the Form 10 to be filed with the SEC will not, at the time the Form S-4 becomes effective under the Securities Act, at the date the Proxy Statement is first mailed to the Company's stockholders or at the time of the Company Stockholders Meeting, and at the time the Form 10 becomes effective under the Securities Act, respectively, contain any 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; provided, however, that no representation is made by Parent with respect to statements made therein based on information supplied or incorporated by reference by the Company for inclusion in the Form S-4, the Proxy Statement and the Form 10. None of the information supplied by Parent for inclusion or incorporation by reference in the Proxy Statement and Form 10 will, at the date mailed to the Company's stockholders and at the time of the Company Stockholders Meeting, and at the date it becomes effective, respectively, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statement therein not misleading. Subject to the provisions set forth in the second preceding sentence, the Form S-4 will comply as to form in all material respects with the requirements of the Exchange Act and the

Securities Act, as appropriate, and the rules and regulations thereunder.

(f) Brokers. Except for Banc of America Securities, no broker, investment broker, financial advisor or other person is entitled to a broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent.

ARTICLE IV

COVENANTS RELATING TO CONDUCT OF BUSINESS

SECTION 4.1 Conduct of Business by the Company. Except as consented to by Parent in writing, during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement and the Effective Time, the Company shall and shall cause its subsidiaries to carry on their respective business in the usual, regular and ordinary course consistent with past practice and in compliance in all material respects with all applicable laws and regulations and to pay its debts and Taxes when due, to pay or perform other obligations when due, and, to use best reasonable efforts to preserve intact their current business organizations, to keep available the services of their current officers and employees and preserve their relationships with those persons having business dealings with them, all with the goal of preserving unimpaired its goodwill and ongoing businesses at the Effective Time. Without limiting the generality of the foregoing, senior officers of Parent and the Company shall meet on a regular basis to review the financial and operational affairs of the Company and its subsidiaries, in accordance with applicable law, and the Company shall promptly notify Parent of any event or occurrence or emergency not in the ordinary course of its business, and any material event involving or adversely affecting the Company or its business. Except as expressly contemplated by this Agreement, the Company shall not, and shall not permit any of its subsidiaries to:

(i) other than between subsidiaries or as between the Company and any wholly owned subsidiary, declare, set aside or pay any dividends on, make any other distributions in respect of, or enter into any agreement with respect to its capital stock, (y) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock, except upon the exercise of Company Stock Options or Company Warrants that are, in each case, outstanding as of the date hereof in accordance with their present terms, or which are issued prior to the Effective Time in the ordinary course, pursuant to the Company's Second Amended and Restated Employee Stock Purchase Plan ("ESPP") or (z) purchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its subsidiaries, other securities thereof or any rights, warrants or options to acquire any such shares or other securities (other than the issuance of Company Common Stock upon the exercise of Company Stock Options and Company Warrants that are, in each case, outstanding as of the date hereof in accordance with their present terms);

(ii) issue, deliver, sell, pledge or otherwise encumber or subject to any Lien any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities (other than the issuance of Company Common Stock upon the exercise of Company Stock Options and Company Warrants that are, in each case, outstanding as of the date hereof in accordance with their present terms or which are issued in the ordinary course prior to the Effective Time, pursuant to the ESPP, or in connection with financing arrangements permitted under Section 4.1(vi));

(iii) amend its certificate of incorporation, by-laws or other comparable organizational documents;

(iv) acquire or agree to acquire by merging or consolidating with, or by purchasing any assets or any equity securities of, or by any other manner, any business or any person, or otherwise acquire or agree to acquire any assets for consideration in excess of $500,000 (other than financing transactions involving transfers of assets solely among subsidiaries and other than for construction in the ordinary course of business, consistent with past practice);

(v) sell, lease, license, mortgage or otherwise encumber or subject to any Lien or otherwise dispose of any of its properties or assets other than in the ordinary course of business and consistent with past practices, including but not limited to the performance of obligations under contractual arrangements listed on the Company Disclosure Schedule existing as of the date hereof, or create any security interest in such assets or properties;

(vi) except for borrowings under existing credit facilities or lines of credit or refinancing of indebtedness outstanding on the date hereof, incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for the obligations of any person, or make any loans, advances or capital contributions to, or investments in, any person other than its wholly owned subsidiaries and as a result of ordinary advances and reimbursements to employees and endorsements of banking instruments;

(vii) change its accounting methods (or underlying assumptions), principles or practices affecting its assets, liabilities or business, including without limitation, any reserving, renewal or residual method, practice or policy, in each case, in effect at December 31, 1999, except as required by changes in GAAP, or change any of its methods of reporting income and deductions for federal income tax purposes from those employed in the preparation of the federal income tax returns of the Company for the taxable year ending December 31, 1999, except as required by material changes in law or regulation;

(viii) make any tax elections, or settle or compromise any liability with respect to Taxes or agree to any adjustment of any Tax attribute, unless required by applicable law or made in the ordinary course of business consistent with past practices;

(ix) enter into any agreement, commitment or transaction to acquire or sell real estate for VOI development in excess of $200,000 (other than pursuant to previously existing agreements set forth in the Company Disclosure Schedule);

(x) other than in accordance with the Company's operating budget for fiscal year 2000 which is attached to the Company Disclosure Schedule, enter into any agreement obligating the Company to spend more than $250,000 or any commitment or transaction of the type described in Section 3.1(f) of the Company Disclosure Schedule hereof not in the ordinary course of business;

(xi) other than as set forth in the Company's operating budget for fiscal year 2000, amend or otherwise modify, except in the ordinary course of business, or violate the terms of, any of the material agreements or contracts or other binding obligations of the Company or its subsidiaries;

(xii) alter, or enter into any commitment to alter, its interest in any corporation, association, joint venture, partnership or business entity in which the Company directly or indirectly holds any interest on the date hereof;

(xiii) (A) grant to any current or former director, executive officer or other Key Employee of the Company or its subsidiaries any increase in compensation, bonus or other benefits, except for (i) salary, wage or benefit increases in the ordinary course of business and (ii) bonuses under the arrangements specifically set forth on Exhibit B hereto, and payable to the persons and in the amounts specifically set forth on such Exhibit B hereto; (B) grant to any such current or former director, executive officer or other Key Employee of the Company any increase in severance or termination pay, (C) enter into, or amend, any employment, deferred compensation, consulting, severance, termination or indemnification agreement with any such current or former director, executive officer or Key Employee or (D) modify any existing equity-based compensation agreement or arrangement with any director, employee, consultant or independent contractor to provide for acceleration of the vesting or payments of benefits thereunder;

(xiv) except pursuant to agreements or arrangements in effect on the date hereof and disclosed in writing and provided or made available to Parent, pay, loan or advance any amount to, or sell, transfer or lease any properties or assets (real, personal or mixed, tangible or intangible) to, or enter into any agreement or arrangement with, any of its officers or directors

or any affiliate or the immediate family members or associates of any of its officers or directors other than compensation in the ordinary course of business consistent with past practice;

(xv) agree or consent to any material agreements or material modifications of existing agreements with any Governmental Entity in respect of the operations of its business, except (i) as required by law to renew Permits or agreements in the ordinary course consistent with past practice, or (ii) to effect the consummation of the transactions contemplated hereby;

(xvi) pay, discharge, settle, compromise or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), including taking any action to settle or compromise any litigation; other than any such payment, discharge, settlement, compromise or satisfaction in the ordinary course of business in an amount not to exceed $20,000 or any reserve established in respect of a claim as set forth in the Company's unaudited balance sheet dated June 30, 2000;

(xvii) amend the Rights Agreement or redeem the Rights (as defined in the Rights Agreement);

(xviii)cancel, materially amend or renew any insurance policy other than in the ordinary course of business;

(xix) authorize, or commit or agree to take, any of the foregoing actions or any other action that would prevent the Company from performing or cause the Company not to perform its covenants hereunder;

(xx) issue any communication of a general nature to the employees of the Company without the prior written approval of Parent (which will not be unreasonably delayed or withheld), except for communications in the ordinary course of business that do not relate to the Merger or other transactions contemplated hereby; or

(xxi) take any action or fail to take any action which would result in any of the representations and warranties set forth in Section 3.1 failing to be true and correct.

SECTION 4.2 Advice of Changes. Except to the extent prohibited by applicable law or regulation, the Company, Parent and Merger Sub shall promptly advise the other party orally and in writing to the extent it has knowledge of (i) any representation or warranty made by it contained in this Agreement that is qualified as to materiality becoming untrue or inaccurate in any respect or any such representation or warranty that is not so qualified becoming untrue or inaccurate in any material respect, (ii) the failure by it to comply in any material respect with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement and (iii) any change or event having, or which, insofar as can reasonably be foreseen, could

reasonably be expected to have a material adverse effect on such party or on the truth of their respective representations and warranties or the ability of the conditions set forth in Article VI to be satisfied; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties (or remedies with respect thereto) or the conditions to the obligations of the parties under this Agreement.

SECTION 4.3 No Solicitation by the Company. (a) Except as otherwise provided in this Section 4.3, until the earlier of the Effective Time and the date of termination of this Agreement, neither the Company, nor any of its subsidiaries or any of the officers, directors, stockholders, agents, representatives or affiliates of it or its subsidiaries (including any investment banker, attorney or accountant retained by it or any of its subsidiaries) shall (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action designed to facilitate, any inquiries or the making of any proposal which constitutes a Company Takeover Proposal (as defined below), (ii) participate in any discussions or negotiations regarding any Company Takeover Proposal, (iii) enter into any agreement regarding any Company Takeover Proposal or (iv) make or authorize any statement, recommendation or solicitation in support of any Company Takeover Proposal. If and only to the extent that (i) the Company Stockholders Meeting shall not have occurred, (ii) the Board of Directors of the Company determines in good faith, after consultation with outside counsel, that it is necessary to do so in order to act in a manner consistent with its fiduciary duties to the Company's stockholders under applicable law, (iii) the Company's Board of Directors concludes in good faith that such Company Takeover Proposal constitutes a Company Superior Proposal (as defined below), (iv) such Company Takeover Proposal was not solicited by it and did not otherwise result from a breach of this Section 4.3(a), and (v) the Company provides prior written notice to Parent of its decision to take such action, the Company shall be permitted to (A) furnish information with respect to the Company and any of its subsidiaries to such person pursuant to a customary confidentiality agreement, (B) participate in discussions and negotiations with such person, (C) subject to first complying with the provisions of Section 5.8(b) hereof, enter into a Company Acquisition Agreement and (D) effect a Change in the Company Recommendation (as defined below); provided, that at least three business days prior to taking any actions set forth in clause (C) or (D) above, the Company's Board of Directors provides Parent written notice advising Parent that the Company's Board of Directors is prepared to conclude that such Company Takeover Proposal constitutes a Company Superior Proposal and during such three business day period the Company and its advisors shall have negotiated in good faith with Parent to make adjustments in the terms and conditions of this Agreement such that such Company Takeover Proposal would no longer constitute a Company Superior Proposal and the Company's Board of Directors concludes in good faith that such Company Takeover Proposal is reasonably likely to result in a Company Superior Proposal. The Company, its subsidiaries and their representatives immediately shall cease and cause to be terminated any existing activities, discussions or negotiations with any parties with respect to any Company Takeover Proposal.

For purposes of this Agreement, "Company Takeover Proposal"

means any inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of a business that constitutes 20% or more of the net revenues, net income or assets of the Company and its subsidiaries, taken as a whole, or 20% or more of any class of equity securities of the Company, any tender offer or exchange offer that if consummated would result in any person beneficially owning 20% or more of any class of any equity securities of the Company, or any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company (or any subsidiary of the Company whose business constitutes 20% or more of the net revenues, net income or assets of the Company and its subsidiaries, taken as a whole), other than the transactions contemplated by this Agreement or any securitization or financing transactions consistent with past practice. For purposes of this Agreement, a "Company Superior Proposal" means any proposal made by a third party (A) to acquire, directly or indirectly, including pursuant to a tender offer, exchange offer, merger, consolidation, business combination, recapitalization, liquidation, sale, lease, exchange, transfer or other disposition (including a contribution to a joint venture), dissolution or similar transaction, for consideration consisting of cash and/or securities, 100% of the combined voting power of the shares of the Company's capital stock then outstanding or 100% of the net revenues, net income or assets of the Company and its subsidiaries, taken as a whole and (B) which is otherwise on terms which the Board of Directors of the Company determines in its good faith judgment (after consultation with (i) either Stephens Inc., Bear Stearns & Co., Inc. or another nationally recognized investment banking firm and (ii) outside counsel), taking into account, among other things, all legal, financial, regulatory and other aspects of the proposal and the person making the proposal, that the proposal, (i) if consummated would result in a transaction that is more favorable to the Company's stockholders from a financial point of view than the Merger and the other transactions contemplated hereby and (ii) is reasonably capable of being completed, including to the extent required, financing which is then committed or which, in the good faith judgment of the Board of Directors of the Company, is reasonably capable of being obtained by such third party.

(b) Except as expressly permitted by this Section 4.3, neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to Parent, the approval of the Agreement, the Merger or the Company Recommendation (as defined in Section 5.1(d)) or take any action or make any statement in connection with the Company Stockholders Meeting inconsistent with such approval or Company Recommendation (collectively, a "Change in the Company Recommendation"), (ii) approve or recommend, or propose publicly to approve or recommend, any Company Takeover Proposal, or (iii) cause the Company to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, a "Company Acquisition Agreement") related to any Company Takeover Proposal. For purposes of this Agreement, a Change in the Company Recommendation shall include any approval or recommendation (or public proposal to approve or recommend), by the Company Board of a Company Takeover Proposal, or any failure by the Company Board to recommend against a Company Takeover Proposal. Notwithstanding the foregoing, the Board of Directors of the Company, to the extent that it determines in good faith,

after consultation with outside counsel, that in light of a Company Superior Proposal it is necessary to do so in order to act in a manner consistent with its fiduciary duties to the Company's stockholders under applicable law, may terminate this Agreement solely in order to concurrently enter into a Company Acquisition Agreement with respect to any Company Superior Proposal, but only at a time that is after the third business day following Parent's receipt of written notice advising Parent that the Board of Directors of the Company is prepared to accept a Company Superior Proposal, specifying the material terms and conditions of such Company Superior Proposal and identifying the person making such Company Superior Proposal, all of which information will be kept confidential by Parent in accordance with the terms of the Confidentiality Agreement (as defined in Section 5.4).

(c) In addition to the obligations of the Company set forth in paragraphs (a) and (b) of this Section 4.3, the Company shall immediately advise Parent orally and in writing of any request for information or of any Company Takeover Proposal, the material terms and conditions of such request or Company Takeover Proposal and the identity of the person making such request or Company Takeover Proposal. The Company will keep Parent informed of the status and details (including amendments or proposed amendments) of any such request or Company Takeover Proposal.

(d) Nothing contained in this Section 4.3 shall prohibit the Company from taking and disclosing to its stockholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act or from making any disclosure if, in the good faith judgment of the Board of Directors of the Company, after consultation with outside counsel, failure so to disclose would be inconsistent with its obligations under applicable law; provided, however, any such disclosure relating to a Company Takeover Proposal shall be deemed to be a Change in the Company Recommendation unless the Board of Directors of the Company reaffirms the Company Recommendation in such disclosure.

ARTICLE V

ADDITIONAL AGREEMENTS

SECTION 5.1 Preparation of the Form S-4, Proxy Statement and Form 10; Stockholders Meeting.

(a) As promptly as practicable following the date of this Agreement, Parent and the Company shall prepare and file with the SEC the Form S-4, the Proxy Statement and the Form 10. Each of Parent and the Company shall use all reasonable efforts to have the Form S-4, in which the Proxy Statement shall be included, declared effective under the Securities Act and the Form 10 declared effective under the Exchange Act as promptly as practicable after such filing. The Company shall use its reasonable best efforts to cause the Proxy Statement to be mailed to its stockholders as promptly as practicable after the Form S-4 is declared effective; provided, that the Company may elect to postpone the mailing of the Proxy Statement to a date that is no later than at least 20 business days prior to the date Parent informs the Company that the DevCo. Distribution is reasonably capable of being completed.

(b) Each of the Company and Parent covenants that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the Form S-4 will, at the time the Form S-4 is filed with the SEC, at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any 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 and (ii) the Proxy Statement will, at the date it is first mailed to the stockholders of the Company, or at the time of the Company Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement and the Form S-4 will comply as to form in all material respects with the requirements of the Exchange Act and the Securities Act, as applicable. Notwithstanding the foregoing, (i) no representation or covenant is made by the Company with respect to statements made or incorporated by reference based on information supplied in writing by Parent specifically for inclusion or incorporation by reference in the Form S-4 or Proxy Statement and (ii) no representation or covenant is made by Parent with respect to statements made or incorporated by reference based on information supplied in writing by the Company for inclusion or incorporation by reference in the Form S-4 or the Proxy Statement. If at any time prior to the Effective Time there shall occur (i) any event with respect to the Company or any of its subsidiaries, or with respect to other information supplied by Company for inclusion in the Form S-4 or the Proxy Statement or (ii) any event with respect to Parent, or with respect to information supplied by Parent for inclusion in the Form S-4 or the Proxy Statement, in either case, which event is required to be described in an amendment of, or a supplement, to the Form S-4 or the Proxy Statement, such event shall be so described, and such amendment or supplement shall be promptly filed with the SEC and, as required by law, disseminated to the stockholders of Company.

(c) Each of the Company and Parent shall promptly notify the other of the receipt of any comments from the SEC or its staff or any other appropriate government official and of any requests by the SEC or its staff or any other appropriate government official for amendments or supplements to any of the filings with the SEC in connection with the Merger and other transactions contemplated hereby or for additional information and shall supply the other with copies of all correspondence between the Company or any of its representatives, or Parent or any of its representatives, as the case may be, on the one hand, and the SEC or its staff or any other appropriate government official, on the other hand, with respect thereto. The Company and Parent shall use their respective reasonable efforts to respond to any comments of the SEC with respect to the Form S-4 and the Proxy Statement as promptly as practicable. The Company and Parent shall cooperate with each other and provide to each other all information necessary in order to prepare the Form S-4, the Proxy Statement and the Form 10, and shall provide promptly to the other party any information such party may obtain that could necessitate amending any such document.

(d) The Company shall, as promptly as practicable after the Form S-4 is declared effective under the Securities Act, duly

call, give notice of, convene and hold the Company Stockholders Meeting in accordance with the DGCL for the purpose of obtaining the Company Stockholder Approval; provided, that the Company may elect to postpone the Company Stockholders Meeting to a date that is no later than 35 business days after the date of mailing of the Proxy Statement in accordance with Section 5.1(a). Subject to Section 4.3, the Board of Directors of the Company shall recommend to the Company's stockholders the approval and adoption of this Agreement, the Merger and the other transactions contemplated hereby (the "Company Recommendation"). Without limiting the generality of the foregoing, the Company agrees that its obligations pursuant to the first sentence of this Section 5.1(d) shall not be affected by the commencement, public proposal, public disclosure or communication to the Company of any Company Takeover Proposal. Notwithstanding any Change in the Company Recommendation, this Agreement and the Merger shall be submitted to the stockholders of the Company at the Company Stockholders Meeting for the purpose of approving the Agreement and the Merger and nothing contained herein shall be deemed to relieve the Company of such obligation unless this Agreement has been terminated.

(e) The Company shall coordinate and cooperate with Parent with respect to the timing of the Company Stockholders Meeting.

SECTION 5.2 Letter of the Company's Accountants. The Company shall cause to be delivered to Parent a letter from the Company's independent accountants dated a date within two business days before the Closing Date addressed to Parent, in form and substance reasonably satisfactory to Parent and customary in scope and substance for comfort letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

SECTION 5.3 Letter of Parent's Accountants. Parent shall cause to be delivered to the Company a letter from Parent's independent accountants dated a date within two business days before the Closing Date addressed to the Company, in form and substance reasonably satisfactory to the Company and customary in scope and substance for comfort letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

SECTION 5.4 Access to Information; Confidentiality.

(a) Subject to the Secrecy Agreement, dated as of August 11, 2000, as amended, between Parent and the Company (the "Confidentiality Agreement"), and subject to the restrictions contained in confidentiality agreements to which the Company is subject (which the Company will use its reasonable best efforts to have waived) and applicable law, the Company shall, and shall cause its subsidiaries to, afford Parent and to the officers, employees, accountants, counsel, financial advisors and other representatives of Parent, reasonable access during normal business hours during the period prior to the Effective Time to all its respective properties, books, contracts, commitments, personnel and records and, during such period, the Company shall, and shall cause each of its subsidiaries to, furnish promptly to Parent (a) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state securities laws and

(b) all other information concerning its business, properties and personnel as such other party may reasonably request. In addition, the Company will deliver, or cause to be delivered, to Parent the internal or external reports reasonably required by Parent promptly after such reports are made available to the Company's personnel. No review pursuant to this Section 5.4 shall affect any representation or warranty given by the Company to Parent. Parent will hold, and will cause its officers, employees, accountants, counsel, financial advisors and other representatives and affiliates to hold, any nonpublic information in accordance with the terms of the Confidentiality Agreement.

(b) As soon as practicable after the execution of this Agreement, the Company shall permit Parent to electronically link the Company's financial reporting system to Parent's financial reporting system ("Hyperion"). The link to Hyperion will be completed by Parent's financial reporting staff, with assistance from the Company's accounting staff, at no incremental cost to the Company and provided that such installment will not interfere with or disrupt the normal operation of the Company's financial reporting system or violate any applicable software licenses. Parent will provide the necessary Hyperion software to be installed on a computer in the Company's accounting department; provided, however, that the information retrieved from the Company's financial reporting system will not be made available to persons who are directly involved in pricing or any other competitive activity at Parent; provided, further, that such persons shall not use such information other than for purposes of assessing the financial condition of the Company for purposes of the transactions contemplated by this Agreement, and shall not share, provide or sell the information to any third party or use the information in any manner that could reasonably be considered a restraint on competition or result in a violation of any applicable laws. Any information provided under this Section 5.4(b) shall be subject to the terms of the Confidentiality Agreement.

SECTION 5.5 Reasonable Efforts. (a) Subject to the terms and conditions set forth in this Agreement, each of the parties hereto shall use its reasonable good faith efforts (subject to, and in accordance with, applicable law) to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the Merger and the other transactions contemplated by this Agreement, including (i) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from Governmental Entities and the making of all necessary registrations and filings and the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Entity, including, without limitation, the VOI Registrations (ii) the obtaining of all necessary consents, approvals or waivers from third parties, (iii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated by this Agreement, including seeking to have any stay, temporary restraining order or injunctions entered by any court or other Governmental Entity vacated or reversed and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully

carry out the purposes of, this Agreement, subject to the limitations on divestiture set forth in subsection (c) below.

(b) In connection with and without limiting the foregoing, the Company and Parent shall (i) take all action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to this Agreement, the Stock Option Agreement or the Merger or any of the other transactions contemplated hereby and thereby, and (ii) if any state takeover statute or similar statute or regulation becomes applicable to this Agreement, the Stock Option Agreement or the Merger or any other transaction contemplated hereby and thereby, take all action necessary to ensure that the Merger and the other transactions contemplated by this Agreement and the Stock Option Agreement may be consummated as promptly as practicable on the terms contemplated hereby and thereby and otherwise to minimize the effect of such statute or regulation on the Merger, the DevCo. Distribution and the other transactions contemplated hereby and thereby.

(c) Each party agrees to provide the other party with copies of any documentation or written materials provided to or by Governmental Entities with respect to the HSR approval process. Parent shall not be required to agree to any divestiture by Parent or any of Parent's subsidiaries or affiliates of shares of capital stock or of any business, assets or property of Parent or its subsidiaries or affiliates or of the Company, its affiliates, or the imposition of any material limitation on the ability of any of them to conduct their businesses or to own or exercise control of such assets, properties and stock.

(d) The Company shall use its reasonable good faith efforts to assist Parent and certain of its subsidiaries that are subject to the reporting requirements of the Exchange Act (the "Reporting Subs") in the preparation and filing, on the earliest practicable date after the date of this Agreement, of Current Reports on Form 8-K for each of Parent and the Reporting Subs containing the information required by Item 512(a)(1)(ii) of Regulation S-K of the SEC, including the historical financial statements of the Company required by Rule 3-05 of Regulation S-X of the SEC and the pro forma financial information with respect to the business combination contemplated by this Agreement required by Article 11 of Regulation S-X of the SEC, and the Company shall take all other action necessary to allow Parent and the Reporting Subs to issue and sell securities on a continuous or delayed basis in one or more public offerings registered under the Securities Act.

SECTION 5.6 Company Equity-Based Incentives. (a) As of the Effective Time, (i) each outstanding Company Stock Option and Company Warrant shall be converted into an option or warrant, as the case may be (as applicable, an "Adjusted Option" or "Adjusted Warrant") to purchase the number of shares of Parent Common Stock (rounded down to the nearest whole number of shares of Parent Common Stock) equal to the number of shares of Company Common Stock subject to such Company Stock Option or Company Warrant immediately prior to the Effective Time multiplied by the Exchange Ratio, at an exercise price per share (rounded up to the nearest whole cent) equal to the exercise price for each such share of Company Common Stock subject to such Company Stock Option or Company

Warrant divided by the Exchange Ratio, and all references in each such option or warrant to the Company shall be deemed to refer to Parent, where appropriate; provided, however, Parent shall assume the obligations of the Company under the applicable Company Stock Plan and agreements under which the Adjusted Option or Adjusted Warrant was originally granted, subject to the adjustments required by this Section 5.6(a). The other terms of each such Adjusted Option and Adjusted Warrant, and the plans under which they were issued, shall continue to apply in accordance with their terms.

(b) As of the Effective Time, (i) each outstanding Company Award other than Company Stock Options and Company Warrants (including restricted stock, stock appreciation rights, performance shares, deferred stock, phantom stock, stock equivalents and stock units) under the Company Stock Plans shall be converted into the same instrument of Parent, in each case with such adjustments (and no other adjustments) to the terms of such Company Awards as are necessary to preserve the value inherent in such Company Awards with no detrimental or beneficial effects on the holder thereof and (ii) Parent shall assume the obligations of the Company under the Company Awards, subject to the adjustments required by this Section 5.6(b). The other terms of each such Company Award, and the plans or agreements under which they were issued, shall continue to apply in accordance with their terms.

(c) The Company and Parent agree that the Company Stock Plans and Parent equity-based incentive plans shall be amended, to the extent necessary, to reflect the transactions contemplated by this Agreement, including, but not limited to the conversion of shares of Company Common Stock held or to be awarded or paid pursuant to such benefit plans, programs or arrangements into shares of Parent Common Stock on a basis consistent with the transactions contemplated by this Agreement. After the Effective Time, Parent shall promptly issue new agreements reflecting each holder's Adjusted Options, Adjusted Warrants or adjusted Company Awards.

(d) Parent shall (i) reserve for issuance the number of shares of Parent Common Stock that will become subject to the benefit plans, programs and arrangements referred to in this Section 5.6 and (ii) issue or cause to be issued the appropriate number of shares of Parent Common Stock pursuant to applicable plans, programs and arrangements, upon the exercise or maturation of rights existing thereunder on the Effective Time or thereafter granted or awarded. As soon as practicable following the Effective Time, Parent shall prepare and file with the SEC a registration statement on Form S-8 (or other appropriate form) registering a number of shares of Parent Common Stock necessary to fulfill Parent's obligations under this Section 5.6. Such registration statement shall be kept effective (and the current status of the prospectus required thereby shall be maintained) for at least as long as Adjusted Options, Adjusted Warrants or adjusted Company Awards remain outstanding.

(e) Parent and the Company shall each approve the conversion of the outstanding Company Stock Options, Company Warrants and Company Awards pursuant to this Section 5.6 in a manner sufficient to comply with the exemptions provided by Rule 16b-3 of the Exchange Act.

(f) The Company shall take all actions necessary to effect, as of immediately prior to the Effective Time, the termination of the ESPP and of any offering period then in effect under the ESPP, in a manner approved by Parent.

SECTION 5.7 Indemnification, Exculpation and Insurance. (a) All rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time now existing in favor of the current or former directors or officers of the Company and its subsidiaries as provided in their respective certificates of incorporation or by- laws (or comparable organizational documents) and any indemnification agreements or arrangements of the Company and its subsidiaries shall survive the Merger and shall continue in full force and effect in accordance with their terms, and shall not be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of such individuals.

(b) In the event that the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any person, then, and in each such case, proper provision will be made so that the successors and assigns of the Surviving Corporation will assume the obligations thereof set forth in this Section 5.7.

(c) The provisions of this Section 5.7 (i) are intended to be for the benefit of, and will be enforceable by, each indemnified party, his or her heirs and his or her representatives and (ii) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have by contract or otherwise.

(d) For six years after the Effective Time, the Surviving Corporation shall maintain in effect the Company's current directors' and officers' liability insurance covering acts or omissions occurring prior to the Effective Time with respect to those persons who are currently covered by the Company's directors' and officers' liability insurance policy on terms with respect to such coverage and amount no less favorable to the Company's directors and officers currently covered by such insurance than those of such policy in effect on the date hereof; provided, that the Surviving Corporation may substitute therefor policies of Parent or its subsidiaries containing terms with respect to coverage and amount no less favorable to such directors or officers; provided, further, that in no event shall the Surviving Corporation be required to pay aggregate premiums for insurance under this Section 5.7(d) in excess of 200% of the aggregate premiums paid by the Company in 2000 on an annualized basis for such purpose and, if the annual premiums of such insurance coverage exceed such amount, the Surviving Corporation shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount. Notwithstanding the foregoing, the Company may obtain directors' and officers' liability insurance covering all acts or omissions prior to the Effective Time at a cost not to exceed 125% of the cost of the current

directors' and officers' liability insurance maintained by the Company.

(e) Parent shall cause the Surviving Corporation or any successor thereto to comply with its obligations under this Section 5.7.

SECTION 5.8 Fees and Expenses. (a) Except as provided in this Section 5.8, all fees and expenses incurred in connection with the Merger, this Agreement, and the transactions contemplated by this Agreement shall be paid by the party incurring such fees or expenses, whether or not the Merger is consummated.

(b) (i) In the event that this Agreement is terminated by Parent pursuant to Section 7.1(c), then, upon such termination, the Company shallpay Parent a fee equal to $32,000,000 by wire transfer of same day funds.

(ii) In the event that (A) a Pre-Termination Takeover Proposal Event (as defined below) shall occur after the date of this Agreement and thereafter this Agreement is terminated by either Parent or the Company pursuant to Section 7.1(b)(i) and (B) prior to the date that is 12 months after the date of such termination the Company enters into a Company Acquisition Agreement, then the Company shall promptly, but in no event later than two business days after the date such Company Acquisition Agreement is entered into, pay Parent a fee equal to $32,000,000 by wire transfer of same day funds.

(iii) In the event that (A) a Pre-Termination Takeover Proposal Event shall occur after the date of this Agreement, (B) this Agreement is terminated by either Parent or the Company pursuant to Section 7.1(b)(ii), (C) the Average Trading Price shall not be below $6.00 per share, and (D) prior to the date that is 12 months after the date of such termination the Company enters into a Company Acquisition Agreement, then the Company shall promptly, but in no event later than two business days after the date such Company Acquisition Agreement is entered into, pay Parent a fee equal to $32,000,000 by wire transfer of the same day funds.

(iv) In the event that this Agreement is terminated by the Company pursuant to Section 7.1(d), then concurrently with such termination, the Company shall pay to Parent a fee equal to $32,000,000 by wire transfer of same day funds.

(v) In the event that (A) a Pre-Termination Takeover Proposal Event shall occur after the date of this Agreement, (B) the Company Board of Directors has effected a Change in the Company Recommendation, and (C) this Agreement is terminated by either Parent or Company for any reason provided for under Section 7.1, then, promptly, but in no event later than two business days after such termination, the Company shall pay Parent a fee equal to $32,000,000 by wire transfer of same day funds.

(vi) For purposes of this Section 5.8(b), a

"Pre- Termination Takeover Proposal Event" shall be deemed to occur if a Company Takeover Proposal shall have been made known to the Company or any of its subsidiaries or has been made directly to its stockholders generally or any person shall have publicly announced an intention (whether or not conditional) to make a Company Takeover Proposal. The Company acknowledges that the agreements contained in this Section 5.8(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Parent would not enter into this Agreement; accordingly, if the Company fails promptly to pay the amount due pursuant to this Section 5.8(b), and, in order to obtain such payment, Parent commences a suit which results in a judgment against the Company for the fee set forth in this Section 5.8(b), the Company shall pay to Parent its costs and expenses (including attorneys' fees and expenses) in connection with such suit, together with interest on the amount of the fee at the rate on six-month U.S. Treasury obligations plus 300 basis points in effect on the date such payment was required to be made.

(c) The Company shall in no event be required to pay more than one fee pursuant to Section 5.8(b). In the event that an amount is payable by the Company pursuant to this Section 5.8, then, not withstanding anything in this Agreement or the Voting Agreement to the contrary, (i) such amount shall be full compensation and liquidated damages for the loss suffered by Parent as a result of the failure of the transactions contemplated by this Agreement and the Voting Agreement to be consummated and to avoid the difficulty of determining the damages under the circumstances and (ii) such amount shall be in lieu of any other entitlement of Parent, and shall be the sole and exclusive liability of the Company and the Company's stockholders, with respect to all matters arising under or relating to this Agreement and the Voting Agreement, unless there has been a willful or material breach of this Agreement or the Voting Agreement by the Company or a stockholder of the Company, respectively.

SECTION 5.9 Public Announcements. Parent and the Company will consult with each other before issuing, and provide each other the opportunity to review, comment upon and concur with and use reasonable efforts to agree on, any press release or other public statements and any internal communications with respect to the transactions contemplated by this Agreement and the Stock Option Agreement, including the Merger, and shall not issue any such press release or make any such public statement prior to such consultation, except as either party may determine is required by applicable law, court process or by obligations pursuant to any listing agreement with any national securities exchange. The parties agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement shall be in the form heretofore agreed to by the parties.

SECTION 5.10 Affiliates. To the extent practicable, concurrently with the execution of this Agreement (or to the extent not practicable, as soon as practicable and in any event within 10 business days after the date hereof), the Company shall deliver to Parent a written agreement substantially in the form attached as Exhibit 5.10(a) hereto of all of the persons who are "affiliates" of the Company for purposes of Rule

145 under the Securities Act; all of such affiliates, who are affiliates as of the date of this Agreement, are identified in Section 5.10 of the Company Disclosure Schedule. Section 5.10 of the Company Disclosure Schedule shall be updated by the Company as necessary to reflect changes from the date hereof and the Company shall use reasonable best efforts to cause each person added to such schedule after the date hereof to deliver a similar agreement.

SECTION 5.11 Stock Exchange Listing. Parent shall use best efforts to cause the Parent Common Stock issuable (i) under Article II or (ii) upon exercise of the Adjusted Options pursuant to Section 5.6 to be approved for issuance on the NYSE, in each case subject to official notice of issuance, as promptly as practicable after the date hereof, and in any event prior to the Closing Date.

SECTION 5.12 Stockholder Litigation. Each of the Company and Parent shall give the other the reasonable opportunity to participate in the defense of any stockholder litigation against the Company or Parent, as applicable, and its directors relating to the transactions contemplated by this Agreement.

SECTION 5.13 DevCo. Distribution.

(a) Unless Parent shall determine that the Company shall not effect the DevCo. Distribution, it shall prepare and deliver to the Company the proposed terms of the DevCo. Distribution and forms of the agreements proposed to be entered into by the Company and DevCo. in connection with the DevCo. Distribution on or prior to December 7, 2000.

(b) Prior to the Closing, the Company shall use its reasonable efforts to complete the actions specified in Exhibit A as long as those actions do not adversely affect the business of the Company and its wholly owned subsidiaries before the DevCo. Distribution; provided, however, that the completion of actions under this Section 5.13 shall not be a condition to the Merger. The Company shall take all necessary action to create DevCo. and transfer to DevCo. such assets and liabilities from the Company and its subsidiaries and execute all necessary agreements that shall govern the relationships between the Surviving Corporation and DevCo. following the DevCo. Distribution, all in accordance with Parent's instructions set forth on Exhibit A. The DevCo. Distribution must occur immediately before the Effective Time unless otherwise agreed to by the Company.

(c) The Company shall not take, or cause to be taken, any action that would or might reasonably be expected to prevent or materially delay Parent, the Company or DevCo. from consummating the transactions contemplated in Exhibit A, including any action which may materially limit the ability of Parent, the Company or DevCo. to consummate the transactions contemplated thereby as a result of any regulatory concerns.

(d) As promptly as practicable following the date of this Agreement, the Company shall prepare and file with the SEC the Form 10. The Company shall use its best reasonable efforts to have the Form 10

declared effective under the Exchange Act as promptly as practicable after such filing and to cause the Form 10 to be mailed to its stockholders as promptly as practicable after the Form 10 is declared effective.

(e) The Company shall pay all expenses arising from or incidental to the DevCo. Distribution (the "DevCo. Expenses"); provided, however, that Parent shall pay the DevCo. Expenses if this Agreement is terminated by Parent and the Company pursuant to Section 7.1(a) or by either Parent or the Company pursuant to Section 7.1(b).

SECTION 5.14 Rights Agreement. The Company shall enter into an amendment to the Rights Agreement, which will provide, among other things, for purposes: (i) of the definitions of "Acquiring Person" and "Beneficial Owner" and (ii) of the definitions of "Affiliate" of an "Acquiring Person":

(i) as a result of entering into this Agreement and the Voting Agreement, that Parent, its subsidiaries (including Merger Sub) and its affiliates shall not be deemed to be an "Affiliate" under the Rights Agreement;

(ii) as a result of entering into this Agreement and the Voting Agreement, that Parent and Merger Sub shall not be deemed to be "Beneficial Owners" (as such term is used in the Rights Agreement) of shares of Company Common Stock owned by Parent, its subsidiaries and its affiliates; and

(iii) as a result of entering into this Agreement and the Voting Agreement, that Parent and Merger Sub shall not be deemed to be an "Acquiring Person" (as such term is used in the Rights Agreement).

Such amendment shall provide that such amended provisions of the Rights Agreement cannot be further amended and the Rights cannot be redeemed without the prior written consent of Parent.

SECTION 5.15 Standstill Agreements; Confidentiality Agreements. During the period from the date of this Agreement through the Effective Time, the Company shall not terminate, amend, modify or waive any provision of any confidentiality or standstill agreement to which it or any of its respective subsidiaries is a party. During such period, the Company shall enforce, to the fullest extent permitted under applicable law, the provisions of any such agreement, including by obtaining injunctions to prevent any breaches of such agreements and to enforce specifically the terms and provisions thereof in any court of the United States of America or of any state having jurisdiction.

SECTION 5.16 Conveyance Taxes. Parent and the Company shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees or any similar taxes which become payable in connection with the transactions contemplated by this Agreement that are required or permitted to be filed

on or before the Effective Time. The Company shall pay on behalf of its stockholders, without deduction or withholding from any amount payable to the holders of Company Common Stock, any such taxes or fees imposed by any Governmental Entity which become payable in connection with the transactions contemplated by this Agreement for which such stockholders are primarily liable and in no event shall Parent pay such amounts.

SECTION 5.17 Employee Benefits.

(a) Parent shall, or shall cause the Surviving Corporation and its subsidiaries to, give those employees who are, as of the Closing, employed by the Company and its subsidiaries (the "Continuing Employees") full credit for purposes of eligibility and vesting under any employee benefit plans or arrangements maintained by Parent, the Surviving Corporation or any subsidiary of Parent or the Surviving Corporation for such Continuing Employees' service with the Company or any subsidiary of the Company to the same extent recognized by the Company for similar purposes immediately prior to the Effective Time. Parent shall, or shall cause the Surviving Corporation and its subsidiaries to, waive all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Continuing Employees under any welfare plan that such employees may be eligible to participate in after the Effective Time, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Effective Time under any welfare plan maintained for the Continuing Employees immediately prior to the Effective Time, and provide credit under any such welfare plan for any copayments, deductibles and out-of-pocket expenditures for the remainder of the coverage period during which any transfer of coverage occurs.

(b) From and after the Effective Time, Parent shall, and shall cause the Surviving Corporation to, honor in accordance with the terms thereof, without offset, deduction, counterclaim, interruption or deferment (other than withholdings under applicable tax law) under all Plans and administrative practices adopted thereunder, including all employment, change in control, severance, termination, consulting and unfunded retirement or benefit agreements or arrangements that have been provided or made available to Parent.

SECTION 5.18 Resignation and Appointment of the Directors of the Trustee. The Company shall take action to obtain the resignations of Brian Keller and Michael Hug (the "Company Directors") from the board of directors of the Trustee (the "Trustee Board") and to have persons chosen by Parent (the "Parent Directors") appointed to the Trustee Board immediately prior to the Effective Time.

ARTICLE VI

CONDITIONS PRECEDENT

SECTION 6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger is

subject to the satisfaction or waiver by each of Parent and the Company on or prior to the Closing Date of the following conditions:

(a) Stockholder Approval. The Company Stockholder Approval shall have been obtained.

(b) HSR Act. The waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired.

(c) Governmental and Regulatory Approvals. Other than the filing provided for under Section 1.3 and the waiting period pursuant to the HSR Act (which is addressed in Section 6.1(b)), (i) all consents, approvals and actions of, filings with and notices to any Governmental Entity required by the Company, Parent or any of their subsidiaries to consummate the Merger and the other transactions contemplated hereby, the failure of which to be obtained or made is reasonably expected to have a material adverse effect on Parent and its subsidiaries and prospective subsidiaries, taken as a whole, shall have been obtained or made and (ii) all the registrations and amendments thereto set forth on Section 6.1(c) of the Company Disclosure Schedule shall have been made and the related consents, approvals or exemptions under state timeshare registration laws or, in states that do not have specific timeshare laws, related real estate or securities registration laws, shall have been obtained, other than the registrations and amendments thereto set forth on Section 6.1(c) of the Company Disclosure Schedule that are (A) marked with an asterisk and (B) which the failure to obtain the related consent, approval or exemption would not be reasonably expected to result in a material business impact on the Company.

(d) Third Party Consents. Parent shall have been furnished with evidence satisfactory to it that the Company has obtained the consents of third parties to any agreement or instrument the absence of which would result in the representations set forth in Section 3.1(d) hereof being untrue (disregarding any disclosure relating thereto in the Company Disclosure Schedule).

(e) No Injunctions or Restraints. No judgment, order, decree, statute, law, ordinance, rule or regulation, entered, enacted, promulgated, enforced or issued by any court or other Governmental Entity of competent jurisdiction or other legal restraint or prohibition (collectively, "Restraints") shall be in effect (i) preventing the consummation of the Merger, or (ii) which otherwise is reasonably likely to have a material adverse effect on the Company or Parent, as applicable; provided, however, that each of the parties shall have used its best efforts to prevent the entry of any such Restraints and to appeal as promptly as possible any such Restraints that may be entered.

(f) Form S-4. The Form S-4 shall have become effective under the Securities Act and no stop order or proceedings seeking a stop order shall have been entered or be pending by the SEC.

(g) Stock Exchange Listing. The shares of Parent Common Stock issuable to the Company's stockholders (i) as contemplated by

Article II or (ii) upon exercise of the Adjusted Options pursuant to Section 5.6 shall have been approved for listing on the NYSE, subject to official notice of issuance.

SECTION 6.2 Conditions to Obligations of Parent. The obligation of Parent to effect the Merger is further subject to satisfaction or waiver of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Company set forth herein (i) that are qualified as to materiality shall be true and correct at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date), and (ii) that are not qualified as to materiality shall be true and correct at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date) in all material respects.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all obligations required to be performed by it at or prior to the Closing Date under this Agreement and in connection with the DevCo. Distribution.

(c) Regulatory Condition. No condition or requirement has been imposed by one or more Governmental Entities in connection with any required approval by them of the Merger relating to the transactions contemplated hereunder which, either alone or together with all such other conditions or requirements requires the Company or its subsidiaries to be operated in a manner which is materially different from industry standards in effect or which is different from the manner in which the Company currently conducts its operations on the date hereof and which materially adversely affects the business, financial condition or results of operations or prospects of the Company and its subsidiaries, taken as a whole, or their businesses, other than their commercial finance businesses, taken as a whole.

(d) Resignation and Appointment of the Directors of the Trustee. The Company shall have obtained the resignations of the Company Directors from the Trustee Board and shall have appointed the Parent Directors to the Trustee Board, subject to consummation of the Merger and acceptance of such appointment.

SECTION 6.3 Conditions to Obligations of the Company. The obligation of the Company to effect the Merger is further subject to satisfaction or waiver of the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent set forth herein (i) that are qualified as to materiality shall be true and correct at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date), and (ii) that are not qualified as to materiality shall be true and correct at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such

date) in all material respects.

(b) Performance of Obligations of Parent. Parent shall have performed in all material respects all obligations required to be performed by it at or prior to the Closing Date under this Agreement.

ARTICLE VII

TERMINATION, AMENDMENT AND WAIVER

SECTION 7.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, and whether before or after the Company Stockholder Approval:

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company:

(i) if the Merger shall not have been consummated by March 31, 2001, provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(b) shall not be available to any party whose failure to perform any of its obligations under this Agreement results in the failure of the Merger to be consummated by such time; provided, further, that such a date may be extended for not more than 30 days, by either party, by written notice to the (x) other party if the Merger shall not have been consummated solely as a result of the condition set forth in Section 6.1(c) failing to have been satisfied and the extending party reasonably believes that the relevant approvals will be obtained during such extension period or (y) the delivery by Parent of the Closing Extension Notice;

(ii) if the Company Stockholder Approval shall not have been obtained at the Company Stockholders Meeting duly convened therefor or at any adjournment or postponement thereof; or

(iii) if any Restraint having any of the effects set forth in Section 6.1(d) shall be in effect and shall have become final and nonappealable; provided, that the party seeking to terminate this Agreement pursuant to this Section 7.1(b)(iii) shall have used best efforts to prevent the entry of and to remove such Restraint;

(c) by Parent, if the Company shall have failed to make the Company Recommendation in the Proxy Statement or effected a Change in the Company Recommendation (or resolved to take any such action), whether or not permitted by the terms hereof, or shall have breached its obligations under this Agreement by reason of a failure to call or convene the Company Stockholders Meeting in accordance with Section 5.1(d);

(d) by the Company in accordance with Section 4.3(b); provided, that in order for the termination of this Agreement pursuant to this paragraph (d) to be deemed effective, the Company shall have complied

with all provisions of Section 4.3, including the notice provisions therein, and with applicable requirements, including the payment of the fee referred to in paragraph (b)(iv) of Section 5.8; or

The party desiring to terminate this Agreement pursuant to clause (b), (c) or (d) of this Section 7.1 shall give written notice of such termination to the other party in accordance with Section 8.2, specifying the provision hereof pursuant to which such termination is effected.

SECTION 7.2 Effect of Termination. In the event of termination of this Agreement by either the Company or Parent as provided in Section 7.1, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of Parent or the Company, other than the provisions of Section 3.1(z), Section 3.2(f), the last sentence of Section 5.4(a), Section 5.8, this Section 7.2 and Article VIII, which provisions survive such termination, provided, however, that nothing herein (including the payment of any amounts pursuant to Section 5.8 hereof) shall relieve any party from any liability for any willful or material breach by a party of any of its representations, warranties, covenants or agreements set forth in this Agreement.

SECTION 7.3 Amendment. This Agreement may be amended by the parties at any time before or after the Company Stockholder Approval; provided, however, that after such approval, there shall not be made any amendment that by law requires further approval by the stockholders of the Company without the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of all of the parties.

SECTION 7.4 Extension; Waiver. At any time prior to the Effective Time, a party may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement or (c) subject to the proviso of Section 7.3, waive compliance by the other party with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

SECTION 7.5 Procedure for Termination. A termination of this Agreement pursuant to Section 7.1 shall, in order to be effective, require, in the case of Parent or the Company, action by its Board of Directors.

ARTICLE VIII

GENERAL PROVISIONS

SECTION 8.1 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any

instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 8.1 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time.

SECTION 8.2 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Merger Sub, to

Cendant Corporation
Six Sylvan Way
Parsippany, NJ 07054

Telecopy No.: (973) 496-5335
Attention: General Counsel

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036

Telecopy No.: (212) 735-2000
Attention: David Fox

(b) if to the Company, to

Fairfield Communities, Inc.
8669 Commodity Circle
#200
Orlando, Florida 32819

Telecopy No.: (407) 370-5222
Attention: General Counsel

with a copy to:

Jones, Day, Reavis & Pogue
2727 North Harwood Street
Dallas, Texas 75201

Telecopy No.: (214) 969-5100
Attention: Mark V. Minton

SECTION 8.3 Definitions. For purposes of this Agreement:

(a) an "affiliate" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person, where

"control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise; provided, that in the case of the Company, the Trust shall be deemed an affiliate.

(b) "material adverse change" or "material adverse effect" means, when used in connection with the Company, Parent, an Association, the Trust or the Trustee, any change, effect, event, occurrence or state of facts that is, or would reasonably be expected to be, materially adverse to the business, financial condition or results of operations or prospects of such party and its subsidiaries taken as a whole.

(c) "material business impact" means any change, effect, event, occurrence or state of facts that, individually or in the aggregate with any other change, effect, event, occurrence or state of facts, is, or is reasonably likely to constitute or result in (i) loss (including a loss of a benefit or right) or damage that is material to the Company and its subsidiaries taken as a whole, (ii) impairment of or interference in the ability of the Company or any of its subsidiaries to conduct or operate their businesses as conducted or operated prior to the date hereof, other than an impairment or interference which is not significant to the Company and its subsidiaries taken as a whole, (iii) detriment to the Company's good standing or reputation, (iv) an increase in payments due to any employee in violation of Section 4.1(xiii) or Section 4.1(xiv) or (v) a material delay in the transactions contemplated hereby.

(d) "person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(e) a "subsidiary" of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first person.

(f) "knowledge" of any person which is not an individual means the actual knowledge of such person's executive officers or directors, after due reasonable investigation.

(g) "VOI Laws" means the applicable provisions of (i) the Consumer Credit Protection Act; (ii) Regulation Z of the Federal Reserve Board; (iii) the Equal Credit Opportunity Act; (iv) Regulation B of the Federal Reserve Board; (v) the Federal Trade Commission's 3-day cooling-off Rule for Door-to-Door Sales; (vi) Section 5 of the Federal Trade Commission Act; (vii) the Interstate Land Sales Full Disclosure Act; (viii) the federal postal laws; (ix) usury laws; (x) trade practices, home and telephone solicitation, sweepstakes, anti- lottery and consumer credit and protection laws; (xi) real estate sales licensing, disclosure, reporting condominium and timeshare and escrow laws; (xii) the Americans With Disabilities Act and related accessibility guidelines; (xiii) the Real

Estate Settlement Procedures Act; (xiv) the Truth-in-Lending Act; (xv) the Fair Housing Act; (xvi) Regulation X; (xvii) Civil Rights Act of 1964 and 1968; (xviii) state condominium timeshare, and seller of travel laws, (xix) Federal Fair Debt Collection Practices Act and applicable state debt collection laws and (xx) any state laws concerning construction, escrow or surety bonds.

SECTION 8.4 Interpretation. When a reference is made in this Agreement to an Article, Section or Exhibit, such reference shall be to an Article or Section of, or an Exhibit to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means, in the case of any agreement or instrument, such agreement or instrument as from time to time amended, modified or supplemented, including by waiver or consent and, in the case of statutes, such statutes as in effect on the date of this Agreement. References to a person are also to its permitted successors and assigns. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed to also refer to any amendments thereto and all rules and regulations promulgated thereunder, unless the context requires otherwise.

SECTION 8.5 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. A facsimile copy of a signature page shall be deemed to be an original signature page.

SECTION 8.6 Entire Agreement; No Third-Party Beneficiaries. This Agreement (including the documents and instruments referred to herein) and the Confidentiality Agreement (a) constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement and (b) except for the provisions of Section 5.7, are not intended to confer upon any person other than the parties any rights or remedies.

SECTION 8.7 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

SECTION 8.8 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties, provided, however, that Parent may assign Merger Sub's rights and obligations, in whole or in part, under this Agreement to any other newly-formed subsidiary of Parent with no assets or liabilities, which is wholly owned by Parent or by Parent's wholly-owned subsidiary, as the case may be, in which event the assignee shall be considered Merger Sub for purposes of this Agreement. Any assignment in violation of the preceding sentence shall be void. Subject to the preceding two sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

SECTION 8.9 Consent to Jurisdiction. Each of the parties hereto irrevocably agrees that any action, suit, claim or other legal proceeding with respect to this Agreement or in respect of the transactions contemplated hereby brought by any other party hereto or its successors or assigns shall be brought and determined in any state or federal court located in the State of Delaware or any appeals courts thereof (the "Delaware Courts"), and each of the parties hereto irrevocably submits with regard to any such proceeding for itself and in respect to its property, generally and unconditionally, to the exclusive jurisdiction of the Delaware Courts. Each of the parties hereto irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the Delaware Courts for any reason, (b) that it or its property is exempt or immune from jurisdiction of any Delaware Court or from any legal process commenced in any Delaware Court (whether through service of notice, attachment before judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by applicable law, that (i) the proceeding in any Delaware Court is brought in an inconvenient forum, (ii) the venue of such proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by a Delaware Court. Notwithstanding the foregoing, each of the parties hereto agrees that the other party shall have the right to bring any action or proceeding for enforcement of a judgment entered by the Delaware Courts in any other court or jurisdiction.

SECTION 8.10 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 8.11 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or

incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

SECTION 8.12 Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity.

IN WITNESS WHEREOF, Parent, the Company and Merger Sub have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

CENDANT CORPORATION.

By /s/ James E. Buckman

Name: James E. Buckman
Title: Vice Chairman, General Counsel and Assistant Secretary

FAIRFIELD COMMUNITIES, INC.

By /s/ James G. Berk

Name: James G. Berk
Title: President and CEO

GRAND SLAM ACQUISITION CORP.

By /s/ James E. Buckman

Name: James E. Buckman
Title: Executive Vice President and Assistant Secretary

AGREEMENT AND PLAN OF REORGANIZATION

BY AND AMONG

HOMESTORE.COM, INC.,

METAL ACQUISITION CORP.,

WW ACQUISITION CORP.,

MOVE.COM, INC.,

WELCOME WAGON INTERNATIONAL INC.

CENDANT MEMBERSHIP SERVICES HOLDINGS, INC.

AND

CENDANT CORPORATION

DATED AS OF OCTOBER 26, 2000

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AGREEMENT AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is made and entered into as of October 26, 2000 by and among homestore.com, Inc., a Delaware corporation ("Parent"), Metal Acquisition Corp., a Delaware corporation and a wholly-owned Parent Subsidiary ("Metal Merger Sub"), WW Acquisition Corp., a New York corporation and a wholly-owned Parent Subsidiary ("WW Merger Sub"), Move.com, Inc., a Delaware corporation (the "Company"), Welcome Wagon International Inc., a New York corporation ("WW"), Cendant Membership Services Holdings, Inc., a Delaware corporation ("CMS"), and Cendant Corporation, a Delaware corporation (the "Stockholder").

RECITALS

A. The Company is engaged in the Business (as defined in Section 1.6(a) of this Agreement).

B. The Boards of Directors of each of the Stockholder, the Company, Parent, Metal Merger Sub and WW Merger Sub believe it is in the best interests of each company and its respective stockholders that Parent acquire (i) the Company through the statutory merger of Metal Merger Sub with and into the Company with the Company continuing as the surviving corporation (the "Metal Merger") and (ii) WW through the statutory merger of WW Merger Sub with and into WW with WW continuing as the surviving corporation (the "WW Merger" and, together with the Metal Merger, the "Mergers") and, in furtherance thereof, have approved this Agreement, the Mergers and the other transactions contemplated hereby.

C. The Board of Directors of the Stockholder has authorized the Stockholder to approve this Agreement, the Mergers and the other transactions contemplated hereby and the Stockholder has approved, and all subsidiaries of the Stockholder that have any beneficial ownership of the Company or WW have approved, the Mergers.

D. The Board of Directors of Parent has authorized the approval of this Agreement, the Merger, the issuance of Parent Common Stock (as defined below) and the other transactions contemplated hereby.

E. Pursuant to the Mergers, among other things, and subject to the terms and conditions of this Agreement (i) all of the issued and outstanding capital stock of the Company and WW immediately prior to the Mergers will be converted into shares of the common stock of Parent, and (ii) all issued and outstanding options, warrants and other rights to acquire or receive shares of the capital stock of the Company and of the Stockholder which is designed to reflect the performance of the Company (the "Tracking Stock") and (to the extent such options for Tracking Stock are beneficially owned by employees of the Company or WW immediately prior to the Mergers) shall be assumed by Parent, and shall thereafter represent options, warrants or other rights to acquire or receive common stock of Parent.

F. Concurrently with the execution and delivery of this Agreement, the Stockholder, Parent and the Company are entering into certain of the operating agreements and other agreements which are attached hereto as Exhibits A-1 through A-10 (collectively, the "Commercial Agreements").

G. Concurrently with the execution and delivery of this Agreement, the Stockholder and Parent are executing and delivering a Stockholder Agreement in the form attached hereto as Exhibit B hereto (the "Stockholder Agreement") and a Registration Rights Agreement in the form attached hereto as Exhibit C (the "Registration Rights Agreement" and, together with the Stockholder Agreement and the Commercial Agreements, the "Ancillary Agreements").

H. Concurrently with the execution of this Agreement, each of the persons set forth on Exhibit D hereto is entering into a support agreement with the Stockholder in the form attached hereto as Exhibit E (collectively, the "Support Agreements").

I. The Stockholder, Parent, Metal Merger Sub and WW Merger Sub desire to make certain representations and warranties and other agreements in connection with the Mergers.

J. For U.S. federal income tax purposes, it is intended by the parties hereto that each of the Mergers shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code") and that this Agreement with respect to each of the Mergers constitutes a "plan of reorganization" within the meaning of Section 1.368-2(g) of the income tax regulations promulgated under the Code.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual agreements, covenants, promises and representations set forth herein, the mutual benefits to be gained by the performance of the terms hereof, and for other good and valuable consideration, intending to be legally bound hereby the parties agree as follows:

ARTICLE I

THE MERGERS

1.1 The Metal Merger. At the Effective Time (as defined in Section 1.2 hereof) and subject to and upon the terms and conditions of this Agreement and the applicable provisions of the Delaware General Corporation Law ("Delaware Law"), Metal Merger Sub shall be merged with and into the Company, the separate corporate existence of Metal Merger Sub shall cease and the Company shall continue as the surviving corporation and shall become a wholly-owned subsidiary of Parent. The surviving corporation after the Metal Merger is sometimes referred to hereinafter as the "Metal Surviving Corporation."

1.2 The WW Merger. At the Effective Time and subject to the terms and conditions of this Agreement and the applicable provisions of the New York Business Corporation Law ("New York Law"), WW Merger Sub shall be merged with and into WW, the separate corporation existence of

WW Merger Sub shall cease and WW shall continue as the surviving corporation (the "WW Surviving Corporation") and shall become a wholly-owned subsidiary of Parent.

1.3 Effective Time. Unless this Agreement is earlier terminated pursuant to Section 8.1 hereof, the closing of the Mergers and the other transactions contemplated by this Agreement (the "Closing") will take place as promptly as practicable following the execution and delivery of this Agreement by each of the parties hereto, but in no event later than two (2) business days following satisfaction or waiver of the conditions set forth in Article VI hereof, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California, unless another place and/or time is agreed to in writing by Parent and the Stockholder. The date upon which the Closing actually occurs is herein referred to as the "Closing Date." On the Closing Date, the parties hereto shall cause each of the Mergers to be consummated by filing a Certificate of Merger (or like instrument) (each, a "Certificate of Merger" with respect to one of the Mergers, and collectively with respect to both Mergers, the "Certificates of Merger") with the Secretaries of State of the State of Delaware and the State of New York, respectively, in accordance with the relevant provisions of Delaware Law and New York Law (the times at which both Mergers have become fully effective (or such later time as may be agreed in writing by the Company and Parent and specified in the Certificates of Merger) is referred to herein as the "Effective Time").

1.4 Effect of the Mergers. At the Effective Time, the effect of the Mergers shall be as provided in the applicable provisions of Delaware Law and New York Law, as the case may be. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, except as provided herein, (i) all the property, rights, privileges, powers and franchises of the Company and Metal Merger Sub shall vest in the Metal Surviving Corporation, and all debts, liabilities and duties of the Company and Metal Merger Sub shall become the debts, liabilities and duties of the Metal Surviving Corporation and (ii) all of the property, rights, privileges, powers and franchises of WW and WW Merger Sub shall vest in the WW Surviving Corporation, and all debts, liabilities and duties of WW and WW Merger Sub shall become the debts, liabilities and duties of the WW Surviving Corporation.

1.5 Certificates of Incorporation; Bylaws.

(a) Unless otherwise determined by Parent prior to the Effective Time, at the Effective Time, (i) the Certificate of Incorporation of Metal Merger Sub as in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Metal Surviving Corporation at and after the Effective Time until thereafter amended in accordance with the Delaware Law and the terms of such Certificate of Incorporation; provided, however, that at the Effective Time, Article I of the Certificate of Incorporation of the Metal Surviving Corporation shall be amended and restated in its entirety to read as follows: "The name of the corporation is Move.com, Inc." and (ii) the Certificate of Incorporation of WW Merger Sub as in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the WW Surviving Corporation at and after the Effective Time until thereafter amended in accordance with the New York Law and the terms of such Certificate of Incorporation; provided, however, that at the

Effective Time, Article I of the Certificate of Incorporation of the WW Surviving Corporation shall be amended and restated in its entirety to read as follows: "The name of the Corporation is Welcome Wagon International Inc."

(b) Unless otherwise determined by Parent prior to the Effective Time, (i) the Bylaws of Metal Merger Sub as in effect immediately prior to the Effective Time shall be the Bylaws of the Metal Surviving Corporation at and after the Effective Time, until thereafter amended in accordance with Delaware Law and the terms of Certificate of Incorporation of the Metal Surviving Corporation and such Bylaws and (ii) the Bylaws of WW Merger Sub as in effect immediately prior to the Effective Time shall be the Bylaws of the WW Surviving Corporation at and after the Effective Time, until thereafter amended in accordance with New York Law and the terms of the Certificate of Incorporation of the WW Surviving Corporation and such Bylaws.

1.6 Metal Directors and Officers.

(a) Unless otherwise determined by Parent prior to the Effective Time, the directors of Metal Merger Sub immediately prior to the Effective Time shall be the directors of the Metal Surviving Corporation at and after the Effective Time, each to hold the office of a director of the Metal Surviving Corporation in accordance with the provisions of Delaware Law and the Certificate of Incorporation and Bylaws of the Metal Surviving Corporation until their successors are duly elected and qualified.

(b) Unless otherwise determined by Parent prior to the Effective Time, the officers of Metal Merger Sub immediately prior to the Effective Time shall be the officers of the Metal Surviving Corporation at and after the Effective Time, each to hold office in accordance with the provisions of the Bylaws of the Metal Surviving Corporation.

1.7 WW Directors and Officers.

(a) Unless otherwise determined by Parent prior to the Effective Time, the directors of WW Merger Sub immediately prior to the Effective Time shall be the directors of the WW Surviving Corporation at and after the Effective Time, each to hold the office of a director of the WW Surviving Corporation in accordance with the provisions of New York Law and the Certificate of Incorporation and Bylaws of the WW Surviving Corporation until their successors are duly elected and qualified.

(b) Unless otherwise determined by Parent prior to the Effective Time, the officers of WW Merger Sub immediately prior to the Effective Time shall be the officers of the WW Surviving Corporation at and after the Effective Time, each to hold office in accordance with the provisions of the Bylaws of the WW Surviving Corporation.

1.8 Merger Consideration.

(a) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Additional Options" shall mean the number of Company Options reserved but unissued under the 2000 Option Plan such that, immediately prior to the Effective Time and after giving effect to any acceleration of vesting to the Company Options that occurs as a result of the Mergers and any additional grants of Company Options required to be granted as a result of the Mergers, the sum of (i) the number of unvested Continuing Employee Options issued and outstanding and (ii) such Additional Options equals no less than 10.7% of the Fully Converted Shares (inclusive of the Additional Options).

"Business" shall mean, subject to the last paragraph of Section 4.1 of this Agreement, the business conducted by Move.com, Inc., RentNet, Inc., HouseNet, Inc. and Welcome Wagon International Inc., and all of their respective subsidiaries and business divisions, including without limitation, SeniorHousingNet, CorporateHousingNet, SelfStorageNet and Movedotcom(U.K.) Ltd. ("Move.com U.K."), and excluding the hosting of websites for Century 21, Coldwell Banker and ERA.

"Company Capital Stock" shall mean shares of Company Common Stock and any other shares of other capital stock of the Company.

"Company Common Stock" shall mean shares of the voting common stock of Company, par value $.01 per share and the non-voting common stock of the Company, par value $.01 per share.

"Company Convertible Securities" shall mean the Company Options together with any other rights to acquire or receive shares of Company Capital Stock, including all options, warrants and convertible preferred stock.

"Company Options" shall mean (i) all, if any, issued and outstanding options to purchase or otherwise acquire Company Capital Stock (whether or not vested), (ii) all issued and outstanding options to purchase or otherwise acquire Tracking Stock (whether or not vested) granted under the Options Plans and held by Continuing Employees and (iii) all reserved but unissued shares under the 2000 Option Plan.

"Continuing Employee" shall mean those employees who are, as of the Closing, employed by the Company or WW or any of the Subsidiaries.

"Continuing Employee Option" shall mean each Company Option issued to and held by a Continuing Employee.

"Fully Converted Shares" shall mean the sum of (i) all issued and outstanding shares of Tracking Stock, (ii) all shares of Tracking Stock issuable upon the exercise of all options or other rights to acquire Tracking Stock, (iii) the Stockholder's notional interest in Tracking Stock, (iv) all

Company Options (without double counting any options or other rights to acquire Tracking Stock), and (v) all Additional Options.

"Knowledge" shall mean, with respect to the Stockholder, what is within the actual knowledge of any of the directors or officers of the Stockholder, the Company or WW, and in the case of Parent, what is within the actual knowledge of any of the directors or officers of Parent or any of the Parent Subsidiaries.

"Metal Consideration" shall mean that number of shares of Parent Common Stock set forth on Schedule 1.8(a).

"Metal Exchange Ratio" shall mean a number of shares of Parent Common Stock equal to the quotient obtained by dividing (i) the Metal Consideration by (ii) the Metal Outstanding Shares (with the result rounded to four decimal places).

"Metal Outstanding Shares" shall mean the aggregate number of shares of Company Capital Stock outstanding immediately prior to the Effective Time, including the aggregate number of shares of Company Capital Stock, if any, issuable (with or without the passage of time or satisfaction of other conditions) upon exercise or conversion of any Company Convertible Securities outstanding or issuable (with or without the passage of time or satisfaction of other conditions) immediately prior to the Effective Time.

"1997 Option Plan" shall mean the Cendant Corporation amended and restated 1997 Stock Incentive Plan.

"1999 Option Plan" shall mean the Cendant Corporation Move.com Group 1999 Stock Option Plan.

"Option Exchange Ratio" shall mean a number of shares of Parent Common Stock equal to the quotient obtained by dividing (i) the Total Consideration by (ii) the Fully Converted Shares (with the result rounded to four decimal places).

"Option Plans" shall mean the 1999 Option Plan, the 1997 Option Plan and the 2000 Option Plan.

"Options Assumed" shall mean the sum of the Company Options and the Additional Options.

"Parent Common Stock" shall mean the common stock of Parent, $0.001 par value per share.

"Parent Closing Price" shall mean the average of the closing prices of Parent Common Stock as quoted on the Nasdaq National Market for the ten (10) days prior to the Closing Date.

"RentNet" shall mean RentNet, Inc., a Delaware corporation and a Metal Subsidiary.

"SpringStreet" shall mean SpringStreet, Inc., a California corporation and a Parent Subsidiary.

"Total Consideration" shall mean 26,275,602 shares of Parent Common Stock.

"Total Option Consideration" shall mean a number of shares of Parent Common Stock equal to the product obtained by multiplying (i) Options Assumed by (ii) the Option Exchange Ratio.

"Total Outstanding Shares" shall mean the sum of the Metal Outstanding Shares and the WW Outstanding Shares.

"2000 Option Plan" shall mean the Move.com, Inc. 2000 Stock Option Plan.

"WW Capital Stock" shall mean shares of common stock of WW, par value $.01 per share and any other shares of other capital stock of WW.

"WW Consideration" shall mean that number of shares of Parent Common Stock equal to the Total Consideration minus the Total Option Consideration minus the Metal Consideration.

"WW Convertible Securities" shall mean any other rights to acquire or receive shares of WW Capital Stock, including all options, warrants and convertible preferred stock.

"WW Exchange Ratio" shall mean a number of shares of Parent Common Stock equal to the quotient obtained by dividing (i) the WW Consideration by (ii) the WW Outstanding Shares (with the result rounded to four decimal places).

"WW Outstanding Shares" shall mean the aggregate number of shares of WW Capital Stock outstanding immediately prior to the Effective Time, including the aggregate number of shares of WW Capital Stock issuable (with or without the passage of time or satisfaction of other conditions) upon exercise or conversion of any WW Convertible Securities outstanding or issuable (with or without the passage of time or satisfaction of other conditions) immediately prior to the Effective Time.

(b) Shares to be Issued; Effect on Capital Stock. The number of shares of Parent Common Stock issuable (including Parent Common Stock to be reserved for issuance upon exercise of any of the Company Options to be assumed by Parent) in exchange for the acquisition by Parent of all outstanding Company Capital Stock and all outstanding WW Capital Stock and the assumption of all (if any) unexpired and unexercised Company Convertible Securities shall be equal to the Total Consideration minus the Total Option Consideration. Subject to the terms and conditions of this Agreement, as of the Effective Time, by virtue of the Mergers and without any action on the part of

Metal Merger Sub, WW Merger Sub, the Company, WW or the holder of any shares of the Company Capital Stock, WW Capital Stock or Company Convertible Securities, the following shall occur:

(i) Effect on Company Capital Stock. At the Effective Time, by virtue of the Metal Merger and without any action on the part of Company or the Stockholder, each share of Company Capital Stock issued and outstanding immediately prior to the Effective Time shall be canceled and extinguished and shall be converted automatically into the right to receive, upon the terms and subject to conditions set forth below and throughout this Agreement, a number of shares of Parent Common Stock equal to the Metal Exchange Ratio (the "Metal Merger Consideration").

(ii) Effect on WW Capital Stock. At the Effective Time, by virtue of the WW Merger and without any action on the part of WW or the Stockholder, each share of WW Capital Stock issued and outstanding immediately prior to the Effective Time shall be canceled and extinguished and shall be converted automatically into the right to receive, upon the terms and subject to the conditions set forth below and throughout this Agreement, a number of shares of Parent Common Stock equal to the WW Exchange Ratio (the "WW Merger Consideration" and together with the Metal Merger Consideration, the "Merger Consideration").

(iii) Assumption of Certain Company Options. Effective as of the Effective Time, each outstanding Continuing Employee Option issued to and held by Continuing Employees pursuant to the Option Plans (including any Company Options required to be issued to a Continuing Employee as a result of the Mergers) and each Additional Option, in each case whether vested or unvested and in the case of Additional Options whether issued or unissued, will be assumed by Parent in connection with the Mergers. Each Continuing Employee Option and Additional Option so assumed by Parent under this Agreement shall continue to have, and be subject to, the same terms and conditions set forth in the Option Plans and/or as provided in the respective option or similar agreement immediately prior to the Effective Time (including any vesting schedule or repurchase rights), except that (i) each Continuing Employee Option and Additional Option will be exercisable for that number of whole shares of Parent Common Stock equal to the product of the number of shares of Tracking Stock or Company Common Stock, as applicable, that were issuable upon exercise of such Continuing Employee Option or Additional Option, as applicable, immediately prior to the Effective Time multiplied by the Option Exchange Ratio, rounded down to the nearest whole number of shares of Parent Common Stock and (ii) the per share exercise price for the shares of Parent Common Stock issuable upon exercise of such assumed Continuing Employee Option or Additional Option, as applicable, will be equal to the quotient determined by dividing the exercise price per share of Tracking Stock or Company Common Stock, as applicable, at which such Continuing Employee Option or Additional Option, as applicable, was exercisable immediately prior to the Effective Time by the Option Exchange Ratio, rounded up to the nearest whole cent. The Stockholder shall be responsible for, and shall indemnify and hold harmless Parent and its affiliates and their officers, directors, employees, affiliates and agents from and against any and all claims, losses, damages, costs and expenses (including attorneys' fees, costs and expenses) and other liabilities and obligations relating to or arising out of Parent's assumption of Continuing Employee

Options under this Agreement or failure of Parent to assume any options, rights or other securities of the Stockholder, the Company or any of their respective affiliates in connection with the transactions contemplated by this Agreement; provided that this indemnity shall not apply to (i) Parent's failure to issue Parent Common Stock in accordance with the Option Exchange Ratio upon the due exercise of such Continuing Employee Options held by Continuing Employees and assumed by Parent pursuant to this Section, (ii) Parent's other obligations under the Option Plans with respect to the Continuing Employee Options or the agreements governing such Continuing Employee Options by virtue of such assumption, (iii) any actions taken by Parent after the Closing with respect to the termination of employment of any Continuing Employee who holds a Continuing Employee Option, or (iv) any misstatement or omission in any Registration Statement on Form S-8 or prospectus or similar securities law document prepared by Parent and distributed to its employees with respect to the Continuing Employee Options.

(iv) Fractional Shares. No fractional share of Parent Common Stock shall be issued in the Mergers. In lieu thereof, any fractional share shall be rounded to the nearest whole share of Parent Common Stock (with.5 being rounded up).

(v) Cancellation of Company-Owned Stock. At the Effective Time, by virtue of the Metal Merger and without any action on the part of any of the parties hereto, each share of Company Capital Stock owned by, the Company or any Metal Subsidiary immediately prior to the Effective Time, shall be cancelled and extinguished without any conversion thereof.

(vi) Cancellation of WW-Owned Stock. At the Effective Time, by virtue of the WW Merger and without any action on the part of any of the parties hereto, each share of WW Capital Stock owned by WW or any WW Subsidiary immediately prior to the Effective Time, shall be cancelled and extinguished without any conversion thereof.

(vii) Capital Stock of Metal Merger Sub. At the Effective Time, by virtue of the Metal Merger and without any action on the part of any of the parties hereto, each share of capital stock of Metal Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and exchanged for one validly issued, fully paid and nonassessable share of common stock of the Metal Surviving Corporation. Each stock certificate of Metal Merger Sub evidencing ownership of any such shares of Metal Merger Sub shall thereafter evidence ownership of an equivalent number of shares of capital stock of the Metal Surviving Corporation.

(viii) Capital Stock of WW Merger Sub. At the Effective Time, by virtue of the WW Merger and without any action on the part of any of the parties hereto, each share of capital stock of WW Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and exchanged for one validly issued, fully paid and nonassessable share of common stock of the WW Surviving Corporation. Each stock certificate of WW Merger Sub evidencing ownership of any such shares of WW Merger Sub shall thereafter evidence ownership of an equivalent number of shares of capital stock of the WW Surviving Corporation.

1.9 Surrender of Certificates.

(a) At the Closing, the Stockholder shall surrender all certificates formerly representing shares of Company Capital Stock and WW Capital Stock (collectively, the "Certificates") for cancellation to Parent.

(b) Upon proper presentation of the Certificates and in exchange therefor, the Stockholder shall be entitled to receive, and Parent shall deliver, a certificate representing the number of whole shares of Parent Common Stock to which Stockholder is entitled pursuant to this Article I, and the Certificates so surrendered shall forthwith be canceled. Until so surrendered, each outstanding Certificate that, prior to the Effective Time, represented shares of Company Capital Stock and WW Capital Stock will be deemed from and after the Effective Time, for all corporate purposes, other than the payment of dividends, to evidence the ownership of the number of full shares of Parent Common Stock into which such shares of Company Capital Stock and WW Capital Stock shall have been so converted.

(c) No Liability. Notwithstanding anything to the contrary in this Section 1.9, neither Parent nor any party hereto shall be liable to a holder of shares of Parent Common Stock, Company Capital Stock or WW Capital Stock for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

(d) No Further Ownership Rights in Company Capital Stock. The shares of Parent Common Stock issued in accordance with the terms hereof shall be deemed to be full satisfaction of all rights pertaining to shares of each of Company Capital Stock and WW Capital Stock outstanding prior to the Effective Time, and there shall be no further registration of transfers on the records of (i) the Metal Surviving Corporation of shares of Company Capital Stock or (ii) the WW Surviving Corporation of shares of WW Capital Stock that were outstanding prior to the Effective Time. If, after the Effective Time, Certificates are presented to Parent, Metal Surviving Corporation or the WW Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Article I.

(e) Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Metal Surviving Corporation or the WW Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Business, then Parent, Merger Sub and the Company, and the officers and directors of the Company, WW, Parent, Metal Merger Sub and WW Merger Sub are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action.

1.10 Treatment of Stockholder Guaranty. Following the Closing, Parent shall use commercially reasonable efforts to release and cancel (or, to the extent that it cannot be so released and cancelled, to cause Parent to be substituted for the Stockholder with respect to) the guaranty of Stockholder in the agreement set forth in Schedule 1.10 of the Stockholder Disclosure Letter (the "Stockholder Guaranty") (or if not possible added as the primary obligor with respect thereto). Parent shall indemnify and hold harmless Stockholder against liabilities incurred by Stockholder

arising as a result of events following the Closing Date with respect to the guaranty of Stockholder in the agreement set forth in Schedule 1.10 of the Stockholder Disclosure Letter after the Closing.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDER W

As of the date hereof, the Stockholder represents and warrants to Parent and Metal Merger Sub and WW Merger Sub, subject to such exceptions as are specifically disclosed in the disclosure letter supplied by the Stockholder to Parent (the "Stockholder Disclosure Letter") and dated as of the date hereof, as follows:

2.1 Organization of the Company.

(a) Each of the Company and each Metal Subsidiary (as defined in Section 2.3 hereof) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each of the Company and each Metal Subsidiary has the corporate power to own its respective properties and to carry on its respective businesses as conducted. Each of the Company and each Metal Subsidiary is duly qualified to do business and in good standing as a foreign corporation in each jurisdiction in which the failure to be so qualified (either individually or collectively) would have a Material Adverse Effect on the Company. The Stockholder has delivered to Parent a true and correct copy of the certificate of incorporation and bylaws of each of the Company and the Metal Subsidiaries, each as amended to date and in full force and effect on the date hereof. There are no proposed or considered amendments to the certificate of incorporation or bylaws of any of the Company or any Metal Subsidiary. Schedule 2.1(a) of the Stockholder Disclosure Letter lists the directors and officers of the Company and each Metal Subsidiary and each jurisdiction in which the Company is qualified to do business.

(b) Each of WW and each WW Subsidiary (as defined in Section 2.3 hereof) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each of WW and each WW Subsidiary has the corporate power to own its respective properties and to carry on its respective businesses as now being conducted and as proposed to be conducted. Each of WW and each WW Subsidiary is duly qualified to do business and in good standing as a foreign corporation in each jurisdiction in which the failure to be so qualified (either individually or collectively) would have a Material Adverse Effect on WW. The Stockholder has delivered to Parent a true and correct copy of the certificate of incorporation and bylaws of each of WW and the WW Subsidiaries, each as amended to date and in full force and effect on the date hereof. There are no proposed or considered amendments to the certificate of incorporation or bylaws of any of the Company or any WW Subsidiary. Schedule 2.1(b) of the Stockholder Disclosure Letter lists the directors and officers of each WW Subsidiary and each jurisdiction in which WW is qualified to do business.

2.2 Company Capital Structure.

(a) The authorized Company Capital Stock consists of (i) 37,500,000 shares of common stock, par value $.01 per share, of which 22,500,000 shares are issued and outstanding as of the date hereof, (ii) 12,500,000 shares of non-voting common stock, par value $.01 per share, none of which are issued and outstanding as of the date hereof; and (iii) 5,000,000 shares of Preferred Stock, par value $.01 per share, none of which are issued and outstanding as of the date hereof. The total number of shares of Company Capital Stock outstanding as of immediately prior to the Effective Time (assuming the conversion, exercise or exchange of all Company Convertible Securities) will be as set forth in Schedule 2.2(a) of the Stockholder Disclosure Letter. All outstanding shares of the Company Capital Stock are held (and as of immediately prior to the Effective Time will be held) of record and beneficially by CMS. All of the capital stock of CMS is held (and as of immediately prior to the Effective Time will be held) of record and beneficially by the Stockholder. All outstanding shares of Company Capital Stock are duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights created by statute, the Certificate of Incorporation or Bylaws of the Company or any agreement to which the Company or any of its Metal Subsidiaries is a party or by which it is bound, and have been issued in compliance with federal and state securities laws. There are no declared or accrued but unpaid dividends with respect to any shares of Company Common Stock. The Company has no other capital stock authorized, issued or outstanding. The Company has no obligation to redeem or repurchase any capital stock of any corporation or other entity, and has no liability in respect of any capital stock of any corporation or other entity.

(b) The authorized WW Capital Stock consists of (i) 1,000 shares of Common Stock, par value $.01 per share, of which 1,000 shares are issued and outstanding as of the date hereof, and (ii) no shares of Preferred Stock, par value $.01 per share, none of which are issued and outstanding as of the date hereof. The total number of shares of WW Capital Stock outstanding as of immediately prior to the Effective Time (assuming the conversion, exercise or exchange of all WW Convertible Securities) will be as set forth in Schedule 2.2(b) of the Stockholder Disclosure Letter. All of the outstanding shares of the WW Capital Stock is held (and as of immediately prior to the Effective Time will be held) of record and beneficially by CMS. All outstanding shares of WW Capital Stock are duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights created by statute, the Certificate of Incorporation or Bylaws of WW or any agreement to which WW or any of its WW Subsidiaries is a party or by which it is bound, and have been issued in compliance with federal and state securities laws. There are no declared or accrued but unpaid dividends with respect to any shares of WW Common Stock. WW has no other capital stock authorized, issued or outstanding. WW has no obligation to redeem or repurchase any capital stock of any corporation or other entity, and has no liability in respect of any capital stock of any corporation or other entity.

(c) Except for the Option Plans, neither the Company, WW nor any of their respective Subsidiaries nor the Stockholder on behalf of the Company, WW or any of its Subsidiaries has ever adopted or maintained any stock option plan or other plan providing for equity compensation of any person. The Stockholder has reserved an aggregate of 11,000,000 shares of Tracking Stock for issuance to employees, directors and consultants upon the exercise of Company

Options pursuant to the Option Plans, of which (i) 573,250 and 5,768,946 shares are issuable, as of the date hereof, upon the exercise of outstanding, unexercised Company Options granted under the 1997 Option Plan and 1999 Option Plan, respectively and (ii) 4,426,750 and 231,054 shares remain available for future grant under the 1997 Option Plan and 1999 Option Plan, respectively. The Stockholder has reserved an aggregate of 1,586,000 shares of Tracking Stock for future issuance pursuant to the exercise of outstanding warrants. Schedul 2.2(c) of the Stockholder Disclosure Letter sets forth for each outstanding Company Convertible Security and each Fully Converted Share, the name of the holder of such Company Convertible Security or Fully Converted Share, the number and type of shares subject to such Convertible Security or Fully Converted Share, the exercise price of such Convertible Security or Fully Converted Share, the vesting schedule for such Convertible Security or Fully Converted Share, including the extent vested to date and whether the vesting exercisability of such Convertible Security or Fully Converted Share will be accelerated and become exercisable by reason of the transactions contemplated by this Agreement and whether such Convertible Security or Fully Converted Share is intended to qualify as an incentive stock option as defined in Section 422 of the Code. All Company Options are held by employees of the Company or its Subsidiaries and have been issued in compliance with federal and state securities laws. Except for the Company Convertible Securities described in Schedule 2.2(c) of the Stockholder Disclosure Letter, there are no options, warrants, calls, rights, commitments or agreements of any character, written or oral, to which the Company, WW or any of their respective Subsidiaries is a party or by which any of them is bound obligating the Company or any of its Subsidiaries to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of Company Capital Stock, WW Capital Stock or Fully Converted Shares or the capital stock of any of the Subsidiaries or obligating the Company, WW or any of their respective Subsidiaries to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any such option, warrant, call, right, commitment or agreement. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or other similar rights with respect to the Company, WW or any of their respective Subsidiaries. Except as contemplated hereby, there are no voting trusts, proxies, or other agreements or understandings with respect to the voting stock of the Company Capital Stock, WW Capital Stock or the Fully Converted Shares. The holders of Company Convertible Securities, WW Convertible Securities and Fully Converted Shares have been or will be given, or shall have properly waived, any required notice prior to the Mergers, and all such rights will be terminated at or prior to the Effective Time. Without limiting the foregoing, neither the Company nor WW is, and nor will either of them be obligated, to issue any Company Capital Stock or WW Capital Stock in connection with any Tracking Stock or any obligation to issue any Tracking Stock. As a result of the Mergers, Parent will be, upon the Effective Time, the sole record holder and sole beneficial owner of all capital stock of the Company, WW and their respective Subsidiaries and rights to acquire or receive such capital stock. As a result of the Mergers and following the Mergers, other than Continuing Employee Options, Parent shall have no liabilities or obligations to any holders of Tracking Stock or options, warrants or other convertible securities to acquire Tracking Stock.

(d) Under the terms of this agreement, the sum of (i) the WW Consideration plus (ii) the Metal Consideration is equal to the sum of (x) the product obtained by multiplying Stockholder's

notional interest in the Tracking Stock (as expressed in shares of Tracking Stock) times the Option Exchange Ratio plus (y) the product obtained by multiplying the aggregate number of outstanding shares of Tracking Stock held by persons other than Stockholder plus the aggregate number of outstanding options or other rights to purchase Tracking Stock held by persons other than Stockholder times the Option Exchange Ratio, such that each holder of a Continuing Employee Option would receive upon exercise of such Continuing Employee Option an equivalent proportional amount of Parent Common Stock in respect of such holder's interest in the Business as Stockholder is receiving in respect of Stockholder's interest in the Company and WW in satisfaction of the Stockholder's notional interest in the Tracking Stock.

2.3 Subsidiaries. Except for the subsidiaries of each of the Company and WW listed in Schedule 2.3 of the Stockholder Disclosure Letter (each subsidiary of the Company, a "Metal Subsidiary" and each subsidiary of WW, a "WW Subsidiary" and together with Metal Subsidiaries, the "Subsidiaries"), each of which are wholly owned by the Company or WW, as the case may be, and except as set forth on Schedule 2.3 of the Stockholder Disclosure Letter, each of the Company and WW does not have and has never had any subsidiaries and does not otherwise own and has never otherwise owned any shares of capital stock or any interest in, or control, directly or indirectly, any other corporation, partnership, association, joint venture or other business entity. Schedule 2.3 of the Stockholder Disclosure Letter sets forth the capitalization of each Subsidiary. The Company or WW, as the case may be, is the record and beneficial owner of all of the outstanding capital stock of each Subsidiary. Schedule 2.3 of the Stockholder Disclosure Letter also sets forth the names of the directors and officers of each Subsidiary. Each of the Company and WW has provided Parent with true and correct copies of each Subsidiary's certificate of incorporation, bylaws or other applicable charter documents. There are no options, warrants, calls, rights, commitments or agreements of any character, written or oral, to which either the Company, WW or any Subsidiary is a party or by which it is bound obligating any Subsidiary to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of the capital stock of any Subsidiary or obligating any Subsidiary to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any such option, warrant, call, right, commitment or agreement. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or other similar rights with respect to any Subsidiary. Getko Canada has no interest in any asset, property or right of any type or description, real, personal, tangible and intangible.

2.4 Authority. Each of the Company, WW, CMS and the Stockholder (and each subsidiary of the Stockholder, as appropriate) has all requisite corporate power and authority to enter into this Agreement and the Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements to which it is party and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of each of the Company, WW, CMS and the Stockholder (and each subsidiary of the Stockholder, as appropriate), as the case may be, in accordance with applicable law and the Certificate of Incorporation of the Company, WW, CMS and the Stockholder (and each subsidiary of the Stockholder, as appropriate), as the case may be. The respective Boards of Directors of the Company, WW, CMS and the Stockholder have

approved and adopted the Mergers, this Agreement and the Ancillary Agreements to which it (and/or a subsidiary of it) is a party. This Agreement and the Ancillary Agreements to which it is party have been duly executed and delivered by each of the Company, WW, CMS and the Stockholder (and each subsidiary of the Stockholder, as appropriate) and, assuming the due execution and delivery by Parent, Metal Merger Sub and WW Merger Sub, constitute the valid and binding obligations of the Company, WW, CMS and the Stockholder (and each subsidiary of the Stockholder, as appropriate), as the case may be, enforceable in accordance with their respective terms. Except as set forth in Schedule 2.4 of the Stockholder Disclosure Letter, the execution and delivery of this Agreement and the Ancillary Agreements to which it is a party by the Company, WW, CMS and the Stockholder (and each subsidiary of the Stockholder, as appropriate), as the case may be, does not, and, as of the Effective Time, the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any benefit under (any such event, a "Conflict") (i) any provision of the Certificate of Incorporation or Bylaws of the Company, WW, CMS or the Stockholder, as the case may be, or (ii) any agreement that would be required to be disclosed pursuant to Section 2.11 or 2.12 of this Agreement or any instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company, WW, CMS or the Stockholder or their respective properties or assets. No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other federal, state, county, local or foreign governmental authority, instrumentality, agency or commission ("Governmental Entity") or any third party (so as not to trigger any Conflict) is required by or with respect to the Company, WW, CMS or the Stockholder in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for: (i) the filing of the Certificates of Merger with the Secretaries of State for the State of Delaware and the State of New York, respectively; (ii) such consents, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws; (iii) such consents, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); and (iv) such other consents, waivers, authorizations, filings, approvals and registrations which are set forth on Schedule 2.4 of the Stockholder Disclosure Letter. Each of the Stockholder and CMS has approved the Mergers in its capacity as stockholder of the Company and WW.

2.5 Company Financial Statements. Schedule 2.5 of the Stockholder Disclosure Letter sets forth the audited combined balance sheets of the Company (together with WW and the WW Subsidiaries as though WW and the WW Subsidiaries were subsidiaries of the Company) as of December 31, 1999 and December 31, 1998 and the unaudited combined balance sheet of the Company (together with WW and the WW Subsidiaries as though WW and the WW Subsidiaries were subsidiaries of the Company) as of September 30, 2000 (the "Balance Sheet") and the related audited combined statements of operations and cash flows for each of the two one-year periods ended December 31, 1998 and December 31, 1999, respectively, and the related unaudited combined statements of operations and cash flows for the nine-month period ended September 30, 2000

(collectively, the "Company Financials"). The Company Financials, including the related schedules and notes thereto, have been prepared in accordance with generally accepted accounting principles ("GAAP") applied on a basis consistent throughout the periods indicated and consistent with each other (subject, in the case of unaudited statements, to normal audit adjustments). The Company Financials, including the related schedules and notes thereto, present fairly the financial condition and operating results of the Company, WW, their respective Subsidiaries and the Business as of the dates and during the periods indicated therein. Except as disclosed on Schedule 2.5 of the Stockholder Disclosure Letter, (i) there are no asset or revenue items that are included in the Company Financials that would not be included in financial statements prepared in accordance with GAAP of the Company, WW and the Subsidiaries on a stand-alone basis for the same amounts and for the same periods, and (ii) there are no liabilities or expenses that would be included in financial statements prepared in accordance with GAAP of the Company, WW and their respective Subsidiaries on a stand alone basis that are not included in the Company Financials for the same amounts and for the same periods. At no time has the Company, WW or any Subsidiary factored its accounts receivable or otherwise sold or transferred the right to collect any of its accounts receivable. In addition, at no time has the Company, WW or any Subsidiary, or any assets of the Company, WW or any Subsidiary, been placed in receivership or otherwise been subject to any bankruptcy, insolvency or liquidation proceeding.

2.6 No Undisclosed Liabilities. The Company, WW, the Subsidiaries and the Business do not have any liability, indebtedness, obligation, expense, claim, guaranty or endorsement of any type, whether accrued, absolute, contingent, matured, unmatured or other, of a nature required to be reflected in financial statements (including the notes thereto) in accordance with GAAP ("Liabilities"), which individually or in the aggregate (i) has not been reflected in the Balance Sheet, or (ii) has not arisen in the ordinary course of the Company's or WW's business since the date of the Balance Sheet, consistent with past practices, and does not reflect a material change to the business (as previously conducted), results of operations or financial condition of the Company, WW or any of the Subsidiaries (taking into account any growth in revenues and commensurate growth in expenses).

2.7 No Changes. (i) Since June 30, 2000 and through the date hereof, there has not been, occurred or arisen any:

(a) transaction by the Company, WW or any Subsidiary except in the ordinary course of business as conducted on June 30, 2000;

(b) transfer in, sale, lease, license or allocation of any assets (including intangible assets), Liabilities or employees to the Company, WW or any Subsidiary by the Stockholder or any of its subsidiaries (other than the Company, WW and its Subsidiaries);

(c) amendments or changes to the certificate of incorporation or bylaws or other applicable charter documents of the Company, WW or any Subsidiary;

(d) use by the Business of any assets owned by or licensed to the Stockholder or any of its subsidiaries (other than the Company, WW and its Subsidiaries);

(e) labor trouble or claim of wrongful discharge or other unlawful labor practice or action;

(f) addition to or modification of the employee benefit plans, arrangements or practices described in Section 2.20 of this Agreement (other than as described in Section 5.19 hereof);

(g) change in accounting methods or practices (including any change in depreciation or amortization policies or rates) by the Company, WW or any Subsidiary;

(h) revaluation by the Company, WW or any Subsidiary of any of its assets;

(i) declaration, setting aside or payment of a dividend or other distribution with respect to the capital stock of the Company, WW or any Subsidiary, or any split, combination or reclassification with respect to the capital stock of the Company, WW or any Subsidiary, or any issuance or authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of capital stock of the Company, WW or any Subsidiary or any direct or indirect redemption, purchase or other acquisition by the Company, WW or any Subsidiary of any of its capital stock (or options, warrants or rights convertible into, exercisable or exchangeable therefor);

(j) increase in the salary or other compensation payable or to become payable to any of its officers or directors of the Company, WW or any Subsidiary other than increases made in the ordinary course of business consistent with past practices and in no event in excess of ten percent (10%) of such officer's or director's base salary, or the declaration, payment or commitment or obligation of any kind for the payment of a bonus or other additional salary or compensation to any such person, other than bonuses or additional salary or compensation paid in the ordinary course of business consistent with past practices;

(k) waiver or release of any right or claim of the Company, WW or any Subsidiary in excess of $50,000 in the aggregate, including any write-off or other compromise of any account receivable of the Company, WW or any Subsidiary;

(l) except as contemplated by this Agreement, issuance, sale, or contract to issue or sell, by the Company, WW or any Subsidiary of any shares of Company Capital Stock or WW Capital Stock or shares of capital stock of any Subsidiary or securities convertible into, or exercisable or exchangeable for, shares of Company Capital Stock or WW Capital Stock or shares of capital stock of any Subsidiary, or any securities, warrants, options or rights to purchase any of the foregoing;

(m) commencement or written notice or, to the Stockholder's Knowledge, threat of any lawsuit or, to the Stockholder's Knowledge, proceeding or investigation against the Company, WW or its affairs;

(n) agreement, understanding or commitment, or any modification to or amendment of any such agreement, understanding or commitment, between the Stockholder and any of its subsidiaries or affiliates on the one hand, and the Company or WW, on the other hand;

(o) adoption of a plan of or resolutions providing for the liquidation, dissolution, merger, consolidation or other arrangement of the Company, WW or the Subsidiaries (except for the transactions contemplated hereby); or

(p) negotiation or agreement by the Company, WW or any Subsidiary or any officer or employees thereof to do any of the things described in the preceding clauses (a) through (o) (other than negotiations with Parent and its representatives regarding the transactions contemplated by this Agreement).

(ii) Since September 30, 2000 and through the date hereof, there has not been, occurred or arisen any:

(a) material adverse change in the Company's or WW's condition (financial or otherwise), results of operations, assets, liabilities, working capital or reserves, except for changes contemplated hereby or set forth in the Company Financials;

(b) payment, discharge or satisfaction, in any amount in excess of $100,000 in any one case, or $250,000 in the aggregate, of any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise) of the Company, WW or any Subsidiary, other than payment, discharge or satisfaction of Liabilities in the ordinary course of business consistent with past practices;

(c) capital expenditure or commitment by or on behalf of the Company, WW or any Subsidiary or the Business, either individually or in the aggregate, exceeding $100,000, other than, in the case of the Company and the Metal Subsidiaries only, in the ordinary course of business consistent with past practices;

(d) event or condition that has had or would be reasonably expected to have a Material Adverse Effect (as defined in Section 10.2 hereof) on the Company, WW or any Subsidiary;

(e) loan by the Company, WW or any Subsidiary to any person or entity, incurring by the Company, WW of any indebtedness, guaranteeing by the Company, WW or any Subsidiary of any indebtedness, issuance or sale of any debt securities of the Company or any Subsidiary or guaranteeing of any debt securities of others, except for advances to employees for travel and business expenses in the ordinary course of business, consistent with past practices;

(f) cancellation of any material indebtedness owed to the Company, WW or its Subsidiaries relating to any of the Company's or WW's business activities or properties (or the business activities or properties of the Subsidiaries), whether or not in the ordinary course of business;

(g) making or changing in any election in respect of Taxes (as defined in Section 2.8 hereof) of the Company, WW or any Subsidiary, adoption or change in any accounting method in respect of Taxes of the Company, WW or any Subsidiary, agreement or settlement of any claim or assessment in respect of Taxes of the Company, WW or any Subsidiary, or extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes of the Company, WW or any Subsidiary; or

(h) negotiation or agreement by the Company, WW or any Subsidiary or any officer or employees thereof to do any of the things described in the preceding clauses (a) through (g) (other than negotiations with Parent and its representatives regarding the transactions contemplated by this Agreement).

(iii) Since March 31, 2000 and through the date hereof, there has not been, occurred or arisen any transfer out, sale, lease or license of any assets (including intangible assets and URLs), Liabilities or employees of the Company, WW or any Subsidiary to (with respect to material assets only) a third party or to (with respect to all assets) the Stockholder or any of its subsidiaries (other than the Company, WW and the Subsidiaries).

2.8 Tax and Other Returns and Reports

(a) Definition of Taxes. For the purposes of this Agreement, "Tax" or, collectively, "Taxes," means (i) any and all federal, state, local and foreign taxes, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes, together with all interest, penalties and additions imposed with respect to such amounts, (ii) any liability for the payment of any amounts of the type described in clause (i) of this Section 2.8(a) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, and (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) of this Section 2.8(a) as a result of any express or implied obligation to indemnify any other person or as a result of any obligations under any agreements or arrangements with any other person with respect to such amounts and including any liability for taxes of a predecessor entity.

(b) Tax Returns and Audits. Except as set forth in Schedule 2.8(b) of the Stockholder Disclosure Letter:

(i) Each of the Company, WW and each Subsidiary has prepared and timely filed all required federal, state, local and foreign returns, estimates, information statements

and reports ("Returns") relating to any and all Taxes concerning or attributable to it or its operations and such Returns are true and correct and have been completed in accordance with applicable law.

(ii) Each of the Company, WW and each Subsidiary (A) has paid or accrued all Taxes it is required to pay or accrue and (B) has reported and withheld with respect to employees of the Company, WW and each Subsidiary all federal and state income taxes, Federal Income Contribution Act ("FICA"), Federal Unemployment Tax Act ("FUTA"), and other Taxes required to be reported and withheld.

(iii) Neither the Company, WW nor any Subsidiary has been delinquent in the payment of any Tax nor is there any Tax deficiency outstanding, proposed or assessed against the Company, WW or any Subsidiary, nor has the Company, WW or any Subsidiary executed any waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax.

(iv) No audit or other examination of any Return of the Company, WW or any Subsidiary is currently in progress, nor has the Company, WW or any Subsidiary been notified of any request for such an audit or other examination.

(v) Neither the Company, WW nor any Subsidiary has any liabilities for unpaid federal, state, local and foreign Taxes which have not been accrued or reserved against in accordance with GAAP on the Balance Sheet, whether asserted or unasserted, contingent or otherwise, and the Stockholder has no Knowledge of any basis for the assertion of any such liability attributable to the Company, WW or any Subsidiary, or any of their respective assets or operations.

(vi) The Stockholder has provided to Parent copies of all foreign, federal, state and local income and all state and local sales and use Tax Returns relating to any and all Taxes concerning or attributable to the Company, WW or any Subsidiary for the past two (2) years.

(vii) There are no liens, pledges, charges, claims, security interests or other encumbrances of any sort except for liens for Taxes not yet due and payable ("Liens") on the assets of the Company, WW or any Subsidiary relating to or attributable to Taxes.

(viii) The Stockholder has no Knowledge of any basis for the assertion of any claim relating or attributable to Taxes which, if adversely determined, would result in any Lien on the assets of the Company, WW or any Subsidiary.

(ix) None of the Company's, WW's or any Subsidiary's assets are treated as "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(x) There is not any contract, agreement, plan or arrangement, including but not limited to the provisions of this Agreement, covering any employee or former employee of the Company, WW or any Subsidiary that, individually or collectively, could give rise to the

payment of any amount that would not be deductible pursuant to Sections 280G, 404 or 162(m) of the Code.

(xi) Neither the Company, WW nor any Subsidiary has filed any consent agreement under Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a Subsection (f) asset (as defined in Section 341(f)(4) of the Code) owned by the Company, WW or any Subsidiary.

(xii) Neither the Company, WW nor any Subsidiary is a party to a tax sharing or allocation agreement nor does the Company, WW or any Subsidiary owe any amount under any such agreement.

(xiii) No adjustment relating to any Return filed by the Company, WW or any Subsidiary has been proposed formally or, to the Knowledge of the Stockholder, informally by any tax authority to the Company, WW or any Subsidiary or any representative thereof.

(xiv) Neither the Company, WW nor any Subsidiary has ever been a party to any joint venture, partnership or other agreement that could be treated as a partnership for Tax purposes.

(xv) Neither the Company, WW nor any Subsidiary has constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (x) in the two years prior to the date of this Agreement or (y) in a distribution prior to the Mergers which could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Mergers.

2.9 Restrictions on Business Activities. Except as set forth in Schedule 2.9(a) of the Stockholder Disclosure Letter, there is no agreement (noncompete or otherwise), commitment, judgment, injunction, order or decree to which the Company, WW or any Subsidiary is a party or otherwise binding upon the Company, WW or any Subsidiary or the Business which has or reasonably would be expected to have the effect of prohibiting or impairing any business practice of the Company, WW or any Subsidiary, any acquisition of property (tangible or intangible) by the Company, WW or any Subsidiary. Without limiting the foregoing, except as set forth in Schedule 2.9(b) of the Stockholder Disclosure Letter, neither the Company, WW nor any Subsidiary has entered into or is bound by any agreement under which any of them is restricted from selling, licensing or otherwise distributing any of its technology to any class of customers during any period of time or in any segment of the market.

2.10 Title to Properties; Absence of Liens and Encumbrances

(a) Except as set forth in Schedule 2.10 of the Stockholder Disclosure Letter, neither the Company, WW nor any Subsidiary owns any real property. Schedule 2.10(a) of the Stockholder Disclosure Letter sets forth a list of all real property currently leased by the Company, WW or any

Subsidiary. All such current leases are in full force and effect, are valid and effective in accordance with their respective terms, and there is not, under any of such leases, any existing default or event of default (or event which with notice or lapse of time, or both, would constitute a default).

(b) Each of the Company, WW and each Subsidiary has good and valid title to, or, in the case of leased properties and assets, valid leasehold interests in, all of their tangible properties and assets (including accounts receivable), real, personal and mixed, used or held for use in the Business, free and clear of any Liens, except as reflected in the Company Financials and except for liens for taxes not yet due and payable and such imperfections of title and encumbrances, if any, which are not material in character, amount or extent, and which do not materially detract from the value, or materially interfere with the present use, of the property subject thereto or affected thereby.

(c) Other than as set forth in Schedule 2.10(c) of the Stockholder Disclosure Letter, all material items of equipment (the "Equipment") (including all of the Equipment contained in the San Francisco location of the Business) used in or by the Business are owned or leased by the Company, WW or a Subsidiary.

(d) All of the assets, properties and rights of every type and description, real, personal, tangible and intangible, used in the conduct of the Business are licensed by third parties to or owned by the Company or WW or the Company or WW otherwise has the right to use such assets properties and rights. Neither the Stockholder nor any subsidiary or affiliate of Stockholder (including NRT) has any ownership, license or similar interest to any of the assets, properties or rights of any type and description, real, personal, tangible and intangible, used in the conduct of the Business. Except as provided for in Exhibit A to the Transition Services Agreement or Schedule 2.10(d) of the Stockholder Disclosure Letter, (i) the Stockholder and its subsidiaries (other than the Company, WW and the Subsidiaries) do not provide any products or services used in the conduct of the Business, and (ii) there is no other agreement or understanding between the Stockholder or any of its affiliates and the Company, WW or any Subsidiary.

2.11 Intellectual Property

For the purposes of this Agreement, the following terms have the following definitions:

"Intellectual Property" shall mean any or all of the following and all rights in, arising out of, or associated therewith: (i) all United States, international and foreign patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (ii) all proprietary inventions (whether patentable or not), proprietary invention disclosures, proprietary improvements, proprietary trade secrets, proprietary information (insofar as such proprietary information relates to intellectual property), proprietary know how, proprietary technology, proprietary technical data and proprietary customer lists, and all documentation relating to any of the foregoing; (iii) all copyrights, copyright registrations and applications therefor, and all other rights corresponding thereto throughout the world; (iv) all industrial designs and any registrations and applications therefor throughout the world; (v) all trade names, logos, domain names, URLs, common law trademarks and service marks, trademark and service mark registrations and applications therefor throughout the world (except that trade names, common law trademarks and service marks and trademark and

service mark registrations and applications therefor shall be limited to those arising in the United States and the United Kingdom); (vi) all databases and data compilations and collections and all rights therein throughout the world; (vii) all software in object code and source code form and related documentation; (viii) all moral and economic rights of authors and inventors, however denominated, throughout the world; (ix) any similar or equivalent rights to any of the foregoing anywhere in the world; and (x) all tangible embodiments of any of the foregoing.

"Company Intellectual Property" shall mean any Intellectual Property that is owned by, or exclusively licensed to, the Company, WW or any of the Subsidiaries.

"Registered Intellectual Property" means all United States, international and foreign: (i) patents and patent applications (including provisional applications); (ii) registered trademarks, applications to register trademarks, intent-to-use applications, or other registrations or applications related to trademarks; (iii) registered copyrights and applications for copyright registration; and (iv) any other Intellectual Property that is the subject of an application, certificate, filing, registration or other document issued, filed with, or recorded by any state, government or other public legal authority.

"Company Registered Intellectual Property" means all of the Registered Intellectual Property owned by, or filed in the name of, the Company, WW or any Subsidiary.

(a) No Company Intellectual Property or product or service of the Company, WW or any Subsidiary is party to any proceeding or outstanding decree, order, judgment, agreement or stipulation restricting in any manner the use, transfer, or licensing thereof by the Company, WW or any Subsidiary, or which may affect the validity, use or enforceability of such Company Intellectual Property.

(b) Schedule 2.11(b) of the Stockholder Disclosure Letter is a complete and accurate list of all Company Registered Intellectual Property and specifies, where applicable, the jurisdictions in which each such item of Company Registered Intellectual Property has been issued or registered or in which an application for such issuance and registration has been filed, including the respective registration or application numbers. Each item of Company Registered Intellectual Property is valid and subsisting, all necessary registration, maintenance and renewal fees currently due in connection with such Registered Intellectual Property have been made and all necessary documents, recordations and certificates in connection with such Registered Intellectual Property have been filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of maintaining such Registered Intellectual Property in the jurisdictions where the Business is conducted.

(c) Each of the Company, WW and each of its Subsidiaries owns and has good and exclusive title to, or has license (sufficient for the conduct of the Business as conducted) to, each item of Company Intellectual Property or other Intellectual Property used by the Company, WW or

any Subsidiary, as applicable, in the Business as conducted free and clear of any lien or encumbrance; and the Company, WW or one of the Subsidiaries is the exclusive owner of all URLs, domain names, trademarks and trade names used in connection with the operation or conduct of the Business as conducted, including the sale of any products or the provision of any services by the Company, WW or any of the Subsidiaries.

(d) Neither Stockholder nor any of its subsidiaries (other than the Company, WW and the Subsidiaries) owns or licenses to the Company, WW or the Subsidiaries any Intellectual Property that is used in the Business as conducted or otherwise permits the Company to use any Intellectual Property that is licensed by the Stockholder or its subsidiaries (other than the Company, WW and the Subsidiaries).

(e) The Company, WW and the Subsidiaries own exclusively, and have good title to, all copyrighted works that are the products of the Company, WW or any of the Subsidiaries or which the Company, WW or any of the Subsidiaries otherwise expressly purports to own. The Company, WW and the Subsidiaries own exclusively, and have good title to or a license to use (which license is disclosed on Schedule 2.11(i) of the Stockholder Disclosure Letter), all source-code and object-code used in or incorporated in the products or services of the Company, WW or any of the Subsidiaries.

(f) The Company, WW and the Subsidiaries own, and have good title to and all necessary rights for the use of, all Intellectual Property used in the operation of the websites listed on Schedule 2.11(f), and no such right will terminate or be adversely affected by virtue of the Mergers and the transactions contemplated hereby.

(g) To the extent that any Intellectual Property has been developed or created by a third party for the Company, WW or any Subsidiary, the Company, WW or such Subsidiary, as the case may be, has a written agreement with such third party (each of which agreements is in full force and effect and is binding and enforceable against the parties thereto) with respect thereto and the Company, WW or such Subsidiary, as the case may be, thereby either (i) has obtained ownership of, and is the exclusive owner of or (ii) has obtained a license (sufficient for the conduct of its business) to all such third party's Intellectual Property in such work, material or invention by operation of law or by valid assignment.

(h) Neither the Company, WW nor any Subsidiary has transferred ownership of, or granted any exclusive license with respect to, any Intellectual Property that is or was material to the Company Intellectual Property, to any third party (including Stockholder and its subsidiaries other than the Company, WW and the Subsidiaries).

(i) Schedule 2.11(i) lists all material contracts, licenses and agreements to which the Company, WW or any Subsidiary is a party (i) with respect to the Company Intellectual Property licensed or transferred to any third party, including without limitation, any agreement pursuant to which the Company, WW or any Subsidiary has granted or may grant in the future to any party a source-code license or option or other rights to use or acquire source code; or (ii) pursuant to which a

third party or the Stockholder and its subsidiaries (other than the Company, WW and the Subsidiaries) has licensed or transferred any material Intellectual Property to the Company, WW or any Subsidiary.

(j) The consummation of the transactions contemplated by this Agreement will neither violate nor result in the breach, modification, cancellation, termination or suspension of such contracts, licenses and agreements or the loss of, or any adverse effect on, any ownership or license rights of the Company or WW in any Company Intellectual Property. The Company, WW and the Subsidiaries are in compliance with, and have not breached any material term of any of such contracts, licenses and agreements and, to the Knowledge of the Stockholder, all other parties to such contracts, licenses and agreements are in compliance with, and have not breached any term of, such contracts, licenses and agreements. Following the Effective Time, the Surviving Corporation will be permitted to exercise all of the rights of the Company, WW and the Subsidiaries under such contracts, licenses and agreements to the same extent the Company, WW or the Subsidiaries, as the case may be, would have been able to had the transactions contemplated by this Agreement not occurred and without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments which the Company, WW or the Subsidiaries would otherwise be required to pay.

(k) The operation of the Business as conducted in the jurisdictions conducted, including the design, development, manufacture, marketing and sale of the products or services of the Company, WW or any Subsidiary (including with respect to products and services currently under development) has not, does not and will not infringe or misappropriate the Intellectual Property of any third party or the Stockholder or any of its subsidiaries (other than the Company, WW and the Subsidiaries), or constitute unfair competition or trade practices under the laws of any jurisdiction in which the Business is conducted.

(l) Neither the Company, WW nor any Subsidiary has received notice from any third party that the operation of the Business or any act, product or service of the Company, WW or any Subsidiary, infringes or misappropriates the Intellectual Property of any third party or constitutes unfair competition or trade practices under the laws of any jurisdiction.

(m) To the Knowledge of the Stockholder, no person has or is infringing or misappropriating, any Company Intellectual Property or engaging in any unfair competition or trade practice against the Company, WW or any Subsidiary under the laws of any jurisdiction.

(n) Neither this Agreement nor the transactions contemplated by this Agreement, including the assignment to Parent, Metal Merger Sub or WW Merger Sub by operation of law or otherwise of any contracts or agreements to which the Company or WW is a party, will result in (i) either Parent, Metal Merger Sub or WW Merger Sub granting to any third party any right to or with respect to any material Intellectual Property right owned by, or licensed to, either of them, (ii) the Company, WW, Parent, Metal Merger Sub or WW Merger Sub being bound by, or subject to, any non-compete or other material restriction on the operation or scope of their respective businesses, or (iii) either Parent, Metal Merger Sub or WW Merger Sub being obligated to pay any

royalties or other material amounts to any third party in excess of those payable by Parent, Metal Merger Sub, WW Merger Sub, WW or the Company or any of the Subsidiaries, respectively, prior to the Closing.

(o) Each of the Company and WW has taken all reasonable steps to protect the rights of the Company, WW and the Subsidiaries in the rights of the Company, WW and the Subsidiaries in confidential information and trade secrets that it wishes to protect or any trade secrets or confidential information of third parties provided to the Company, WW or any Subsidiary, and, without limiting the foregoing, the Company has and enforces a policy requiring each employee and contractor to execute a proprietary information/confidentiality and invention assignment agreement with the Company, and all current and former employees and contractors of the Company, WW an the Subsidiaries have executed such an agreement with the Company or WW, as applicable, except where the failure to do so is not reasonably expected to be material to the Company, WW or any of its Subsidiaries.

(p) No (i) product, technology, service or publication of the Company, WW or any Subsidiary, (ii) material published or distributed by the Company, WW or any Subsidiary, or (iii) conduct or statement of the Company, WW or any Subsidiary constitutes obscene material, a defamatory statement or material, false advertising or otherwise violates any law or regulation in the jurisdictions where the Business is conducted.

(q) The Company licenses all right, title and interest to the assets and Intellectual Property related to the development by Stockholder, the Company and/or WW of real estate transaction management platform technologies which will provide transaction processing and support services designed to aid real estate brokers in assisting real estate purchasers and sellers in fulfilling the closing conditions of a real estate purchase contract as described by Stockholder to Parent as Project Red Head ("Project Red Head").

2.12 Agreements, Contracts and Commitments

(a) Except as set forth in Schedule 2.12(a) of the Stockholder Disclosure Letter, as of the date hereof, neither the Company, WW nor any Subsidiary has, is a party to, is bound by, and the Business is not the beneficiary of, or subject to, any of the following (those agreements, arrangements, contracts or commitments to which the Business is subject, but to which the Company, WW or the Subsidiaries is not, as between the Stockholder or its subsidiaries (other than the Company, WW and the Subsidiaries) and the Company, WW and the Subsidiaries, are clearly marked as such on Schedule 2.12(a)):

(i) any collective bargaining agreements,

(ii) any agreements or arrangements that contain any severance pay or post-employment liabilities or obligations,

(iii) any bonus, deferred compensation, pension, profit sharing or retirement plans, or any other employee benefit plans or arrangements,

(iv) any employment or consulting agreement, contract or commitment with an employee or individual consultant or salesperson or any consulting or sales agreement, contract or commitment under which any firm or other organization provides services to the Company, WW or any Subsidiary,

(v) any agreement or plan, including any stock option plan, stock appreciation rights plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement,

(vi) any agreement or plan to issue, grant, deliver or sell or authorize, or that proposes the issuance, grant, delivery or sale of, or to purchase or that proposes the purchase of, any shares, or any rights attached to any shares, in the Company, WW or any Subsidiary or any securities convertible into or exchangeable for shares in the Company, WW or any Subsidiary, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it to issue any shares in the Company, WW or any Subsidiary or other convertible securities,

(vii) any fidelity or surety bond or completion bond,

(viii) any lease of personal property requiring payments over the term of such lease or series of related leases individually in excess of $200,000 or any lease of real property,

(ix) any agreement of indemnification or guaranty,

(x) any agreement, contract or commitment containing any covenant limiting the freedom of the Company, WW or any Subsidiary to engage in any line of business or to compete with any person,

(xi) any agreement, contract or commitment relating to capital expenditures or involving future payments or a series of related payments in excess of $100,000,

(xii) any agreement, contract or commitment relating to the disposition or acquisition of assets or any interest in any business enterprise outside the ordinary course of the Company's or WW's business, as applicable,

(xiii) any mortgages, indentures, loans or credit agreements, security agreements or other agreements or instruments relating to the borrowing of money or extension of credit, including guaranties referred to in clause (ix) hereof,

(xiv) any purchase order or contract for the purchase of raw materials involving $50,000 or more,

(xv) any construction contracts involving future payments or a series of related payments in excess of $50,000,

(xvi) any sales representative, original equipment manufacturer, value added, remarketer, reseller or independent software vendor or other agreement for use of distribution of the Company's or WW's products, technologies or services;

(xvii) any distribution, joint marketing or development agreement that includes any provision granting any person a right of first refusal, right of first negotiation or exclusive, "most favored nation" or preferential placement or other preferential rights,

(xviii) any agreement pursuant to which the Company, WW or any Subsidiary has developed for and/or delivered to or has received funds from any Governmental Entity to develop and/or deliver any Intellectual Property,

(xix) any agreement, contract or commitment for the purchase of advertising,

(xx) any other agreement, contract or commitment that involves $100,000 or more or is not cancelable without penalty within thirty (30) days.

(b) Except for such alleged breaches, violations and defaults, and events that would constitute a breach, violation or default with the lapse of time, giving of notice, or both, as are all noted in Schedule 2.12(b) of the Stockholder Disclosure Letter, neither the Company, WW nor any Subsidiary nor the Stockholder nor any of its subsidiaries has materially breached, violated or defaulted under, or received written notice that it has materially breached, violated or defaulted under, any of the terms or conditions of any agreement, contract or commitment required to be set forth on Schedule 2.12(a) of the Stockholder Disclosure Letter or Schedule 2.11(g) of the Stockholder Disclosure Letter (any such agreement, contract or commitment, a "Contract"). Each Contract is in full force and effect (assuming the Contracts have been duly authorized, executed and delivered by the respective other parties thereto) and is not subject to any default thereunder of which the Stockholder has Knowledge by any party obligated to the Company, WW or any Subsidiary pursuant thereto.

2.13 Interested Party Transactions. Other than as contemplated by this Agreement, none of the Stockholder or any trust, partnership or corporation in which the Stockholder has an interest or is affiliated, any subsidiary of the Stockholder or any officer or director of the Company, WW or any Subsidiary, has directly or indirectly, (i) an economic interest in any entity which furnished or sold, or furnishes or sells, services or products that the Company, WW or any Subsidiary furnishes or sells, or proposes to furnish or sell, (ii) an economic interest in any entity that purchases from or sells or furnishes to, or licenses to or licenses from, the Company, WW or any Subsidiary, any goods or

services or Intellectual Property or (iii) a material pecuniary interest in any contract or agreement set forth in Schedule 2.12(a) of the Stockholder Disclosure Letter or Schedule 2.11(i) of the Stockholder Disclosure Letter; provided, that ownership of no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation shall not be deemed an "economic interest in any entity" for purposes of this Section 2.13.

2.14 Governmental Authorization. Schedule 2.14 of the Stockholder Disclosure Letter accurately lists each material consent, license, permit, grant or other authorization issued to the Company or WW relating to the Business by a Governmental Entity (herein collectively referred to as "Company Authorizations"), which Company Authorizations are in full force and effect and constitute all Company Authorizations required to permit the Company and WW to operate or conduct the Business or hold any interest in their respective properties or assets.

2.15 Litigation. Except as set forth in Schedule 2.15 of the Stockholder Disclosure Letter, there is no action, suit or proceeding of any nature pending or to Knowledge of the Stockholder, threatened against the Company, WW or any of its Subsidiaries or Stockholder or any of its subsidiaries, their respective properties or any of their respective officers or directors, in their respective capacities as such. To the Knowledge of the Stockholder, there is no investigation pending or threatened against the Company, WW or any Subsidiary or the Stockholder or any of its subsidiaries, their respective properties or any of their respective officers or directors by or before any Governmental Entity. Schedule 2.15 of the Stockholder Disclosure Letter sets forth, with respect to any such pending or threatened action, suit, proceeding or investigation, the forum, the parties thereto, the subject matter thereof and the amount of damages claimed or other remedy requested. No Governmental Entity has at any time challenged or questioned the legal right of the Company, WW or any Subsidiary or the Stockholder or any of its subsidiaries to conduct the Business or offer or sell any of its products or services.

2.16 Insurance. Schedule 2.16 of the Stockholder Disclosure Letter contains a true and complete list of all current policies or insurance binders of fire, property, title, business interruption, general liability, workers' compensation and errors or omissions insurance (showing as to each policy or binder as are applicable to the Business, the carrier, policy number, coverage limits (including without limitation, retentions and deductibles), expiration dates, annual premiums and a general description of the type of coverage provided) maintained by the Company or WW on the Business, property or employees within the last three years. All of such policies are sufficient for compliance with all material contracts or leases to which the Company, WW or any Subsidiary is a party and, to the Knowledge of the Stockholder, all material requirements of applicable law. Neither the Company nor WW has not failed to give any written notice or to present any material claim under any such policy or binder in a due and timely fashion. There are no outstanding unpaid claims under any such policies or binders for which adequate reserves have not been established. Such policies and binders are in full force and effect on the date hereof and shall be kept in full force and effect by the Company and WW through the Closing Date. True and complete copies of the documents described above have been delivered or made available to Parent.

2.17 Minute Books. The minute books of the Company, WW and each of the Subsidiaries made available to counsel for Parent are the only minute books of the Company, WW and such Subsidiaries and contain a reasonably accurate summary of all meetings of directors (or committees thereof) and stockholders or actions by written consent since the incorporation of the Company, WW or such Subsidiary, as the case may be.

2.18 Environmental Matters

(a) Definitions:

(i) "Hazardous Material" is any material or substance that is prohibited or regulated by any Environmental Law or that has been designated by any Governmental Authority to be radioactive, toxic, hazardous or otherwise a danger to health, reproduction or the environment.

(ii) "Governmental Authority" is any local, state, provincial, federal, or international governmental authority or agency which has had or now has jurisdiction over any portion of the subject matter of this Agreement, any Business Facility, the Company, WW or any Subsidiary.

(iii) "Business Facility" is any property including the land, the improvements thereon, the groundwater thereunder and the surface water thereon, that is or at any time has been owned, operated, occupied, controlled or leased by the Company, WW or any Subsidiary in connection with the operation of the Business.

(iv) "Disposal Site" is a landfill, disposal site, disposal agent, waste hauler or recycler of Hazardous Materials, or any real property other than a Business Facility receiving Hazardous Materials used or generated by a Business Facility.

(v) "Environmental Laws" are all applicable laws, directives, guidance, rules, regulations, orders, treaties, statutes, and codes promulgated by any Governmental Authority which prohibit, regulate or control any Hazardous Material or any Hazardous Material Activity, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Recovery and Conservation Act of 1976, the Federal Water Pollution Control Act, the Clean Air Act, the Hazardous Materials Transportation Act, the Clean Water Act, all as amended at any time.

(vi) "Hazardous Materials Activity" is the transportation, transfer, disposal, discharge, recycling, storage, use, treatment, manufacture, removal, remediation, release, exposure of others to, sale, or distribution of any Hazardous Material or any product or waste containing a Hazardous Material, or product manufactured with Ozone depleting substances.

(vii) "Environmental Permit" is any approval, permit, registration, certification, license, clearance or consent required to be obtained from any private person or any

Governmental Authority with respect to a Hazardous Materials Activity which is or was conducted by the Company, WW or any Subsidiary.

(b) Condition of Property: As of the Closing, except in compliance with Environmental Laws in a manner that could not reasonably be expected to subject the Company, WW or any Subsidiary to liability, no Hazardous Materials are present on any Business Facility currently owned, operated, occupied, controlled or leased by the Company, WW or any Subsidiary or were present on any other Business Facility at the time it ceased to be owned, operated, occupied, controlled or leased by the Company, WW or any Subsidiary. Except as set forth in Schedule 2.18(b) of the Stockholder Disclosure Schedule, there are no underground storage tanks, asbestos which is friable or likely to become friable or PCBs present on any Business Facility currently owned, operated, occupied, controlled or leased by the Company, WW or any Subsidiary or as a consequence of the acts of the Company, WW or any Subsidiary or their respective agents.

(c) Hazardous Materials Activities: Each of the Company, WW and each Subsidiary has conducted all Hazardous Material Activities relating to its business in compliance in all material respects with all applicable Environmental Laws. The Hazardous Materials Activities of the Company, WW and each Subsidiary prior to the Closing have not resulted in the exposure of any person to a Hazardous Material in a manner which has caused or could reasonably be expected to cause an adverse health effect to any such person.

(d) Permits: Schedule 2.18(d) of the Stockholder Disclosure Schedule accurately describes all of the Environmental Permits currently held by the Company, WW or any Subsidiary and relating to the Business and the listed Environmental Permits are all of the Environmental Permits necessary for the continued conduct of any Hazardous Material Activity of the Company, WW or any Subsidiary relating to the Business as such activities are currently being conducted. All such Environmental Permits are valid and in full force and effect. The Company, WW or the Subsidiary, as applicable, has complied in all material respects with all covenants and conditions of any Environmental Permit which is or has been in force with respect to its Hazardous Materials Activities. No circumstances exist which could cause any Environmental Permit to be revoked, modified, or rendered non-renewable upon payment of the permit fee. All Environmental Permits and all other consent and clearances required by any Environmental Law or any agreement to which the Company, WW or any Subsidiary is bound as a condition to the performance and enforcement of this Agreement, have been obtained or will be obtained prior to the Closing at no cost to Parent.

(e) Environmental Litigation: Except as set forth in Schedule 2.18(e) of the Stockholder Disclosure Schedule, no action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending, or to the best of the Stockholder's knowledge, threatened, concerning or relating to any Environmental Permit or any Hazardous Materials Activity of the Company, WW or any Subsidiary relating to the Business or any Business Facility.

(f) Offsite Hazardous Material Disposal: Each of the Company, WW and each Subsidiary has transferred or released Hazardous Materials only to those Disposal Sites set forth in Schedule 2.18(f) of the Stockholder Disclosure Schedule; and no action, proceeding, liability or

claim exists or is threatened against any Disposal Site or against the Company, WW or any Subsidiary with respect to any transfer or release of Hazardous Materials relating to the Business to a Disposal Site which could reasonably be expected to subject the Company, WW or any Subsidiary to liability.

(g) Environmental Liabilities: The Stockholder is not aware of any fact or circumstance, which could result in any environmental liability which could reasonably be expected to harm the Business or financial status of the Company, WW or any Subsidiary.

(h) Reports and Records: Each of the Company and WW, as applicable, has delivered to Parent or made available for inspection by Parent and its agents, representatives and employees all records in the Stockholder's, the Company's and WW's possession concerning the Hazardous Materials Activities of the Company, WW or any Subsidiary relating to the Business and all environmental audits and environmental assessments of any Business Facility conducted at the request of, or otherwise in the possession of the Stockholder, the Company and WW. Each of the Company, WW and each Subsidiary has complied with all environmental disclosure obligations imposed by applicable law with respect to this transaction.

2.19 Brokers' and Finders' Fees; Third Party Expenses. Neither the Company, WW nor any Subsidiary has incurred, nor will any of them incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or any similar charges or any other transaction expenses in connection with this Agreement, the Commercial Agreements or any transaction contemplated hereby and thereby.

2.20 Employee Matters and Benefit Plans

(a) Definitions. With the exception of the definition of "Affiliate" set forth in Section 2.20(a)(i) below (which definition shall apply only to this Section 2.20), for purposes of this Agreement, the following terms shall have the meanings set forth below:

(i) "Affiliate" shall mean any other person or entity under common control with the Company or WW within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations thereunder;

(ii) "Company Employee Plan" shall refer to any plan, program, policy, practice, contract, agreement or other arrangement providing for compensation, severance, termination pay, performance awards, stock or stock-related awards, fringe benefits or other employee benefits or remuneration of any kind, whether formal or informal, funded or unfunded, including each "employee benefit plan", within the meaning of Section 3(3) of ERISA, which is or has been maintained, contributed to, or required to be contributed to, by the Stockholder or the Company or WW or any Affiliate for the benefit of any "Employee" (as defined below), and pursuant to which the Stockholder or the Company or WW or any Affiliate has or is reasonably expected to have any material liability contingent or otherwise;

(iii) "DOL" means the Department of Labor;

(iv) "Employee" shall mean any current, former, or retired employee, officer, or director of the Company, WW or any Subsidiary;

(v) "Employee Agreement" shall refer to each management, employment, severance, consulting, relocation, repatriation, expatriation, visas, work permit or similar agreement or contract between the Stockholder, the Company, WW or any Subsidiary and any Employee or consultant of the Company, WW or any Subsidiary;

(vi) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended;

(vii) "IRS" shall mean the Internal Revenue Service;

(viii) "Multiemployer Plan" shall mean any "Pension Plan" (as defined below) which is a "multiemployer plan," as defined in Section 3(37) of ERISA; and

(ix) "Pension Plan" shall refer to each Company Employee Plan which is an "employee pension benefit plan," within the meaning of Section 3(2) of ERISA.

(b) Schedule. Schedule 2.20(b) of the Stockholder Disclosure Letter contains an accurate and complete list of each Company Employee Plan and each Employee Agreement. Except as set forth in Schedule 2.20(b) of the Stockholder Disclosure Letter, none of the Stockholder, the Company, WW nor any Subsidiary has any plan or commitment, whether legally binding or not, to establish any new Company Employee Plan or Employee Agreement, to modify any Company Employee Plan or Employee Agreement (except to the extent required by law or to conform any such Company Employee Plan or Employee Agreement to the requirements of any applicable law, in each case as previously disclosed to Parent in writing, or as required by this Agreement), or to enter into any Company Employee Plan or Employee Agreement, nor does it have any intention or commitment to do any of the foregoing.

(c) Documents. The Stockholder has made available to Parent (i) correct and complete copies of all documents embodying or relating to each Company Employee Plan and each Employee Agreement including all amendments thereto and written interpretations thereof; (ii) the most recent annual actuarial valuations, if any, prepared for each Company Employee Plan; (iii) the three (3) most recent annual reports (Series 5500 and all schedules thereto), if any, required under ERISA or the Code in connection with each Company Employee Plan or related trust; (iv) if the Employee Plan is funded, the most recent annual and periodic accounting of Company Employee Plan assets; (v) the most recent summary plan description together with the most recent summary of material modifications, if any, required under ERISA with respect to each Company Employee Plan; (vi) the most recent IRS determination letters and rulings relating to Company Employee Plans and copies of all applications and material correspondence to or from the IRS or DOL with respect to any Company Employee Plan; and (vii) all communications material to any Employee or Employees

relating to any Company Employee Plan and any proposed Company Employee Plans, in each case, relating to any amendments, terminations, establishments, increases or decreases in benefits, acceleration of payments or vesting schedules or other events which would result in any material liability to the Company.

(d) Employee Plan Compliance. (i) Each of the Company, WW and each Subsidiary has performed all material obligations required to be performed by it under each Company Employee Plan, is not in material default or violation of, and the Stockholder has no Knowledge of any material default or violation by any party to any Company Employee Plan, and each Company Employee Plan has been established and maintained in all material respects in accordance with its terms and in compliance with all applicable laws, statutes, orders, rules and regulations, including but not limited to ERISA or the Code; (ii) each Company Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code has either received a favorable determination, opinion, notification or advisory letter from the IRS with respect to each such Company Employee Plan as to its qualified status under the Code, including all amendments to the Code effected by the Tax Reform Act of 1986 and subsequent legislation, or has remaining a period of time under applicable Treasury regulations or IRS pronouncements in which to apply for such a letter and make any amendments necessary to obtain a favorable determination as to the qualified status of each such Company Employee Plan; (iii) no "prohibited transaction," within the meaning of Section 4975 of the Code or Section 406 and 407 of ERISA, and not otherwise exempt under Section 408 of ERISA, has occurred with respect to any Company Employee Plan; (iv) there are no actions, suits or claims pending, or, to the Knowledge of the Stockholder, the Company, WW or any Affiliates, threatened or anticipated (other than routine claims for benefits) against any Company Employee Plan or against the assets of any Company Employee Plan; (v) each Company Employee Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, without liability to the Company, WW, Parent or any of its Affiliates (other than ordinary administration expenses typically incurred in a termination event); (vi) there are no audits, inquiries or proceedings pending or, to the Knowledge of the Stockholder, the Company, WW or any Affiliates, threatened by the IRS or DOL with respect to any Company Employee Plan; and (vii) none of the Company, WW, the Stockholder nor any Affiliate is subject to any penalty or tax with respect to any Company Employee Plan under Section 502(i) of ERISA or Section 4975 through 4980 of the Code.

(e) Pension Plans. Neither the Company, WW nor any Subsidiary has, nor has the Stockholder on behalf of the Company, WW or any Subsidiary, ever maintained, established, sponsored, participated in, or contributed to, any Pension Plan which is subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA or Section 412 of the Code.

(f) Multiemployer Plans. At no time has the Stockholder (on behalf of the Company, WW or any Subsidiary), the Company, WW or any Subsidiary contributed to or been requested to contribute to any Multiemployer Plan.

(g) No Post-Employment Obligations. No Company Employee Plan provides, or has any liability to provide, life insurance, medical or other employee benefits to any Employee upon his or her retirement or termination of employment for any reason, except as may be required by statute.

(h) COBRA. The Company and each Affiliate has, prior to the Effective Time, complied in all material respects with the health care continuation requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(i) Effect of Transaction.

(i) Except as set forth on Schedule 2.20(i) of the Stockholder Disclosure Letter, the execution of this Agreement and the consummation of the transactions contemplated hereby will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any Company Employee Plan, Employee Agreement, trust or loan that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Employee.

(ii) No payment or benefit which will or may be made by the Company, WW or any Subsidiary with respect to any Employee will be characterized as an "excess parachute payment", within the meaning of Section 280G(b)(1) of the Code.

(j) Employment Matters. Each of the Company, WW and each Subsidiary: (i) is in material compliance with all applicable federal, state and local laws, rules and regulations respecting employment, employment practices, terms and conditions of employment and wages and hours, in each case, with respect to Employees; (ii) has withheld and reported all amounts required by law or by agreement to be withheld and reported with respect to the wages, salaries and other payments to Employees by virtue of their employment; (iii) is not liable for any arrears of wages or any taxes or any penalty for failure to comply with any of the foregoing; and (iv) is not liable for any payment to any trust or other fund or to any governmental or administrative authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for Employees (other than routine payments to be made in the normal course of business and consistent with past practice). There are no pending, or to the Knowledge of the Stockholder, threatened claims or actions against the Company, WW or any Subsidiary under any worker's compensation policy or long-term disability policy.

(k) Labor. No work stoppage or labor strike against the Company or any Subsidiary is pending or, to the Knowledge of the Stockholder or any Affiliate, threatened. None of the Stockholder, the Company, WW nor any Subsidiary is involved in or, to the Knowledge of the Stockholder, threatened with, any labor dispute, grievance, or litigation relating to labor, safety or discrimination matters involving any Employee, including charges of unfair labor practices or discrimination complaints, which, if adversely determined, would, individually or in the aggregate, result in liability to the Company or WW. None of the Stockholder, Company, WW nor any Subsidiary has engaged in any unfair labor practices within the meaning of the National Labor

Relations Act which would, individually or in the aggregate, directly or indirectly result in a liability to the Company, WW or any Subsidiary. Neither the Stockholder, the Company nor WW is presently, nor has it been in the past, a party to, or bound by, any collective bargaining agreement or union contract with respect to Employees and no collective bargaining agreement is being negotiated by the Stockholder (with respect to the Company, WW or any Subsidiary), the Company, WW or any Subsidiary.

(l) No Interference or Conflict. No director, stockholder, manager, officer, employee or consultant of the Company, WW or any of their respective Subsidiaries is obligated under any Contract or subject to any judgment, decree or order of any court or administrative agency, that would interfere with such person's efforts to promote the interests of the Company, WW or any of the Subsidiaries. To the Knowledge of the Stockholder, neither the execution nor delivery of this Agreement, nor the carrying on of the Business, as presently conducted, nor any activity of such officers, directors, employees or consultants in connection with the carrying on of the Business as presently conducted, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any Contract under which any of such officers, directors, employees or consultants is now obligated.

2.21 Compliance with Laws. Each of Company, WW and each Subsidiary has complied in all material respects with, is not in violation of, and has not received any written notices of violation with respect to, any foreign, federal, state or local statute, law or regulation.

2.22 Investment Representations

(a) Stockholder is aware of Parent's business affairs and financial condition and has acquired sufficient information about Parent to reach an informed and knowledgeable decision to acquire the shares of Parent Common Stock constituting the Merger Consideration. Stockholder is receiving the shares of Parent Common Stock constituting the Merger Consideration for investment for its own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) Stockholder understands that the shares of Parent Common Stock constituting the Merger Consideration have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of its investment intent and other representations as expressed herein.

(c) Stockholder further acknowledges and understands that the shares of Parent Common Stock constituting the Merger Consideration must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Stockholder understands that the certificate evidencing the shares of Parent Common Stock constituting the Merger Consideration will be imprinted with a legend which prohibits the transfer of the securities unless they are registered or Parent receives an opinion of counsel, reasonably acceptable to it, to the effect that such registration is not required.

(d) Stockholder, by reason of Stockholder's business or financial experience has the capacity to protect its own interests in connection with the receipt of the shares of Parent Common Stock constituting the Merger Consideration.

(e) Stockholder is aware of the adoption of Rule 144 by the Securities and Exchange Commission (the "SEC"), promulgated under the Securities Act, which permits limited public resale of securities acquired in a non-public offering subject to the satisfaction of certain conditions set forth therein, including, among other things, a one-year holding period, the availability of certain public information about the issuer, the requirement that the sale be effected through a "broker's transaction" or in transactions directly with a "market maker" (as defined in Rule 144) and the number of shares being sold in any three-month period not exceeding specific limitations.

(f) Stockholder further acknowledges that in the event all of the requirements of Rule 144 are not met, some other registration exemption will be required; and that although Rule 144 is not exclusive, the staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and other than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales and that such persons and the brokers who participate in the transactions do so at their own risk.

(g) Stockholder is an "accredited investor" as defined in Rule 501 of the Rules and Regulations promulgated under the Securities Act.

2.23 Bank Accounts. Schedule 2.23 of the Stockholder Disclosure Letter contains a true and complete listing of all bank accounts or other depositary accounts maintained by the Company or WW and the authorized signatories thereto.

2.24 No Other Agreements. Except as contemplated hereby, each of the Company and WW has no legal obligation, absolute or contingent, to any other person or entity to sell any material portion of the assets of the Company or WW, as applicable, to sell Company Capital Stock or WW Capital Stock, as applicable, to effect any merger, consolidation or reorganization of the Company or WW, or to enter into any agreement with respect thereto.

2.25 Liberty Digital Stock. As of the date hereof, the Company owns an aggregate of 697,041 shares of common stock of Liberty Digital, Inc. ("Liberty Digital Stock"), and since August 14, 2000, the Company has disposed of only 116,174 shares of Liberty Digital Stock for aggregate proceeds of $2,700,000 (the "Liberty Digital Proceeds").

2.26 Representations Complete. None of the representations or warranties made by the Stockholder (as modified by the Stockholder Disclosure Letter) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein, in the light of the circumstances under which made, not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARENT, METAL MERGER SUB AND WW MERGER SUB

As of the date hereof, Parent, Metal Merger Sub and WW Merger Sub represent and warrant to the Stockholder, subject to such exceptions as are specifically disclosed in the disclosure letter supplied by the Parent to the Stockholder (the "Parent Disclosure Letter") and dated as of the date hereof, as follows:

3.1 Organization, Standing and Power. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Metal Merger Sub and WW Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and the State of New York, respectively. Each of Parent, Metal Merger Sub and WW Merger Sub has the corporate power to own its respective properties and to carry on its respective business as now being conducted. Each of Parent, Metal Merger Sub and WW Merger Sub is duly qualified to do business and is in good standing in each jurisdiction in which the failure to be so qualified (either individually or collectively) would have a Material Adverse Effect on Parent. Each of the subsidiaries required to be listed in the periodic reports of Parent pursuant Item 601(b) of Regulation S-K of the Rules and Regulations promulgated under the Securities Act (the "Parent Subsidiaries") is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has the corporate or other applicable power to owns its property and carry on its business as now being conducted. Each of the Parent Subsidiaries is duly qualified to do business and is in good standing in each jurisdiction outside of the jurisdiction of formation in which the failure to be so qualified (either individually or collectively) would have a Material Adverse Effect on Parent.

3.2 Authority. Parent, Metal Merger Sub and WW Merger Sub have all requisite corporate power and authority to enter into this Agreement and the Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of each of Parent, Metal Merger Sub and WW Merger Sub, subject only to the approval of the stockholders of Parent of the issuance of the Parent Common Stock in connection with the Mergers pursuant to the rules of the Nasdaq Stock Market. The respective Boards of Directors of Parent, Metal Merger Sub and WW Merger Sub have approved the Mergers, this Agreement and the Ancillary Agreements to which Parent, Metal Merger Sub or WW Merger Sub, as applicable, is a party. This Agreement and the Ancillary Agreements to which it is a party have been duly executed and delivered by each of Parent, Metal Merger Sub and WW Merger Sub and, assuming the due execution and deliver by the Company, WW, CMS and the Stockholder, constitute the valid and binding obligations of Parent, Metal Merger Sub and WW Merger Sub, enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Ancillary Agreements to which it is a party by Parent, Metal Merger Sub and WW Merger Sub does not, and

as of the Effective Time, will not result in any Conflict with (i) any provision of the Certificate of Incorporation or Bylaws of Parent, Metal Merger Sub or WW Merger Sub; or (ii) any material mortgage, indenture, lease, contract or other agreement or instrument, permit, concession, franchise, license, judgment, order, decree, statute law, ordinance, rule or regulation applicable to Parent, Metal Merger Sub or WW Merger Sub, as applicable, or their respective properties or assets. No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or any third party (so as not to trigger any Conflict) is required by or with respect to the Parent, Metal Merger Sub or WW Merger Sub in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) the filing of the Certificates of Merger with the Secretaries of State for the State of Delaware and the State of New York, respectively, (ii) such consents, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws; (iii) such consents, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under the HSR Act; (iv) approval of the stockholders of Parent of the issuance of the shares of Parent Common Stock in connection with the Mergers pursuant to the rules of the Nasdaq Stock Market; and (v) such other consents, waivers, authorizations, filings, approvals and registrations as would not have a Material Adverse Effect on Parent. Parent has approved the Mergers in its capacity as stockholder of Metal Merger Sub and WW Merger Sub.

3.3 Capital Structure

The authorized stock of Parent consists of 500,000,000 shares of Common Stock, $0.001 par value per share, of which 83,245,513 shares were issued and outstanding as of October 23, 2000, and 5,000,000 shares of Preferred Stock, $0.001 par value per share, one share of which was issued or outstanding. As of October 23, 2000, there were unvested options to purchase 11,826,574 shares of Parent Common Stock. The authorized capital stock of Metal Merger Sub consists of 1,000 shares of Common Stock, 1,000 shares of which, as of the date hereof, are issued and outstanding and are held by Parent. The authorized capital stock of WW Merger Sub consists of 1,000 shares of Common Stock, 1,000 shares of which, as of the date hereof, are issued and outstanding and are held by Parent. All outstanding shares of Parent Common Stock are duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights created by statute, the Certificate of Incorporation or Bylaws of the Parent or any agreement to which Parent or any Parent Subsidiary is a party or by which it is bound, and have been issued in compliance with federal and state securities laws. There are no declared or accrued but unpaid dividends with respect to any shares of Parent Common Stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or other similar rights with respect to Parent. Except as contemplated hereby, there are no voting trusts, proxies, or other agreements or understandings with respect to the voting stock of Parent.

3.4 SEC Documents; Parent Financial Statements. Parent has furnished or made available to the Company true and complete copies of all reports or registration statements filed by it with the Securities and Exchange Commission (the "SEC") since August 7, 1999, all in the form so filed (all of the foregoing being collectively referred to as the "SEC Documents"). As of their respective

filing dates, the SEC Documents complied in all material respects with the requirements of the Securities Act or the Securities Exchange Act of 1934 (the "Exchange Act") as the case may be, and none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except to the extent corrected by a document subsequently filed with the SEC. The financial statements of Parent, including the notes thereto, included in the SEC Documents (the "Parent Financial Statements") comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP consistently applied (except as may be indicated in the notes thereto or, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) and present fairly the consolidated financial position of Parent at the dates thereof and the consolidated results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal audit adjustments). There has been no change in Parent accounting policies except as described in the notes to the Parent Financial Statements; provided, however, Parent may have restated or may restate one or more of the Parent Financial Statements to reflect acquisitions entered into subsequent to the respective dates thereof. The SEC Documents contained an audited consolidated balance sheet of Parent as of December 31, 1999 (the "Parent Balance Sheet") and the related audited consolidated statements of income and cash flow for the year then ended (collectively, the "Parent Financials").

3.5 No Undisclosed Liabilities. Parent does not have any Liabilities, except for those that, (i) have been reflected in the Parent Balance Sheet, or (ii) have arisen in the ordinary course of the Parent's business since the date of the Parent Balance Sheet, or (iii) do not have a Material Adverse Effect on Parent.

3.6 No Material Adverse Effect. Since the date of the Parent Balance Sheet and through the date hereof, there has not occurred any event or condition of any character that has had a Material Adverse Effect on Parent.

3.7 Tax and Other Returns and Reports

(a) Tax Returns and Audits.

(i) Except as set forth on Schedule 3.7(a)(i) of the Parent Disclosure Letter, Parent has prepared and filed all material (as to Parent) required federal, state, local and foreign Returns, relating to any and all Taxes concerning or attributable to Parent or its operations and such Returns shall be true and correct in all material respects and have been completed in all material respects in accordance with applicable law. Notwithstanding the foregoing, no representation or warranty is hereby made regarding the amount or availability of the net operating losses of Parent.

(ii) Parent, (A) has paid or accrued all material (as to Parent) Taxes that Parent is required to pay or accrue and (B) has reported and withheld with respect to employees of

the Parent all material federal and state income taxes, FICA, FUTA, and other Taxes required to be reported and withheld.

(iii) Parent has not been delinquent in the payment of any material Tax nor is there any material Tax deficiency outstanding, proposed or assessed against the Parent, nor has Parent executed any waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax. (iv) No audit or other examination of any Return of Parent is currently in progress, nor has Parent been notified of any request for such an audit or other examination. (v) There are no Liens on the assets of Parent relating to or attributable to Taxes. (vi) Parent is not a party to a tax sharing or allocation agreement nor does Parent owe any amount under any such agreement.

(b) No material adjustment relating to any Return filed by Parent has been proposed formally, or, to Parent's Knowledge, informally by any tax authority to Parent or any representative thereof.

3.8 Agreements, Contracts, Commitments. Parent and each Parent Subsidiary is in compliance in all material respects with and has not, in any material respects, breached, violated or defaulted under or received notice that it has breached, violated or defaulted under, any of the terms or conditions of any agreement, contract or commitment that is included in any Securities Act or Exchange Act filing a "Material Contract" pursuant to Item 601(b)(10) of Regulation K of the Rules and Regulations promulgated under the Securities Act. Except as set forth on Schedule 3.8 of the Parent Disclosure Letter, Parent has no agreement regarding the repurchase from any person of a number of shares of Parent Common Stock in excess of 200,000 shares.

3.9 Interested Party Transactions. To Parent's Knowledge, no executive officer or director of Parent is a party to any transaction required to be disclosed under Item 404 of Regulation S-K of the Rules and Regulations promulgated under the Securities Act in the SEC Documents that has not been disclosed in the SEC Documents.

3.10 Environmental Matters

(a) Hazardous Material. Neither Parent nor any Parent Subsidiary has operated any underground storage tanks, and neither Parent has no Knowledge of the existence, at any time, of any underground storage tank (or related piping or pumps), at any property that Parent or any Parent Subsidiary has at any time owned, operated, occupied or leased. Neither Parent nor any Parent Subsidiary has released any amount of any Hazardous Materials. No Hazardous Materials are present as a result of the actions or omissions of Parent, or, to the Knowledge of Parent, as a result of any actions of any third party or otherwise, in, on or under any property, including the land and the

improvements, ground water and surface water thereof, that Parent or any Parent Subsidiary has at any time owned, operated, occupied or leased.

(b) Hazardous Materials Activities. Neither Parent nor any Parent Subsidiary has engaged in Hazardous Materials Activities in violation of any rule, regulation, treaty or statute promulgated by any Governmental Entity in effect prior to or as of the date hereof to prohibit, regulate or control Hazardous Materials or any Hazardous Material Activity.

(c) Permits. Parent and each Parent Subsidiary currently hold all Environmental Permits necessary for the conduct of the Hazardous Material Activities of Parent or any Parent Subsidiary and other businesses of Parent or any Parent Subsidiary as such activities and businesses are currently being conducted.

(d) Environmental Liabilities. No action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending, or to the Knowledge of Parent, threatened concerning any Environmental Permit, Hazardous Material or any Hazardous Materials Activity of Parent or any Parent Subsidiary. Parent is not aware of any fact or circumstance which could involve Parent or any Parent Subsidiary in any environmental litigation or impose upon Parent or any Parent Subsidiary any environmental liability.

3.11 Brokers' and Finders' Fees; Third Party Expenses. Except for fees payable to Morgan Stanley & Co. Incorporated, neither Parent nor any Parent Subsidiary has incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement, the Commercial Agreements or any transaction contemplated hereby or thereby.

3.12 Representations Complete. None of the representations or warranties made by Parent, Metal Merger Sub or WW Merger Sub (as modified by the Parent Disclosure Letter) contains any untrue statement of a material fact, or omits to state any material fact necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading.

ARTICLE IV

CONDUCT PRIOR TO THE EFFECTIVE TIME

4.1 Conduct of Business of the Company. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Effective Time, except for those matters set forth in Schedule 4.1 of the Stockholder Disclosure Letter, each of the Company and WW agrees and the Stockholder agrees to cause the Company and WW (except to the extent that Parent shall otherwise consent in writing) to carry on the Business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, to pay the debts and Taxes of the Company, WW and the Subsidiaries when due, to pay or perform other obligations when due, and, to the extent consistent with the Business, to use all reasonable efforts consistent

with past practice and policies to preserve intact its present business organization, keep available the services of its present officers and key employees and preserve their relationships with customers, suppliers, distributors, licensors, licensees, and others having business dealings with it, all with the goal of preserving unimpaired its goodwill and ongoing businesses as of the Effective Time. Except as expressly contemplated by this Agreement, neither the Company, WW nor any Subsidiary will, nor will the Stockholder permit the Company, WW or any of the Subsidiaries to, without the prior written consent of Parent:

(a) Enter into any commitment, activity or transaction that would have been an exception to the representations or warranties set forth in Section 2.7, had such commitment, activity or transaction occurred on or after March 31, 2000, June 30, 2000 or August 31, 2000, as the case may be, and prior to the date of this Agreement;

(b) Transfer or license to the Stockholder or any of its subsidiaries (other than the Company, WW or any of the Subsidiaries) any rights to any Company Intellectual Property or any other asset (other than cash (except for the Liberty Digital Proceeds) and assets as of the date hereof of National Home Connection, MetroRent or Getko Canada) or enter into any agreement with respect to Company Intellectual Property or any other asset (other than assets relating to National Home Connection) with Stockholder or its subsidiaries (other than the Company, WW and the Subsidiaries);

(c) Transfer to the Stockholder or any of its subsidiaries (other than the Company, WW or any of the Subsidiaries) any employee engaged in the Business;

(d) Hire or terminate any employees other than for cause or encourage any employees to resign from the Company, WW or any Subsidiary;

(e) Enter into or amend any agreement pursuant to which any party is granted marketing, distribution, development or similar rights of any type or scope which includes any provision granting any person a right of first refusal, right of first negotiation or exclusive, "most favored nation" or preferential placement or other preferential rights, except for agreements regarding sponsorship or the sale of advertising to third parties for placement on the Company's website with no payment or other obligations on the part of the Company or any Subsidiary outside the ordinary course of business and that are terminable within sixty (60) days without penalty;

(f) Adversely amend or otherwise modify (or agree to do so), except in the ordinary course of business, or violate the material terms of, any agreement set forth or described in the Stockholder Disclosure Letter;

(g) Commence or settle any litigation involving claims or payments in excess of $100,000 or which seeks equitable relief; provided, however, that this restriction shall not apply to the commencement of (i) any litigation regarding accounts receivable in the ordinary course of business or other litigation relating to the ordinary course enforcement of contractual rights generally or (ii) any litigation regarding a breach of this Agreement;

(h) Declare, set aside or pay any dividends on or make any other distributions (whether in cash, stock or property) in respect of any of its capital stock, or split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of capital stock of the Company, WW or any Subsidiary, or repurchase, redeem or otherwise acquire, directly or indirectly, any shares of its capital stock (or options, warrants or other rights exercisable therefor);

(i) Issue, sell, grant, contract to issue, grant or sell, or authorize the issuance, delivery, sale or purchase of any shares of Company Capital Stock or securities convertible into, or exercisable or exchangeable for, shares of Company Capital Stock, or any securities, warrants, options or rights to purchase any of the foregoing;

(j) Cause or permit any amendments to its Certificate of Incorporation or Bylaws;

(k) Acquire or agree to acquire by merging or consolidating with, or by purchasing any assets or equity securities of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire or divest any assets which are material, individually or in the aggregate, to the Business;

(l) Sell, lease, license or otherwise dispose of any of the assets or properties of Company, WW or any Subsidiary except in the ordinary course of business consistent with past practices or create any security interest in such assets or properties;

(m) Grant any loan to any person or entity, incur any indebtedness or guarantee any indebtedness, issue or sell any debt securities, guarantee any debt securities of others, purchase any debt securities of others or amend the terms of any outstanding agreements related to borrowed money, except for advances to employees for travel and business expenses in the ordinary course of business consistent with past practices;

(n) Grant any severance or termination pay (i) to any director or officer or (ii) to any employee or consultant, except payments made pursuant to standard written agreements outstanding as of the date hereof and disclosed on Schedule 4.1(n) of the Stockholder Disclosure Letter, or increase in the salary or other compensation payable or to become payable by Company or any of their respective Subsidiaries to any of their officers, directors, employees or advisors other than increases made in the ordinary course of business consistent with past practices and in no event in excess of ten percent (10%) of such individual's base salary, or declare, pay or make any commitment or obligation of any kind for the payment by the Company, WW or any of their respective Subsidiaries of a bonus or other additional salary or compensation to any such person other than bonuses or additional salary or compensation paid in the ordinary course of business consistent with past practices, or adopt or amend any employee benefit plan or enter into any employment contract;

(o) Revalue any of its assets, including writing down the value of inventory or writing off notes or accounts receivable other than in the ordinary course of business and consistent with past practice;

(p) Other than the acceleration of not more than twenty-five percent (25%) of the shares underlying Company Options (or acceleration of such greater amount as disclosed in the Employment Agreements set forth on Schedule 4.1(p)) outstanding as of the date hereof in connection with the transactions contemplated by this Agreement, take any action to accelerate the vesting schedule of any of the outstanding Company Options, Company Capital Stock or WW Capital Stock;

(q) Pay, discharge or satisfy, in an amount in excess of $100,000 (in any one case) or $250,000 (in the aggregate) any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business of liabilities;

(r) Make or change any election in respect of Taxes, adopt or change any accounting method in respect of Taxes, enter into any closing agreement or settle any claim or assessment in respect of Taxes;

(s) Enter into any agreement of the type described in Section 2.12 hereof except, with respect to 2.12(a)(xvii), for agreements regarding sponsorship or the sale of advertising to third parties for placement on the Company's website with no payment or other obligations on the part of the Company or any Subsidiary outside the ordinary course of business and that are terminable within sixty (60) days without penalty and, with respect to 2.12(a)(xix), for agreements that are cancelable without penalty within thirty (30) days and for which, if such agreement is in effect after the Closing, (i) Stockholder shall be the sole obligor under such agreement after the Closing and (ii) Parent has no liability after the Closing under the agreement, by operation of law or otherwise;

(t) Fail to pay or otherwise satisfy its monetary obligations as they become due, except such as are being contested in good faith;

(u) Cancel, materially amend or renew any insurance policy other than in the ordinary course of business;

(v) Except as contemplated by this Agreement, alter, or enter into any commitment to alter, its interest in any corporation, association, joint venture, partnership or business entity in which the Company, WW or any Subsidiary directly or indirectly holds any interest on the date hereof; or

(w) Take, or agree in writing or otherwise to take, any of the actions described in Sections 4.1(a) through (v) above, or any other action that would prevent the Company, WW or the Subsidiaries from performing or cause the Company, WW or the Subsidiaries not to perform its covenants hereunder.

Notwithstanding the foregoing, Stockholder will cause the transfer prior to the Closing, and shall be permitted without receiving the prior written consent of Parent to transfer, out of the Company the business of National Home Connections, LLC, Getko Canada and MetroRent and the employees set forth on Schedule 4.1(x), such that neither the Company, WW nor any Subsidiary has any Liabilities with respect to such business or employees following the Closing.

4.2 No Solicitation. Until the earlier of the Effective Time or the date of termination of this Agreement pursuant to the provisions of Section 8.1 hereof, the Stockholder will not permit (nor will it permit any of the respective officers, directors, employees, stockholders, agents, representatives or affiliates of) the Company, WW or any of the Subsidiaries to directly or indirectly, take any of the following actions with any party other than Parent and its designees: (a) solicit, initiate, entertain, or encourage any proposals or offers from, or conduct discussions with or engage in negotiations with, any person relating to any possible acquisition of the Company or WW, any of its subsidiaries or the Business (whether by way of merger, purchase of capital stock, purchase of assets or otherwise), any material portion of its capital stock or assets or any equity interest in the Company, WW, any of the Subsidiaries or the Business, (b) provide information with respect to it to any person, other than Parent, relating to, or otherwise cooperate with, facilitate or encourage any effort or attempt by any such person with regard to, any possible acquisition of the Company, WW, any of the Subsidiaries or the Business (whether by way of merger, purchase of capital stock, purchase of assets or otherwise), any material portion of its capital stock or assets or any equity interest in the Company, WW, any of the Subsidiaries or the Business, (c) enter into an agreement with any person, other than Parent, providing for the acquisition of the Company, WW, any of the Subsidiaries or the Business (whether by way of merger, purchase of capital stock, purchase of assets or otherwise), any material portion of its capital stock or assets or any equity interest in the Company, WW, any of the Subsidiaries or the Business, or (d) make or authorize any statement, recommendation or solicitation in support of any possible acquisition of the Company, WW, any of the Subsidiaries or the Business (whether by way of merger, purchase of capital stock, purchase of assets or otherwise), any material portion of its capital stock or assets or any equity interest in the Company, WW, any of the Subsidiaries or the Business by any person, other than by Parent. The Stockholder shall immediately cease and cause to be terminated any such contacts or negotiations with third parties relating to any such transaction or proposed transaction. In addition to the foregoing, if the Company, WW or the Stockholder receives prior to the Effective Time or the termination of this Agreement any offer or proposal relating to any of the above, the Stockholder shall immediately notify Parent thereof, including information as to the identity of the offeror or the party making any such offer or proposal and the specific terms of such offer or proposal, as the case may be, and such other information related thereto as Parent may reasonably request. Except as contemplated by this Agreement, disclosure by the Company, WW or Stockholder of the terms hereof (other than the prohibition of this Section 4.2) shall be deemed to be a violation of this Section 4.2. The parties hereto agree that irreparable damage would occur in the event that the provisions of this Section 4.2 were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed by the parties hereto that Parent shall be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Section 4.2 and to enforce specifically the terms and

provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which Parent may be entitled at law or in equity.

4.3 Conduct of Business of Parent. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement and the Effective Time, Parent agrees it shall not, without the prior written consent of the Stockholder, enter into any transaction which would (i) require the approval of the stockholders of Parent under the rules of the Nasdaq Stock Market, or Delaware Law, or its Certificate of Incorporation, or (ii) both (A) require a pre-merger notification filing to be made under the HSR Act (without respect to whether the "size of the person" test pertaining to the entity to be acquired is met) and (B) be reasonably likely to materially delay or impede approval of the Mergers under the HSR Act. If Parent intends to enter into any transaction which would require a pre-merger notification filing to be made under the HSR Act (without respect to whether the "size of the person" test pertaining to the entity to be acquired is met), then it shall, prior entering into such transaction, consult with the Stockholder to discuss the reasonable likely effects of such transaction on approval of the Mergers under the HSR Act. Parent shall instruct and provide training to its sales force and the sales force of Spring Street and Parent not to use the existence of the proposed Mergers as a means of persuading potential customers and advertisers of RentNet or the Company not to sign up with RentNet or the Company but to sign up with Spring Street or Parent instead.

ARTICLE V

ADDITIONAL AGREEMENTS -

5.1 Stockholder Approval; Proxy Statement; Delivery of Financials

(a) As promptly as practicable after the execution of this Agreement, Parent will prepare and file, with the cooperation of the Company, WW and the Stockholder, a proxy statement (the "Proxy Statement") relating to approval of the issuance of the shares of Parent Common Stock in connection with the Mergers pursuant to the rules and regulations of the Nasdaq Stock Market and the SEC. The Company, WW and Stockholder shall provide promptly to Parent such information concerning their respective business and financial statements and affairs, as, in the reasonably judgment of Parent or its counsel, may be required or appropriate for inclusion in the Proxy Statement, or in any amendments or supplements thereto, and to cause its counsel and auditors to cooperate with Parent's counsel and auditors in the preparation of the Proxy Statement, including, without limitation, that each of the Company and WW agrees, and the Stockholder agrees to cause the Company and WW, to deliver an audited combined consolidated balance sheet of the Company (together with WW and the WW Subsidiaries as though WW and the WW Subsidiaries were subsidiaries of the Company) as of September 30, 2000 and the related audited combined consolidated statements of operations and cash flows for the nine-month period ended September 30, 2000 as soon as practicable after the date of this Agreement and in no event later than November 15, 2000. Without limiting the generality of the foregoing, in particular, the Stockholder, the Company and WW will cause its management and its independent auditors to facilitate on a timely basis (and

no later than fifteen (15) business days after the date of this Agreement) (i) the preparation and delivery to Parent for inclusion in the Proxy Statement of financial statements (including pro forma financial statements if required) as required by Parent to comply with applicable rules and regulations of the SEC, (ii) the review of any Company or WW audit or review work papers for up to the past three (3) complete fiscal years, including the examination of selected interim financial statements and data and (iii) the delivery of such consents and representations from the Stockholder's, the Company's and WW's independent accountants as may be required by applicable laws or the rules or regulations promulgated thereunder.

Parent shall use commercially reasonable efforts to respond after consultation with the other parties hereto to any comments of the SEC as promptly as promptly practicable after such filing. Parent shall give the Stockholder and its counsel the opportunity to review the Proxy Statement prior to its being filed with the SEC and shall give the Stockholder and its counsel the opportunity to review all amendments and supplements to the Proxy Statement and all written responses to requests for additional information and written replies to comments prior to their being filed with, or sent to, the SEC. Parent will cause the Proxy Statement to be mailed to all stockholders of Parent, at the earliest practicable time after the expiration of the period of time prescribed by Rule 14a-6(a) of the Exchange Act or if comments are received by the SEC prior to the expiration of such period of time, upon receipt of written notice from the SEC advising Parent of the SEC's permission to file the Proxy Statement in definitive form. As promptly as practicable after the date of this Agreement, Parent, the Company, WW and Stockholder will prepare and file any other filings required under the Securities Act, Exchange Act or any other federal, foreign, or state "Blue Sky" laws relating to the Mergers and the transactions contemplated by this Agreement (the "Other Filings"). The Proxy Statement will comply in all material respects with all applicable requirements of law and the rules and regulations promulgated thereunder. Whenever any event occurs that is required to be set forth in amendment or supplement to the Proxy Statement or any Other Filing, as the case may be, Parent, the Company, WW or Stockholder, as the case may be, will promptly inform the others of such occurrence and cooperate in filing with the SEC or its staff or any other government officers, and/or mailing to the stockholders of Parent, such amendment or supplement as promptly as practicable. The Proxy Statement shall include the recommendation of the Board of Directors of Parent in favor of the issuance of shares of Parent Common Stock in connection with the Mergers; provided, however, that such recommendation may be withdrawn or amended in the event (i) of termination of this Agreement pursuant to Section 8.1 or (ii) that the Stockholder, the Company or WW has engaged in fraudulent behavior with respect to this Agreement, the Mergers or the transactions contemplated hereby.

(b) At the earliest practicable date after the expiration of the period of time prescribed by Rule 14a-6(a) of the Exchange Act or if comments are received by Parent from the SEC prior to the expiration of such period of time, upon receipt of written notice from the SEC advising Parent of the SEC's permission to file the Proxy Statement in definitive form, Parent will use its good faith reasonable efforts to take all action necessary in accordance with Delaware Law, the Certificate of Incorporation and Bylaws of Parent, and the rules and regulations of the Nasdaq Stock Market to duly call, give notice of and convene and hold a special meeting of stockholders for purposes of

voting on a proposal to approve the issuance of the shares of Parent Common Stock in connection with the Mergers. Parent will, subject to federal and state securities laws and the rules and regulations promulgated thereunder, solicit from its stockholders proxies in favor of the issuance of the shares of Parent Common Stock in connection with the Mergers.

5.2 Nasdaq Listing. Parent shall use commercially reasonable efforts to ensure that at the Effective Time, the shares of Parent Common Stock to be delivered to the Stockholder pursuant to this Agreement shall have been accepted for quotation on the Nasdaq National Market.

5.3 Restrictions on Transfer. Except for certificates representing those shares of Parent Common Stock which are subject to an effective registration statement on Form S-3 filed by Parent pursuant to Section 5.12, all certificates representing Parent Common Stock deliverable to the Stockholder or any of its Subsidiaries pursuant to this Agreement in connection with the Mergers and any certificates subsequently issued with respect thereto or in substitution therefor (including any shares issued or issuable in respect of any such shares upon any stock split stock dividend, recapitalization, or similar event) shall bear the following legends:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A WRITTEN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER IN FORM AND SUBSTANCE, THAT SUCH TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933.

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND VOTING CONTAINED IN STOCKHOLDER AGREEMENT WHICH MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST OF THE HOLDER OR RECORD OF THIS SECURITY TO THE SECRETARY OF THE CORPORATION AT THE PRINCIPAL OFFICES OF THE CORPORATION.

If, and to the extent shares of Parent Common Stock held by the Stockholder are no longer subject to the restrictions described in the legends set forth above, upon the request of the Stockholder, Parent shall cause its transfer agent to remove the appropriate legend set forth above from the certificates evidencing the shares of Parent Common Stock or issue to the Stockholder new certificates therefor free of such legend.

Such certificate shall also bear any legend required by any federal, state, local or foreign law governing such securities.

5.4 Access to Information. The Company and WW shall afford Parent and its accountants, counsel and other representatives, reasonable access during normal business hours during the period

prior to the Effective Time to (a) all properties, books, contracts, commitments, records and auditors of the Company, WW and the Subsidiaries, and (b) all other information concerning the Business and the properties and personnel of the Company, WW and the Subsidiaries (subject to restrictions imposed by applicable law) as Parent may reasonably request; provided that any photocopying or similar costs of such access shall be incurred at Parent's expense and that such access will conducted at a reasonable time, under the supervision of the Stockholder's, the Company's or WW's personnel and in such a manner as to maintain the confidentiality of this Agreement and the transactions contemplated hereby and not to interfere unreasonably with the normal operation of the business of the Company or WW. Parent shall afford Stockholder, the Company and WW, and their respective accountants, counsel and other representatives, access during normal business hours during the period prior to the Effective Time to the senior executive management team of Parent to the same extent as such access was provided prior to the date of this Agreement; provided that any photocopying or similar costs of such access shall be incurred at Stockholder's expense and that such access will conducted at a reasonable time, under the supervision of Parent's personnel and in such a manner as to maintain the confidentiality of this Agreement and the transactions contemplated hereby and not to interfere unreasonably with the normal operation of the business of Parent. Parent and the Stockholder acknowledge and agree that all information received from or on behalf of the Parent, Company, WW or any Subsidiary in connection with the transactions contemplated hereby prior to the Closing shall be deemed to be received pursuant to the Confidentiality Agreement dated as of May 19, 2000 and Parent, Metal Merger Sub, WW Merger Sub, the Stockholder, the Company and WW shall, and shall cause their respective affiliates and representatives, to comply with the provisions of such Confidentiality Agreement with respect to such information. No information or knowledge obtained in any investigation pursuant to this Section 5.4 shall affect or be deemed to modify any representation or warranty contained herein.

5.5 Expenses. Except as set forth in Section 5.13 hereof, whether or not the Mergers are consummated, all fees and expenses incurred in connection with the Mergers including all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties ("Third Party Expenses") incurred by a party in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, shall be the obligation of the respective party incurring such fees and expenses; provided, however, all Third Party Expenses incurred by the Company, WW or any Subsidiary in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby shall be the sole obligation of the Stockholder.

5.6 Public Disclosure. Parent and the Stockholder shall consult with and provide each other the reasonable opportunity to review and comment upon any public disclosure prior to the public disclosure relating to this Agreement or the transactions contemplated hereby, provided, that neither Parent nor the Stockholder shall issue any such public disclosure prior to such consultation and mutual agreement by the other party except as may be otherwise required by law (including federal and state securities laws) or, as to Parent, by the rules and regulations of the National Association of Securities Dealers, Inc. or the Nasdaq Marketplace Rules. Parent and Stockholder further agree that

for the first twelve (12) months the key messaging to the public will be that of the initial public disclosures made by and agreed to by the parties.

5.7 Consents. The Stockholder shall use all commercially reasonable efforts and shall cause the Company and WW to use all commercially reasonable efforts to obtain the consents, waivers and approvals and to give the notices under any of the Contracts as may be required in connection with the Mergers (all of such consents, waivers and approvals are set forth in Stockholder Disclosure Letter) so as to preserve all rights of and benefits to the Company, WW and Parent thereunder.

5.8 FIRPTA Compliance. On or prior to the Closing Date, the Stockholder shall deliver to Parent an affidavit in a form reasonably satisfactory to Parent stating under penalties of perjury Stockholder's taxpayer identification number and that Stockholder is not a foreign person within the meaning of Section 1445 of the Code.

5.9 Reasonable Efforts. Subject to the terms and conditions provided in this Agreement, each of the parties hereto shall use its reasonable good faith efforts (subject to, and in accordance with, applicable law) to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated hereby, to obtain all necessary waivers, consents and approvals, to effect all necessary registrations and filings, and to remove any injunctions or other impediments or delays, legal or otherwise, in order to consummate and make effective the transactions contemplated by this Agreement for the purpose of securing to the parties hereto the benefits contemplated by this Agreement, subject to the limitations on divestiture set forth in Section 5.13 hereof.

5.10 Notification of Certain Matters. The Stockholder shall give prompt notice to Parent, and Parent shall give prompt notice to the Stockholder, of (i) the occurrence or non-occurrence of any event of which such party has Knowledge, the occurrence or non-occurrence of which causes any representation or warranty of the Company, WW and the Stockholder, on the one hand, and Parent, on the other hand, contained in this Agreement to be untrue or inaccurate such that the conditions set forth in Section 6.3(a) hereof or Section 6.2(a) hereof, as the case may be, would not be satisfied, and (ii) any failure of the Company, WW and the Stockholder, on the one hand, or Parent, on the other hand, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder in any material respect; provided, however, that the delivery of any notice pursuant to this Section 5.10 shall not limit or otherwise affect any remedies available to the party receiving such notice.

5.11 S-8 Registration. At the Closing Date, if possible, and subject to obtaining any necessary consents or approvals, which consents and approvals Parent will use commercially reasonable efforts to obtain, Parent agrees to file, if available for use by Parent, with the SEC a registration statement on Form S-8 registering a number of shares of Parent Common Stock equal to the number of shares of Parent Common Stock issuable upon the exercise of all Company Options assumed by Parent pursuant to Section 1.6(b) hereof.

5.12 S-3 Registration Statement. As promptly as practicable after the Closing, but in any event not later than the later of (i) May 31, 2001 or (ii) ninety (90) days following the Closing, Parent agrees to prepare and file with the SEC a registration statement on Form S-3, or any successor form, registering for distribution to holders of Tracking Stock (other than in respect of the Stockholder's notional interest therein) and holders of options to acquire Tracking Stock (other than Continuing Employee Options) (such holders collectively, the "Distributees") such number of shares of Parent Common Stock equal to the product obtained by multiplying (x) the Option Exchange Ratio times (y) the number of Fully Converted Shares held by such holders and issuable upon exercise of such options, provided that in no event shall such number of shares of Parent Common Stock so registered exceed 5,316,930 (the "Distributable Shares").

5.13 HSR Act. Each party agrees to provide the other party with copies of any documentation or written materials provided to or by governmental authorities with respect to the HSR approval process. Notwithstanding anything to the contrary in this Agreement, Parent shall not be required to agree to any divestiture by Parent, the Company or WW or any of their respective subsidiaries or affiliates (i) of shares of capital stock, (ii) of any of their respective businesses, assets or properties or (iii) the imposition of any material limitation on the ability of any of them to conduct their respective businesses (including the Business) or to own or exercise control of such assets, properties and stock. All expenses incurred by the Company, WW, Parent and the Stockholder (including expenses of counsel) in connection with obtaining termination of the waiting period under the HSR Act shall be borne solely by the party incurring such expense.

5.14 Transfer of Assets.

(a) Subject to the provisions of the last paragraph of Section 4.1 of this Agreement, prior to the Closing, the Stockholder shall transfer, assign or license (on a worldwide, perpetual, royalty-free and non-exclusive basis to conduct the Business) to the Company and WW, as applicable, all tangible, intangible, real and personal property assets used in the Business, including all Intellectual Property, owned by or licensed to Stockholder or any of its subsidiaries that are used in the conduct of the Business, including any assets which are necessary to the continued realization of any revenues of the Business as conducted; provided, however, that to the extent that the transfer, assignment or license of any such assets is provided for in any of the Commercial Agreements, then the terms of such Commercial Agreement shall govern such transfer, assignment or license.

(b) Following the Closing, the Stockholder shall assist Parent, the Company and WW with perfecting the Company's and WW's title in any such assets. Such assistance shall include the following: (i) executing all documents prepared by the Company, WW or Parent necessary to perfect the Company's or WW's title in any such assets; (ii) making available to Parent, the Company, WW or their counsel, inventors and other persons employed by Stockholder for interviews and/or testimony to assist in good faith in further prosecution, maintenance or litigation of any registrations or applications involving any such assets, including Registered Intellectual Property; (iii) forwarding copies of all correspondence sent and received concerning such assets

within a reasonable time after receipt by Stockholder; and (iv) making all relevant documents in the possession or control of Stockholder and relating to such assets, available to Parent or its counsel.

5.15 Trade Secret License. Without limiting anything set forth herein, including Company's and WW's ownership of its trade secrets, effective as of the Closing, the Stockholder hereby grants to Parent, and to the Company and WW after the Closing, a non-exclusive license to use all trade secrets and know-how owned by the Stockholder used in the conduct of the Business. Subject to the terms of this Agreement and the Commercial Agreements and the Ancillary Agreements, Parent, the Stockholder, the Company and WW shall treat such trade secrets in the same manner that they treat comparable other trade secrets owned by each of them.

5.16 Equitable Remedy. The Stockholder agrees that it would be impossible or inadequate to measure and calculate Parent's damages from any breach of the covenants set forth in Sections 5.14 and 5.15. Accordingly, the Stockholder agrees that if it breaches any provision of Sections 5.14 or 5.15, Parent will have available, in addition to any right or remedy otherwise available, the right to obtain an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of any such provision of this Agreement. The Stockholder further agrees that no bond or other security shall be required in obtaining such equitable relief, nor will proof of actual damages be required for such equitable relief. The Stockholder hereby expressly consents to the issuance of such injunctive relief, whether in the form of a temporary restraining order or otherwise, and to the ordering of such specific performance.

5.17 Stockholder Employee Plans.

(a) Liabilities Under Plans. From and after the Effective Time, except as otherwise specifically set forth in this Agreement, the Stockholder shall (a) sponsor and (b) assume or retain, as the case may be, and be solely responsible for all Benefits Liabilities (as defined herein) arising under, resulting from or relating to the Company Employee Plans of the Stockholder or any of its subsidiaries, whether incurred before, on or after the Effective Time; provided, however, that the Stockholder shall be under no obligation (except with respect to any obligation specifically described in this Agreement or one of the Company Employee Plans) to permit Continuing Employees to continue to participate in the Company Employee Plans of Stockholder after the Effective Time. "Benefits Liabilities" shall mean with respect to any Company Employee Plan of Stockholder, the Company or WW (if applicable) any and all claims, debts, liabilities, commitment and obligations, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever or however arising, including all costs and expenses relating thereto (except with respect to any obligations of Parent specifically described in this Agreement), and including those debts, liabilities and obligations arising under law, rule, regulation, permits, action or proceeding before any court or regulatory agency or administrative agency, order or consent decree or any award of any arbitrator of any kind, and those arising under contract, commitment or undertaking; provided, however, that "Benefits Liabilities" shall exclude any such liabilities arising under the plans listed on Schedule 5.17(a).

(b) COBRA. The Stockholder assumes any and all Benefits Liabilities relating to, arising out of, or resulting from noncompliance with or violation of COBRA to the extent incurred prior to the Closing.

5.18 Stay Bonuses. In the event that the Closing has occurred prior to June 1, 2001, Parent shall pay within ninety (90) days after the Closing bonuses to the employees of the Company and WW in the amounts set forth on Schedule 5.18, provided that such bonuses shall be paid to only those employees who remain employees of the Company or WW, as applicable, on the date of such bonus payments; provided, further, that Parent shall notify Stockholder at least six (6) business days prior to the date of such bonus payments and Stockholder shall pay to Parent in cash any aggregate amount of such bonuses in excess of $4,000,000, such payment being due to Parent no fewer than three (3) business days prior to the date of such bonus payments. In the event that the Closing has not occurred prior to the June 1, 2001 (the "Bonus Payment Date"), Stockholder shall pay on the Bonus Payment Date bonuses to the employees of the Company and WW in the amounts set forth on Schedule 5.18, provided that such bonuses shall be paid to only those employees who remain employees of the Company or WW, as applicable, on the Bonus Payment Date; provided, further, that Stockholder shall notify Parent at least six (6) business days prior to the Bonus Payment Date and Parent shall pay Stockholder all of such bonuses if the bonuses aggregate to less than $4,000,000, but only a portion of such bonuses up to a maximum of $4,000,000 if the bonuses aggregate to more than $4,000,000, such payment being due to Stockholder no later than May 31, 2001; provided, that Parent shall not be obligated in any manner under this Section 5.18 if this Agreement is terminated by Parent pursuant to Section 8.1(d) or 8.1(f) hereof.

5.19 Additional Option Grants. Immediately prior to and subject to the consummation of the Closing, the Company shall, and the Stockholder shall cause the Company to, adopt the 2000 Option Plan in form and substance as directed by Parent (which form and substance shall be substantially similar to Parent's option plan) and shall reserve under such 2000 Option Plan the Additional Options. The Additional Options shall not be subject to accelerated vesting upon the Mergers, and the Company shall not, and the Stockholder shall cause the Company not to, issue any Additional Options without Parent's prior written consent.

5.20 Cancellation of Intercompany Obligations and Liberty Digital Proceeds. Prior to the Closing, the Stockholder, the Company and WW shall take all necessary actions so that (i) all liabilities (contingent or other) and all ongoing obligations (other than pursuant to the Ancillary Agreements) of (x) the Company, WW or any Subsidiary to the Stockholder or any of its subsidiaries and (y) the Stockholder or any of its subsidiaries to the Company, WW or any Subsidiary (but in the case of clause (y), only to the extent that the Company, WW or any Subsidiary does not have a corresponding liability or obligation to any third party), in each case are cancelled as of the Closing and (ii) an amount equal to the Liberty Digital Proceeds is paid in cash by Stockholder to the Company.

5.21 Tax Matters.

(a) None of the Stockholder, the Company, WW, Parent, Metal Merger Sub, WW Merger Sub or their respective affiliates shall take any action that would reasonably be expected to cause the Metal Merger or the WW Merger to fail to qualify as a reorganization within the meaning of Section 368(a) of the Code. In addition, none of Parent, Metal Merger Sub or WW Merger Sub, or following the Effective Time, the Company or WW, shall breach any of the covenants included in the respective certificates delivered pursuant to Section 5.21(b) hereof to the extent that such breach causes the Metal Merger or the WW Merger to fail to qualify as a reorganization within the meaning of Section 368(a) of the Code (b) Officers of the Stockholder, on the one hand, and, Parent, Metal Merger Sub, WW Merger Sub, on the other hand, shall execute and deliver to Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden") certificates substantially in the form attached hereto as Exhibits F-1(a) and (b) and F-2(a) and (b), respectively, contemporaneously with the execution of this Agreement and at the Closing, respectively, in connection with the delivery by Skadden of its opinion pursuant to Section 6.2(f).

5.22 Liberty Digital Stock. After the date hereof, the Company shall not, and the Stockholder shall cause the Company not to, sell, transfer or otherwise dispose of any Liberty Digital Stock. Prior to the Closing, Stockholder shall transfer an amount equal to the Liberty Digital Proceeds in cash to the Company, and such amount shall be held in the Company's accounts as of the Effective Time.

5.23 Purchase of New GBR Collating Machine. Prior to the Closing, Stockholder shall order and pay for in WW's name (or, if full payment is not due until after Closing, then Stockholder shall transfer sufficient cash to make full payment to WW as of the Closing) one (1) new GBR custom-built collating machine according to the description set forth in Schedule 5.23, with such additional satisfactory specifications as are set forth in the purchase order for such machine, and, if delivered before Closing, shall take all necessary efforts to install and enable such collating machine in the WW facility located at 115 S. Service Road, Westbury, New York, including without limitation paying for (or reimbursing Parent if delivered after Closing) all associated labor costs and any capital improvements required to such facility in order to accommodate the ordinary use of such collating machine upon delivery.

5.24 Employees. Parent agrees not to reduce the base salary of any Continuing Employee during the period beginning immediately after the Effective Time and ending on the six-month anniversary of the Effective Time; provided that Parent shall not be restricted from terminating the employment of any Continuing Employee.

5.25 Termination of Broker Licenses. Prior to the Closing, (i) the Company shall, and Stockholder shall cause the Company and WW to, terminate all mortgage broker licenses and related surety bonds held by the Company or any Subsidiary; provided that Parent shall reimburse Stockholder for its documented out-of-pocket expenses in connection with such terminations up to a maximum of $25,000, and (ii) neither the Company nor any Subsidiary will perform any functions that would require it to be licensed as a mortgage broker in any jurisdiction. From and after the

Effective Time, neither the Company, WW or Parent will have any liability related to mortgage broker operations conducted by the Company, WW or any Subsidiary prior to the Closing ("Broker Liabilities"), and Stockholder agrees to indemnify Parent for any such Broker Liabilities.

5.26 Qualifications to Do Business. Until the Effective Time, the Company and WW, as applicable, shall, and the Stockholder shall cause the Company and WW to, cause the Company, WW and the Subsidiaries to be qualified to do business in all jurisdictions where such entities are required to be so qualified.

5.27 Bifurcated Contracts. From and after the Effective Time, Parent and the Company, on the one hand, and Stockholder, on the other hand, shall cooperate to perform, or, in the case of Stockholder to cause its subsidiaries to cooperate with Parent and the Company to perform, the obligations of the Company or the subsidiaries of Parent, as the case may be, with respect to contracts numbers 52, 113, 138, 173, 199 and 217 on Exhibit 2.12(a) of the Stockholder Disclosure Letter (the "Bifurcated Contracts"). Parent shall collect all funds under the Bifurcated Contracts and shall cause a portion of the net proceeds derived from the Bifurcated Contracts which corresponds to the relative proportion and value of the services to be performed by the Stockholder and its subsidiaries under the Bifurcated Contracts to be remitted to Stockholder as soon as reasonably practicable after receipt of the funds representing such revenues by the Company or Parent. Neither Parent nor the Company nor any of their affiliates shall enter into any amendments, renewals, extensions, or in any way extend the Bifurcated Contracts in a manner that would extend the obligations of Stockholder and its subsidiaries under the Bifurcated Contracts past their respective current terms.

5.28 Transfer of Ownership in Move. com U.K. Prior to the Closing, Stockholder shall cause all shares of Move.com U.K. not owned by the Company to be transferred to the Company (without payment or additional consideration on the part of Parent, the Company, WW or any Subsidiary other than the entering into of this Agreement and the transactions contemplated hereby) such that, as of the Effective Time, the Company is the sole and exclusive owner of all shares or interest in Move.com U.K. and there are no options or other preemptive rights to purchase any shares or interests of Move.com U.K. outstanding; provided, however, that so long as all agreements effecting such transfer are executed by all parties thereto and delivered to Parent at the Closing and the only remaining action required to be taken to effect such transfer is the filing by the Company of such executed agreements with the relevant Governmental Entity, this covenant shall be deemed satisfied as of the Closing. Parent agrees that, after the Effective Time, it will transfer one percent (1%) of the outstanding shares of Move.com U.K. to a trust or similar entity established and controlled by Parent in its discretion, the beneficiaries of which trust or similar entity shall be those estate agents of the HomeSale Network in the United Kingdom, from time to time, who have uploaded all of their respective real estate listings to www.move.com.uk.

ARTICLE VI

CONDITIONS TO THE MERGER -

6.1 Conditions to Obligations of Each Party to Effect the Mergers. The respective obligations of each party to this Agreement to effect the Mergers shall be subject to the satisfaction at or prior to the Closing of the following conditions:

(a) Stockholder Approval. The stockholders of Parent shall have approved the issuance of Parent Common Stock in connection with the Mergers in accordance with the rules and regulations of the Nasdaq Stock Market.

(b) No Injunctions or Restraints; Illegality; HSR Act. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of either of the Mergers shall be in effect. All waiting periods, if any, under the HSR Act relating to the transactions contemplated hereby will have expired or terminated early and all material foreign antitrust approvals required to be obtained prior to the Mergers in connection with the transactions contemplated hereby shall have been obtained.

6.2 Additional Conditions to Obligations of the Stockholder. The obligations of the Stockholder to consummate the Mergers and the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may be waived, in writing, by the Stockholder:

(a) Representations and Warranties. The representations and warranties of Parent, Metal Merger Sub and WW Merger Sub contained in this Agreement shall have been true and correct in all material respects on and as of the date hereof, except for those representations and warranties which address matters only as of a particular date (which shall be true and correct in all material respects as of such date), and notwithstanding the failure of the representations and warranties set forth in Sections 3.4, 3.5, 3.7, 3.10 and 3.12 of this Agreement to be true and correct in all material respects, this condition shall be deemed satisfied unless the failure of such representations and warranties to be true and correct in all material respects constitutes a Material Adverse Effect on Parent, as defined in Section 10.2 hereof). The Stockholder shall have received a certificate to such effect signed by an officer of Parent, on behalf of Parent.

(b) Agreements and Covenants. Parent, Metal Merger Sub and WW Merger Sub shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Effective Time, and the Stockholder shall have received a certificate to such effect signed by an officer of Parent on behalf of Parent.

(c) Material Adverse Effect. Since the date hereof and until the expiration or termination of any applicable waiting periods under the HSR Act for the transactions contemplated hereby, there has not been any Material Adverse Effect (as defined in Section 10.2 hereof) on Parent.

(d) Stockholder Agreement. Parent shall have executed and delivered the Stockholder Agreement in the form attached hereto as Exhibit B.

(e) Registration Rights Agreement. Parent shall have executed and delivered the Registration Rights Agreement in the form attached hereto as Exhibit C.

(f) Tax Opinion of Skadden. The Stockholder shall have received the opinion of Skadden, in form and substance reasonably satisfactory to it, dated as of the Closing Date, on the basis of the facts, representations and assumptions set forth in such opinion and certificates obtained from officers of Parent, Metal Merger Sub or WW Merger Sub, as applicable, and the Stockholder, all of which are consistent with the state of facts existing as of the Effective Time, to the effect that, for U.S. federal income tax purposes, the Metal Merger and the WW Merger, in each case, will qualify as a reorganization within the meaning of Section 368(a) of the Code; provided, however, under all circumstances it is agreed that the condition set forth in this Section 6.2(g) shall be deemed to be satisfied even if such tax opinion of Skadden shall not have been delivered unless the sole reason that such opinion has not been delivered is because of a Change in Law (as defined below) that precludes the delivery of such an opinion. In rendering the opinion described above, Skadden shall rely upon the certificates and representations referred to in Section 6.2(h) hereof. For purposes of this Section 6.2(h), "Change in Law" shall mean a change after the execution of this Agreement in a statute, regulation, judicial authority, administrative interpretation or other authority that would prevent Skadden from issuing the opinion set forth in this Section 6.2(g).

(g) Tax Certificates. Officers of Parent, Metal Merger Sub and WW Merger Sub shall have executed and delivered to Skadden certificates substantially in the forms attached hereto as Exhibit F-2(a) and (b) contemporaneously with the execution of this Agreement and at the Effective Time.

(h) Commercial Agreements. Parent shall have executed and delivered each of the Commercial Agreements in the forms attached hereto as Exhibits A-1 through A-10, each of which agreements shall be in full force and effect.

6.3 Additional Conditions to the Obligations of Parent, Metal Merger Sub and WW Merger Sub. The obligations of Parent, Metal Merger Sub and WW Merger Sub to consummate the Mergers and the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may be waived, in writing, exclusively by Parent:

(a) Representations and Warranties. The representations and warranties of the Company, WW and the Stockholder contained in this Agreement shall have been true and correct in all material respects on and as of the date hereof, except for those representations and warranties

which address matters only as of a particular date (which shall be true and correct in all material respects as of such date), and notwithstanding the failure of the representations and warranties set forth in Sections 2.6, 2.10(a), (b), (c), 2.14, 2.16, 2.18, 2.21 and 2.25 of this Agreement to be true and correct in all material respects, this condition shall be deemed satisfied unless the failure of such representations and warranties to be true and correct in all material respects constitutes a Business Adverse Effect, as defined in Section 10.2 hereof. Parent, Metal Merger Sub and WW Merger Sub shall have received a certificate to such effect signed by the chief executive officer and chief financial officer of the Stockholder.

(b) Agreements and Covenants. The Company, WW and the Stockholder shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by each of them on or prior to the Effective Time, and Parent, Metal Merger Sub and WW Merger Sub shall have received a certificate to such effect signed by the chief executive officer and chief financial officer of the Company, WW and the Stockholder, on behalf of the Company, WW and the Stockholder, respectively.

(c) Material Adverse Effect. Since June 30, 2000 and until the expiration or termination of any applicable waiting periods under the HSR Act for the transactions contemplated hereby, there shall not have been any Material Adverse Effect (as defined in Section 10.2 hereof) on the Company, WW or any of their respective Subsidiaries or the Business (taken as a whole).

(d) Stockholder Agreement. The Stockholder shall have executed and delivered the Stockholder Agreement in the form attached hereto as Exhibit B, which agreement shall be in full force and effect.

(e) Commercial Agreements. All parties to the Commercial Agreements other than Parent shall have executed and delivered to Parent each of the Commercial Agreements in the forms attached hereto as Exhibits A-1 through A-10, each of which agreements shall be in full force and effect.

ARTICLE VII

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION -

7.1 Survival of Representations and Warranties. Except as otherwise provided in Section 9.6(c) of this Agreement, all of the representations and warranties of the Stockholder and Parent, in this Agreement or in any certificate, instrument or other document delivered pursuant to this Agreement (each as modified by the Stockholder Disclosure Letter or the Parent Disclosure Letter, as the case may be) shall survive the Mergers and continue until 5:00 p.m., Pacific Time, on the date which is twelve (12) months following the Closing Date; provided, however, that the representations and warranties of the Stockholder contained in Sections 2.2 and 2.18 hereof shall survive indefinitely (subject to any applicable statute of limitations); provided, further, that the representations and warranties of the Stockholder contained in Section 2.11(d) and the second and third sentences of Section 2.10(d) hereof shall survive until 5:00 p.m., Pacific Time, on the date

which is thirty-six (36) months following the Closing Date (the end date of such survival, as applicable, (or an indefinite period in the case of Sections 2.2 and 2.18) is hereinafter referred to as the "Expiration Date").

7.2 Indemnification

(a) In addition to the matters set forth in Article IX hereof, until the Expiration Date, the Stockholder agrees to indemnify and hold Parent and its officers, directors and affiliates harmless against all claims, losses, liabilities, damages, costs and expenses, including reasonable attorneys' fees (hereinafter individually a "Loss" and collectively "Losses"), incurred by Parent or its officers, directors, or affiliates: (i) as a result of any inaccuracy or breach of a representation or warranty of the Stockholder contained in this Agreement or any certificate, instrument or other document delivered pursuant to this Agreement; (ii) except as set forth in Section 7.3 below, relating to any liability, obligation, judgment, penalty, fine, cost or expense, of any kind or nature, or the duty to indemnify, defend or reimburse any Person with respect to: (1) the presence on or before the Closing Date of any Hazardous Materials in the soil, groundwater, surface water, air or building materials of any Business Facility ("Pre-Existing Contamination"); (2) the migration at any time prior to or after the Closing Date of Pre-Existing Contamination to any other real property, or the soil, groundwater, surface water, air or building materials thereof; (3) any Hazardous Materials Activity conducted on any Business Facility prior to the Closing Date or otherwise occurring prior to the Closing Date in connection with or to benefit the Business ("Pre-Closing Hazardous Materials Activities"); (4) the exposure of any person to Pre-Existing Contamination or to Hazardous Materials in the course of or as a consequence of any Pre-Closing Hazardous Materials Activities, without regard to whether any health effect of the exposure has been manifested as of the Closing Date; (5) the violation of any Environmental Laws by the Company, WW or any Subsidiary or its agents, employees, predecessors in interest, contractors, invitees or licensees prior to the Closing Date or in connection with any Pre-Closing Hazardous Materials Activities prior to the Closing Date; (6) any actions or proceedings brought or threatened by any third party with respect to any of the foregoing; and (7) any of the foregoing to the extent they continue after the Closing Date (collectively, "Seller's Retained Environmental Liabilities"); (iii) relating to or arising out of Parent's assumption of Continuing Employee Options and Additional Options under this Agreement or failure of Parent to assume any options, rights or other securities of the Stockholder, the Company or any of their respective affiliates in connection with the transactions contemplated by this Agreement, provided that this indemnity in clause (iii) shall not apply to: (w) Parent's failure to issue Parent Common Stock in accordance with the Option Exchange Ratio upon the due exercise of such Continuing Employee Options and Additional Options held by Continuing Employees and assumed by Parent pursuant to Section 1.6(b)(iii)of this Agreement, (x) Parent s other obligations under the Option Plans with respect to the Continuing Employee Options or the agreements governing such Continuing Employee Options by virtue of such assumption, (y) any actions taken by Parent after the Closing with respect to the termination of employment of any Continuing Employee who holds a Continuing Employee Option, or (z) any misstatement or omission in any Registration Statement on Form S-8 or prospectus or similar securities law document prepared by Parent and distributed to its employees with respect to the Continuing Employee Options; or (iv) Broker Liabilities. Notwithstanding the

foregoing, there shall be no right to indemnification pursuant to this Article VII unless and until an Indemnification Certificate (as defined below) identifying aggregate Losses in excess of $5,000,000 (the "Threshold Amount") has been delivered to Stockholder, in which event Parent shall be entitled to recover all such amounts in excess of the Threshold Amount; provided, however, that such Threshold Amount shall not apply to any indemnification pursuant to Section 7.2(a)(i) above with respect to any inaccuracy or breach of a representation or warranty contained in Section 2.2, 2.4, the second and third sentences of 2.10(d), 2.11(d) or 2.18 or pursuant to Section 7.2(a)(ii), (iii) or (iv) above. In no event shall the Stockholder's aggregate obligation to indemnify Parent under this Section 7.2(a) exceed an amount of cash or Parent Common Stock equal to the value of fifty percent (50%) of the Total Consideration (based on the valuation of the Parent Common Stock at the Parent Closing Price) (the "Limit") ; provided, however, that such Limit shall not apply to any indemnification pursuant to Section 7.2(a)(i) above with respect to any inaccuracy or breach of a representation or warranty contained in Section 2.2, the second and third sentences of 2.10(d), 2.11(d) or 2.18 or pursuant to Section 7.2(a)(ii), (iii) or (iv) above. The amount of any Losses shall be reduced by the amount of any Tax Benefit Actually Realized by Parent, WW, the Company or their respective subsidiaries or affiliates relating thereto and any amount received by Parent with respect thereto under any insurance coverage (net of any reasonably expected premium adjustments). If Parent actually receives an amount under insurance coverage with respect to Losses at any time subsequent to any indemnification provided by the Stockholder pursuant to this Section 7.2, then Parent shall promptly reimburse the Stockholder for any payment made by the Stockholder to Parent in connection with providing the indemnification for a particular matter up to such amount received by Parent with respect to that matter, provided, however, that Parent may retain an amount from proceeds received under insurance coverage or from such other party with respect to Losses to the extent that the Stockholder has not indemnified Parent for the full amount of its claim. Stockholder shall not have any right of contribution from the Company or WW or any of their respective Subsidiaries with respect to any Loss claimed by an Indemnified Party after the Effective Time.

(b) Claims. Upon receipt by the Stockholder at any time on or before the last day of the Indemnification Period of a certificate signed by any officer of Parent (an "Officer's Certificate"): (A) stating that Parent has paid or properly accrued or reasonably anticipates that it will have to pay or accrue Losses, and (B) specifying in reasonable detail the individual items of Losses included in the amount so stated, the date each such item was paid or properly accrued, or the basis for such anticipated liability, and the nature of the misrepresentation, breach of warranty or covenant to which such item is related, the Stockholder shall, subject to the provisions of Section 7.2(c) hereof, deliver to Parent, as promptly as practicable, funds in an amount equal to such Losses. The Stockholder shall, at its sole discretion, pay all claims for indemnification hereunder in (i) cash or (ii) shares of Parent Common Stock; provided, however that all claims for indemnification pursuant to Section 7.2(a)(i) (with respect to breaches or inaccuracies of the representations and warranties set forth in Section 2.18) or Section 7.2(a)(ii) above shall be paid in cash only. In the event the Stockholder determines to pay any claim, in whole or in part, in shares of Parent Common Stock, the Stockholder shall transfer to Parent the number of shares of Parent Common Stock having an aggregate value (based on the valuation of each share at 97% of the Parent

Closing Price (adjusted for splits, combinations and the like)) equal to the Losses with respect to such claim.

(c) Objections to Claims. No such payment or delivery may be required pursuant to Section 7.2(b) above if the Stockholder shall object in a written statement to the claim made in the Officer's Certificate with thirty (30) days of delivery of such Officer's Certificate, and such statement shall have been delivered to Parent prior to the expiration of such thirty (30)-day period.

(d) Resolution of Conflicts.

(i) In case the Stockholder shall so object in writing to any claim or claims made in any Officer's Certificate, the Stockholder and Parent shall attempt in good faith to agree upon the rights of the respective Parties with respect to each of such claims. If the Stockholder and Parent should so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties and Stockholder shall deliver to Parent, as promptly as practicable, an amount equal to such Losses in cash or shares of Parent Common Stock.

(ii) If no such agreement can be reached after good faith negotiation and prior to sixty (60) days after delivery of an Officer's Certificate, either of Parent or the Stockholder may demand arbitration of the matter unless the amount of the Loss is at issue in pending litigation with a third party, in which event arbitration shall not be commenced until such amount is ascertained or both parties agree to arbitration, and in either such event the matter shall be settled by arbitration conducted by one arbitrator mutually agreeable to Parent and the Stockholder. In the event that, within thirty (30) days after submission of any dispute to arbitration, Parent and the Stockholder cannot mutually agree on one arbitrator, then, within fifteen (15) days after the end of such thirty (30) day period, Parent and the Stockholder shall each select one arbitrator within ten (10) additional days. The two arbitrators so selected shall select a third arbitrator. If the Stockholder does not select an arbitrator during this fifteen (15) day period, then the parties agree that the arbitration will be conducted by one arbitrator selected by Parent.

(iii) Any such arbitration shall be held under the expedited rules then in effect of the American Arbitration Association. The arbitrator(s) shall determine how all expenses relating to the arbitration shall be paid, including without limitation, the respective expenses of each party, the fees of each arbitrator and the administrative fee of the American Arbitration Association. The arbitrator or arbitrators, as the case may be, shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing the parties an opportunity, adequate in the sole judgment of the arbitrator or majority of the three arbitrators, as the case may be, to discover relevant information from the opposing parties about the subject matter of the dispute. The arbitrator or a majority of the three arbitrators, as the case may be, shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions, including attorneys' fees and costs, to the extent as a competent court of law or equity, should the arbitrators or a majority of the three arbitrators, as the case may be, determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial justification. The decision of the arbitrator or a majority of the three arbitrators, as the case may be, as to the

validity and amount of any claim in such Officer's Certificate shall be final, binding, and conclusive upon the parties to this Agreement. Such decision shall be written and shall be supported by written findings of fact and conclusions which shall set forth the award, judgment, decree or order awarded by the arbitrator(s). Within five (5) days of a decision of the arbitrator(s) requiring payment by one party to another, such party shall make the payment to such other party.

(iv) Judgment upon any award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

(e) Third-Party Claims. In the event Parent becomes aware of a third-party claim which Parent believes may result in a demand for indemnification, Parent shall notify the Stockholder of such claim, and the Stockholder, shall be entitled, at its expense, to participate in any defense of such claim. Parent shall have the right in its sole discretion to settle any such claim; provided, however, that except with the consent of the Stockholder, no settlement of any such claim with third-party claimants shall alone be determinative of the amount of any claim for indemnification if the settlement is unreasonable. Any dispute as to the reasonableness of such settlement shall be resolved pursuant to the terms of Section 7.2(d) above. To the extent that such settlement is determined after such dispute resolution to be unreasonable, then the arbitrator(s) shall determine the amount, if any, that Stockholder shall be required to indemnify Parent in respect of such settled claim. In the event that the Stockholder has consented to any such settlement, the Stockholder shall have no power or authority to object under any provision of this Article VII to the amount of any claim by Parent for indemnification with respect to such settlement.

(f) Sole Remedy. Parent's rights to indemnification as provided for in Section 7.2 for a breach of representations or warranties contained in this Agreement shall constitute Parent's sole remedy for such a breach and the Stockholder shall have no other liability or damages to the other party resulting from the breach; provided, however, that nothing contained herein shall prevent Parent from pursuing remedies, including equitable remedies, as may be available to it under applicable law or equitable principles in the event of the Stockholder's failure to comply with its indemnification obligations hereunder or in the event of a claim of fraud by Parent against the Stockholder.

7.3 Further Conditions on Environmental Indemnity.

(a) Stockholder's indemnification obligations under Section 7.2(a)(i) with respect to a breach of the representations and warranties contained in Section 2.18, and Stockholder's indemnification obligations set forth in Section 7.2(a)(ii) (collectively "Stockholder's Environmental Indemnity") shall be subject to the following limitations: (i) Stockholder's Environmental Indemnity for violations of Environmental Laws occurring in the course of ongoing operation of the Business, which violations continue after the Closing Date, shall not apply to any such violations to the extent they arise either from a change in operations of the Business after the Closing Date or from the continuation of the operations as they existed prior to the Closing Date for a period continuing beyond that date which is one year following the Closing Date; (ii) Stockholder shall not be liable for any diminution in property value of any real property owned by the Company as of the Closing

Date; (iii) to the extent Stockholder's Environmental Indemnity applies to Cleanup, Stockholder's Environmental Indemnity shall only apply to Cleanup to the extent such Cleanup is required by a Governmental Entity under applicable Environmental Laws in effect and enforceable as of the Closing Date or is required to be undertaken under any applicable Environmental Laws in effect and enforceable as of the Closing Date; (iv) Stockholder's Environmental Indemnity shall not apply to that portion of the cost of a Cleanup to the extent (but only to the extent) that the Cleanup is not conducted using Cost-Effective Methods; (v) Stockholder's Environmental Indemnity shall not apply to costs to the extent such costs result from the application of more stringent Environmental Laws as a result of the change in use of a Business Facility to a use other than industrial, commercial or retail where such change in use results from the voluntary actions of Parent or its subsidiaries; and (vi) Stockholder's Environmental Indemnity shall not apply to any Cleanup costs to the extent caused by the exacerbation or worsening (excluding the mere discovery of contamination) of Pre-Existing Contamination as a result of the acts of Parent, its subsidiaries, employees or agents or the acts of any third parties on any property owned by Parent or its affiliates.

(b) Parent or its affiliate shall promptly notify Stockholder in writing in the event of the discovery of Pre-Existing Contamination subject to Stockholder's Environmental Indemnity ("Contamination Notice"); provided, however, that a failure to so notify Stockholder shall not limit Stockholder's indemnification obligations hereunder except to the extent that Stockholder is prejudiced thereby. Such notice shall reasonably identify the location and information on the impacted media and the basis upon which the claimant seeks indemnification. For claims relating to Cleanup within the scope of this Section 7.3, the Stockholder shall have the right to assume responsibility for managing the Cleanup and related matters thereto, by providing notice to the Parent within sixty (60) days following receipt of the Contamination Notice. If the Stockholder assumes responsibility for management of a Cleanup under this subsection, the Stockholder shall perform such Cleanup using Cost-Effective Methods in compliance with all applicable legal requirements and in accordance with plans approved by Parent or its affiliate, and utilizing a consultant approved by Parent or its affiliate, which approvals shall not be unreasonably withheld. Where the Stockholder has assumed responsibility for management of a Cleanup under this subparagraph (b), the Parent or its affiliate shall have the right, at its sole cost and expense, to: (i) review and approve (which approval shall not be unreasonably withheld) all draft plans and reports, as well as correspondence to any Governmental Entity regarding the Cleanup, and (ii) participate in activities related to the Cleanup, including, but not limited to, participation in meetings with respect to the determination of applicable Remediation Standards or methods for conducting the Cleanup.

(c) As used in this Section 7.3, the following terms have the meanings set forth below.

(i) "Business Facility" means any property that is or at any time has been owned, operated, occupied, controlled or leased by the Company, WW or any Subsidiary in connection with the operation of the Business.

(ii) "Remediation Standard" means a numerical standard that defines the concentrations of Hazardous Materials that may be permitted to remain in any environmental media after an investigation, remediation or containment of a release of Hazardous Materials.

(iii) "Cleanup" means any Loss related to investigation, feasibility study, remediation, treatment, removal, transport, disposal, characterization, sampling, health assessment, risk assessment, encapsulation, monitoring, study, report, assessment or analysis with respect to any Pre-Existing Contamination.

(iv) "Cost-Effective Methods" means the most cost-effective approach to remediation that is consistent with applicable Environmental Laws or the requirements of a Governmental Entity; provided, however, that Cost-Effective Methods shall not include those that (1) result in the interruption of Parent or its affiliates' business operations on a Business Facility periodically or for a period of more than twenty-four hours; (2) result in the imposition of a deed restriction or other restriction or limitation on the use or development of any property other than a Business Facility, or result in the imposition of a deed restriction or other restriction or limitation on the development of a Business Facility (or any portion thereof) for industrial, retail or commercial purposes; or (3) result in the diminution of the value of a Business Facility or any other property.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

8.1 Termination. Except as provided in Section 8.2 below, this Agreement may be terminated and the Mergers abandoned at any time prior to the Effective Time:

(a) by mutual consent of the Stockholder and Parent;

(b) by Parent or the Stockholder if: (i) the Effective Time has not occurred prior to 5:00 p.m. Pacific Standard Time on April 2, 2001 (the "End Date"); provided that the End Date may be extended by any party for a period of thirty (30) days if such party reasonably believes that the expiration or termination of the waiting period under the HSR Act is likely to be obtained during such 30-day extension; (ii) there shall be a final nonappealable order of a federal or state court in effect preventing consummation of the Mergers; or (iii) there shall be any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Mergers by any governmental entity that would make consummation of the Mergers illegal;

(c) by Parent if there shall be any action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Mergers, by any Governmental Entity, which would: (i) prohibit Parent's, the Company's or WW's ownership or operation of all or any portion of the Business or (ii) compel Parent, the Company or WW to dispose of or hold separate all or a portion of the business or assets of the Company, WW or Parent as a result of the Mergers;

(d) by Parent, upon a breach of any representation, warranty, covenant or agreement on the part of the Company or the Stockholder set forth in this Agreement, such that the conditions set forth in Section 6.2(a) or Section 6.2(b) hereof would not be satisfied as of the time of such breach or as of the date hereof, as applicable, provided, that if such inaccuracy in the Stockholder representations and warranties or breach by the Company or the Stockholder is curable by the Stockholder through the exercise of its commercially reasonable efforts, then Parent may not terminate this Agreement under this Section 8.1(d) prior to 30 days following the date of the notice to the Stockholder of the breach, provided the Stockholder continues to exercise commercially reasonable efforts to cure such breach (it being understood that Parent may not terminate this Agreement pursuant to this Section 8.1(d) if it shall have be in material breach of this Agreement or if such breach by the Company or the Stockholder is cured prior to 30 days following notice to Parent or the Stockholder of the breach, provided, however, no cure period shall be required for a breach which by its nature cannot be cured);

(e) by the Stockholder, upon a breach of any representation, warranty, covenant or agreement on the part of Parent set forth in this Agreement, such that the conditions set forth in Section 6.3(a) or Section 6.3(b) hereof would not be satisfied as of the time of such breach or as of the date hereof, as applicable, provided, that if such inaccuracy in Parent's representations and warranties or breach by Parent is curable by Parent through the exercise of its commercially reasonable efforts, then the Stockholder may not terminate this Agreement under this Section 8.1(e) prior to 30 days following the date of the notice to Parent of the breach, provided Parent continues to exercise commercially reasonable efforts to cure such breach (it being understood that the Stockholder may not terminate this Agreement pursuant to this Section 8.1(e) if it shall be in material breach of this Agreement or if such breach by Parent is cured prior to 30 days following notice to Parent of the breach, provided, however, no cure period shall be required for a breach which by its nature cannot be cured);

(f) by Parent, if prior to the expiration or termination of any applicable waiting periods under the HSR Act, there has been any Material Adverse Effect on the Company, any of its Subsidiaries or the Business (taken as a whole).

(g) by the Stockholder, if prior to the expiration or termination of any applicable waiting periods under the HSR Act, there has been any Material Adverse Effect on Parent.

(h) by either the Stockholder or Parent if the required approval of the stockholders of Parent contemplated by this Agreement shall not have been obtained by reason of the failure to obtain the required vote at a meeting of the stockholders of Parent duly convened therefor or at any adjournment thereof.

Where action is taken to terminate this Agreement pursuant to this Section 8.1, it shall be sufficient for such action to be authorized by the Board of Directors (as applicable) of the party taking such action.

8.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Parent, Metal Merger Sub, WW Merger Sub, the Company, WW, CMS or the Stockholder, or their respective officers, directors or stockholders, provided that each party shall remain liable for any knowing or willful breaches of this Agreement prior to its termination; and provided further that, the provisions of Section 5.5, Section 5.6, Section 5.18 and Article VIII of this Agreement shall remain in full force and effect and survive any termination of this Agreement.

8.3 Termination Fee. In the event that this Agreement is terminated pursuant to Section 8.1(h), then Parent shall promptly remit to the Stockholder payment in the amount of $50,000,000 (the "Termination Fee"); provided, however, that the Termination Fee shall not be paid to the Stockholder if the Stockholder (a) fails to vote all of the shares of Parent Common Stock it holds either beneficially or has the right to vote by proxy in favor of approval of the issuance of Parent Common Stock pursuant to this Agreement (the "Proposal") at the meeting of stockholders, or (b) otherwise takes action to cause stockholder approval of the Proposal not to be obtained.

8.4 Amendment. This Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed on behalf of each of the parties hereto.

8.5 Extension; Waiver. At any time prior to the Effective Time, Parent, Metal Merger Sub and WW Merger Sub, on the one hand, and the Stockholder, WW and the Company, on the other, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations of the other party hereto, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE IX

TAX MATTERS

9.1 Indemnity

(a) The Stockholder agrees to indemnify and hold harmless Parent, WW, the Company and each Subsidiary against the following Taxes (net of any Tax Benefit Actually Realized, as hereinafter defined, by Parent, WW, the Company or their respective Subsidiaries and affiliates as a result of the payment or accrual of any of the following) and against any loss, damage, liability or expense, including reasonable fees for attorneys and other outside consultants with respect to matters not controlled by the Stockholder, incurred in contesting or otherwise in connection with any such Taxes: (i) Taxes imposed on the Company, WW or any Subsidiary with respect to taxable periods ending on or before the Closing Date; (ii) with respect to taxable periods beginning before the Closing Date and ending after the Closing Date, Taxes imposed on the Company, WW or any Subsidiary which are allocable, pursuant to Section 9.1(b) hereof, to the

portion of such period ending on the Closing Date; (iii) Taxes imposed on any member of any affiliated group with which any of the Company, WW and any Subsidiary file or have filed a Return on a consolidated or combined basis for a taxable period ending on or before the Closing Date; and (iv) Taxes imposed on Parent or the Company, WW or any Subsidiary as a result of any breach of warranty or misrepresentation under Section 2.8 hereof; provided, however, that the Stockholder shall not be liable for and shall not indemnify the Parent, the Company, WW or any Subsidiary for (I) any Taxes resulting from transactions or actions taken by the Company, WW or any Subsidiary on the Closing Date (other than transactions contemplated by this Agreement) that are properly allocable to the portion of the Closing Date after the Closing except for transactions or actions undertaken in the ordinary course of business; or (II) any Transfer Taxes for which Parent is liable pursuant to Section 9.5 (Taxes referred to in this proviso are referred to hereinafter as "Excluded Taxes"). Parent shall indemnify and hold harmless the Stockholder (net of any Tax Benefit Actually Realized by the Stockholder or its affiliates as a result of the payment or accrual thereof) for (i) Taxes (including Excluded Taxes) and any loss, damage, liability or expense, including reasonable fees for attorneys and other outside consultants ("Tax Related Losses") of Parent, the Company, WW or any Subsidiary not allocated to the Stockholder pursuant to the first sentence of this Section 9.1(a) and (ii) any Taxes or Tax Related Losses attributable to any breach by Parent, Metal Merger Sub or WW Merger Sub, or following the Effective Time, the Company or WW, of Section 5.21(a) hereof.

(b) In the case of Taxes that are payable with respect to a taxable period that begins before the Closing Date and ends after the Closing Date, the portion of any such Tax that is allocable to the portion of the period ending on the Closing Date shall be:

(i) in the case of Taxes that are either (x) based upon or related to income or receipts, or (y) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible) (other than Transfer Taxes covered by Section 9.5 hereof), deemed equal to the amount which would be payable if the taxable year ended with the Closing Date; and

(ii) in the case of Taxes imposed on a periodic basis with respect to the assets of the Company, WW or any Subsidiary, or otherwise measured by the level of any item, deemed to be the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period), multiplied by a fraction the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

(c) To the extent permitted or required by law or administrative practice, (A) the taxable year of the Company, WW and any Subsidiary which includes the Closing Date shall be treated as closing on (and including) the Closing Date and, notwithstanding the foregoing, (B) all transactions not in the ordinary course of business occurring after the Closing (other than transactions contemplated by this Agreement) shall be reported on Parent's consolidated United States federal income Tax Return to the extent permitted by Treasury Regulation Section 1.1502-

76(b)(1)(ii)(B) and shall be similarly reported on other Tax Returns of the Parent or its affiliates to the extent permitted by law.

9.2 Returns and Payments

(a) From the date of this Agreement through and after the Closing Date, the Stockholder shall prepare and file or otherwise furnish in proper form to the appropriate Governmental Authority (or cause to be prepared and filed or so furnished) in a timely manner all Returns relating to the Company, WW and the Subsidiaries that are due on or before or relate to any taxable period ending on or before the Closing Date (and Parent shall do the same with respect to any taxable period ending after the Closing Date); provided, however, that to the extent the Stockholder cannot file such Returns under applicable law, the Stockholder shall deliver (or cause to be delivered), within 20 days before the due date (including extensions) for the filing of such Returns, to Parent all such Returns, and Parent shall sign and file or cause to be signed and filed such Returns no later than such due date. Any such Return that is prepared by the Stockholder shall be prepared in accordance with past practice to the extent permitted by applicable law. Any Return required to be filed by Parent relating to any taxable year or period beginning on or before and ending after the Closing Date (the "Straddle Period") shall be submitted (with copies of any relevant schedules, work papers and other documentation then available) to the Stockholder for the Stockholder's approval not less than 30 days prior to the due date for the filing of such Return, which approval shall not be unreasonably withheld. Such Returns shall be prepared in accordance with past practice of the Company or WW (or the Subsidiaries), if any, to the extent permissible under applicable law.

(b) The Stockholder shall pay or cause to be paid when due and payable all Taxes with respect to the Company, WW and the Subsidiaries for any taxable period ending on or before the Closing Date or otherwise described in Section 9.1(a)(i) through (iv) (except for Excluded Taxes) and Parent shall so pay or cause to be paid (i) Taxes for any taxable period ending after the Closing Date (subject to its right of indemnification from the Stockholder for Taxes attributable to the pre-closing portion of any Straddle Period pursuant to Section 9.1(a)(ii) and Section 9.1(b) hereof) and (ii) Excluded Taxes.

(c) The Stockholder may amend any Return of the Company, WW or any Subsidiary filed or required to be filed for any taxable years or periods ending on or before the Closing Date, provided that any such amendment shall not adversely affect any of Parent, the Company, WW or their respective subsidiaries.

(d) Neither Parent nor any affiliate of Parent shall (or shall cause or permit the Company, WW or any of their respective Subsidiaries to) amend, refile or otherwise modify any Return relating in whole or in part to the Company, WW or any Subsidiary with respect to any taxable year or period ending on or before the Closing Date (or with respect to any Straddle Period) without the prior written consent of the Stockholder, which consent may be withheld by Stockholder in its sole discretion, subject to and in compliance with applicable law.

9.3 Refunds. Any Tax refund (including any interest with respect thereto) relating to the Company, WW or any Subsidiary for any taxable period prior to the Closing Date shall be the property of the Stockholder, and if received by Parent or the Company, WW or any of their respective Subsidiaries shall be paid over promptly to the Stockholder. Notwithstanding the foregoing sentence, any Tax refund (or equivalent benefit to the Stockholder through a reduction in Tax liability) for a period before the Closing Date arising out of the carryback of a loss or credit incurred by the Company, WW or any Subsidiary in a taxable year beginning after the Closing Date shall be the property of Parent and, if received by the Stockholder, shall be paid over promptly to Parent. For purposes of this Section 9.3, where it is necessary to apportion a refund or credit between Parent and the Stockholder for a Straddle Period, such refund or credit shall be apportioned between the period deemed to end at the close of the Closing Date, and the period deemed to begin at the beginning of the day following the Closing Date on the basis of an interim closing of the books, except that refunds or credits of Taxes imposed on a periodic basis (e.g., real property Taxes) shall be allocated on a daily basis. In addition, Parent shall cooperate, and cause the Company, WW and any Subsidiary to cooperate, in obtaining any refund that the Stockholder reasonably believes should be available, including through the filing of appropriate forms with the applicable taxing authorities.

9.4 Contests

(a) After the Closing, Parent shall promptly notify the Stockholder in writing of any written notice of any pending or threatened audits, notice of deficiency, proposed adjustment, assessment, examination or other administrative or court proceeding, suit, dispute or other claim (a "Tax Claim") of Parent or of any of the Company, WW and the Subsidiaries which, if determined adversely to the taxpayer, would be grounds for indemnification under this Article IX; provided, however, that a failure to give such notice will not affect Parent's right to indemnification under this Article IX except to the extent, if any, that, but for such failure, the Stockholder could have avoided all or a portion of the Tax liability in question.

(b) In the case of an audit or administrative or judicial proceeding that relates to periods ending on or before the Closing Date, the Stockholder shall have the right at its expense to participate in and control the conduct of such audit or proceeding; Parent also may participate in any such audit or proceeding and, if the Stockholder does not assume the defense of any such audit or proceeding, Parent may defend the same in such manner as it may deem appropriate, including, but not limited to, settling such audit or proceeding after giving ten days' prior written notice to the Stockholder setting forth the terms and conditions of settlement. In the event that issues relating to a potential adjustment for which the Stockholder would be liable are required to be dealt with in the same proceeding as separate issues relating to a potential adjustment for which Parent would be liable, Parent shall have the right, at its expense, to control the audit or proceeding with respect to the latter issues.

(c) With respect to any Tax Claim related to a Straddle Period for which both the Stockholder and Parent or the Company, WW or any Subsidiary could be liable, each party may participate in the audit or proceeding, and (ii) the audit or proceeding shall be controlled by that

party which would bear the burden of the greater portion of the sum of the adjustment based on the principles set forth in Section 9.1(b) hereof.

(d) If as a result of any Tax Claim or amended Tax Return, there is any change after the Closing Date in an item of income, gain, loss, deduction or credit that results in an increase in a Tax liability for which the Stockholder would otherwise be liable pursuant to Section 9.1(a), and such change results in a decrease in the Tax liability of Parent or any affiliate or successor thereof for any taxable year or period beginning after the Closing Date or for the portion of any Straddle Period beginning after the Closing Date, the Stockholder shall not be liable pursuant to Section 9.1(a) with respect to such increase to the extent of such decrease. If as a result of any Tax Claim or amended Tax Return, there is any change after the Closing Date in an item of income, gain, loss, deduction or credit that results in an increase in a Tax liability for which Parent would otherwise be liable pursuant to Section 9.1(a), and such change results in a decrease in the Tax liability of the Stockholder or any affiliate or successor thereof for any taxable year or period ending on or before the Closing Date or for the portion of any Straddle Period ending on the Closing Date (other than by reason of a carryback of losses or deductions), Parent shall not be liable pursuant to Section 9.1(a) with respect to such increase to the extent of such decrease.

(e) Neither Parent nor the Stockholder shall enter into any compromise or agree to settle any Tax Claim which would adversely affect the other party for such year or a subsequent year without the written consent of the other party, which consent may not be unreasonably withheld. Parent and the Stockholder agree to cooperate, and Parent agrees to cause the Company, WW and any Subsidiary to cooperate, in the defense against or compromise of any Tax Claim.

9.5 Conveyance Taxes. The Stockholder and Parent shall each pay one-half of any real property transfer or gains, sales, use, transfer, value added, stock transfer, and stamp taxes, any transfer, recording, registration, and other fees, and any similar Taxes which become payable in connection with the transactions contemplated by this Agreement, other than transfers of assets contemplated by Section 5.14 hereof ("Transfer Taxes"). Notwithstanding Section 9.2, which shall not apply to Returns relating to Transfer Taxes, any Returns that must be filed in connection with Transfer Taxes shall be prepared and filed when due by the party primarily or customarily responsible under the applicable local law for filing such Returns, and such party will use its reasonable efforts to provide such Returns to the other party at least 10 days prior to the due date of such Returns.

9.6 Miscellaneous

(a) Except as otherwise required by applicable law, the Stockholder and Parent agree to treat all payments made by either of them to or for the benefit of the other (including any payments to the Company, WW or any Subsidiary) under this Article IX and under other indemnity provisions of this Agreement as adjustments to the Purchase Price for Tax purposes.

(b) Any tax sharing agreement, arrangement or policy (whether written or oral) between the Stockholder and the Company, WW or any Subsidiary shall be terminated immediately prior to the Closing.

(c) Notwithstanding any provision in this Agreement to the contrary, the obligations of the Stockholder to indemnify and hold harmless Parent, the Company, WW and any Subsidiary pursuant to this Article IX, and the representations and warranties contained in Section 2.8 hereof shall terminate at the close of business on the 30th day following the expiration of the applicable statute of limitations with respect to the Tax liabilities in question (giving effect to any waiver, mitigation or extension thereof). The obligations of Parent to indemnify and hold harmless the Stockholder pursuant to this Article IX shall terminate at the close of business on the 30th day following the expiration of the applicable statute of limitations with respect to the Tax liabilities in question (giving effect to any waiver, mitigation or extension thereof).

(d) Resolution of All Tax-Related Disputes. In the event that the Stockholder and Parent cannot agree on the calculation of any amount relating to Taxes or the interpretation or application of any provision of this Agreement relating to Taxes, such dispute shall be resolved by a nationally recognized accounting firm mutually agreeable to each of the Stockholder and Parent, whose decision shall be final and binding upon all persons involved and whose expenses shall be shared equally by the Stockholder and Parent.

(e) Notwithstanding anything to the contrary contained in this Agreement, all matters relating to Taxes shall be governed by this Article IX. In the event of a conflict between the provisions of this Article IX and the any other section of this Agreement, this Article IX shall govern and control.

(f) "Tax Benefits" shall mean the sum of the amount by which the actual Tax liability (after giving effect to any alternative minimum or similar Tax) of a corporation to the appropriate taxing authority is reduced (including, without limitation, by or as a result of a deduction, increase in basis, entitlement to refund, credit or otherwise, whether available in the current taxable year, as an adjustment to the taxable income in any other taxable year or as a carryforward or carryback, as applicable) plus any interest (on an after-Tax basis) from such government or jurisdiction relating to such Tax liability. For purposes of this Agreement, a Tax Benefit shall be deemed to have been "Actually Realized" at the time any refund of Taxes is actually received or applied against other Taxes due, or at the time of the filing of a Tax Return (including any Tax Return relating to estimated Taxes) on which a loss, deduction or credit or increase in basis is applied to reduce the amount of Taxes which would otherwise be payable. In accordance with the provisions of this paragraph (f), Parent and the Stockholder agree that for purposes of this Agreement, where a Tax Benefit may be realized that may result in the payment to, or reduce a payment by, the other party hereto, each party will as promptly as practicable take or cause its affiliates to take such reasonable or appropriate steps (including, without limitation, the filing of an amended Tax Return or claim for refund) to obtain at the earliest possible time any such reasonable available Tax Benefit.

(g) For purposes of any Tax Benefit Actually Realized determined under Section 9.6(f) of this Agreement, no later than 90 days after the filing of a Tax Return for any taxable period that includes a date upon which any amount was paid or accrued by Parent, the Company, WW or their respective Subsidiaries or affiliates, on the one hand, or the Stockholder or its affiliates, on the other hand (each an "Indemnified Party"), in respect of a claim for which the Stockholder is required to indemnify Parent or Parent is required to indemnify Stockholder, as the case may be, pursuant to this Agreement (the "Indemnifying Party"), Parent shall provide Stockholder or Stockholder shall provide Parent, as appropriate, a detailed statement (the "Tax Benefit Statement") specifying the amount, if any, of any Tax Benefit that was Actually Realized by the Indemnified Parties for such Tax period. To the extent that any deductions or other Tax items (including basis) that could give rise to a Tax reduction or savings do not result in the actual realization of such a Tax reduction or savings in the year described in the previous sentence, this Section 9.6(g) shall apply to each subsequent taxable period of the Indemnified Parties until either such Tax savings are Actually Realized (resulting in a Tax Benefit) or the losses or other carryforwards to which such deductions or other Tax items (including basis) gave rise expire unused, if applicable. For each relevant taxable period, the Indemnifying Party shall be provided with full access to the non-proprietary work papers and other materials and information of the Indemnified Parties' accountants in connection with the review of the Tax Benefit Statement. If the Indemnifying Party disagrees in any respect with the computation of the amount of the Tax Benefit Actually Realized set forth in the Tax Benefit Statement, the Indemnifying Party may, on or prior to 45 days after the receipt of the Tax Benefit Statement, deliver a notice to the Indemnified Parties setting forth in reasonable detail the basis for the Indemnifying Party's disagreement therewith ("Tax Benefit Dispute Notice"). If no Tax Benefit Dispute Notice is received by the Indemnified Parties on or prior to the 45th day after the Indemnifying Party's receipt of the Tax Benefit Statement from Parent, the Tax Benefit Statement shall be deemed accepted by the Indemnifying Party.

(h) Payments. Parent shall pay all amounts for indemnification for which it is liable pursuant to this Agreement in cash; provided, however, that, if and to the extent any such cash payment (the "Excess Cash Payment") would, in the opinion of Skadden, cause Skadden to no longer be able to issue an opinion that each of the Mergers will qualify as a reorganization pursuant to Section 368(a) of the Code, Parent shall use commercially reasonable efforts to pay such Excess Cash Payment in Parent Common Stock (valued in accordance with Section 7.2(b)); provided, further, that in no event will Parent be obligated to pay such Excess Cash Payment in Parent Common Stock unless, in the opinion of counsel to Parent, such payment in Parent Common Stock would be exempt from registration under the Securities Act.

ARTICLE X

GENERAL PROVISIONS

10.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested) or sent via facsimile (with acknowledgment of

complete transmission) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to Parent, Metal Merger Sub or WW Merger Sub, to:

Homestore.com, Inc.
225 W. Hillcrest Drive, Suite 100
Thousand Oaks, CA 91360
Attention: David M. Rosenblatt, Esq.
Telephone No.: (805) 557-2300
Facsimile No.: (805) 557-2689

with a copy to:

Wilson Sonsini Goodrich & Rosati,
Professional Corporation
650 Page Mill Road
Palo Alto, California 94304
Attention: Martin W. Korman, Esq.
Telephone No.: (650) 493-9300
Facsimile No.: (650) 493-6811

and a copy to:

Fenwick & West
Two Palo Alto Square
Palo Alto, California 94306
Attention: Gordon K. Davidson, Esq.
C. Kevin Kelso, Esq.
Telephone No.: (650) 494-0600
Facsimile No.: (650) 494-1417

(ii) if to the Company, WW or Stockholder, to:

Cendant Corporation
9 West 57th Street, 7th Floor
New York, NY 10019
Attention: Eric Bock, Esq.
Telephone No.: (212) 413-1800
Facsimile No.: (212) 413-1923

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attention: David Fox, Esq.
Telephone No.: (212) 735-3000
Facsimile No.: (212) 735-2000

10.2 Interpretation.

(a) The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation."

(b) As used herein, the term "Material Adverse Effect" shall mean any change, event or effect that is materially adverse to the business, assets (including intangible assets), financial condition, capitalization or results of operations of an entity.

For purposes of Articles VI and VIII hereof with respect to a Material Adverse Effect on the Company, WW or any Subsidiary (taken as a whole):

(i) if there shall be any shortfall in revenue of the Company or WW, such shortfall shall not be deemed in and of itself, a Material Adverse Effect on the Company.

(ii) adverse changes in the economy generally, or in the real estate, Internet or advertising industries shall not be taken into account in determining a Material Adverse Effect on the Company, WW and any Subsidiary (taken as a whole) (provided that such adverse changes do not affect the Company or WW or any of the Subsidiaries, as applicable, in a materially disproportionate manner);

(iii) adverse changes in stock market conditions shall not be taken into account in determining a Material Adverse Effect on the Company, WW and any Subsidiary (taken as a whole); or

(iv) the Company's or WW's loss of suppliers, customers or employees shall not be taken into account in determining a Material Adverse Effect on the Company, WW and any Subsidiary (taken as a whole) (provided that this exception shall not apply (A) to the loss of customers or suppliers caused by the Stockholder or its affiliates, including NRT Incorporated ("NRT") or its controlled affiliates and, in the case of customers only, subject to the exception same provision as set forth in clause (b)(i) above, or (B) in the case of the Company's or WW's employees, those employees hired by the Stockholder or its affiliates without the prior written consent of Parent).

For purposes of Articles VI and VIII hereof with respect to a Material Adverse Effect on Parent:

(i) if there shall be any shortfall in revenue of Parent, such shortfall shall not be deemed in and of itself a Material Adverse Effect on the Company;

(ii) adverse changes in the economy generally, or in the real estate, Internet or advertising industries shall not be taken into account in determining a Material Adverse Effect on Parent (provided that such adverse changes do not affect Parent in a materially disproportionate manner);

(iii) adverse changes in stock market conditions or price of Parent Common Stock shall not be taken into account in determining a Material Adverse Effect on Parent; or

(iv) Parent's loss of suppliers, customers or employees shall not be taken into account in determining a Material Adverse Effect on Parent.

(c) As used herein, the term "Business Adverse Effect" shall mean (i) a material impairment of Parent's ability to continue operating the Business substantially as it was operated prior to the Closing; (ii) a material impairment in Parent's ability to use the Intellectual Property substantially as used by the Company or WW or any of the Subsidiaries prior to the Closing; or (iii) any material liability that would be reasonably likely to have a material adverse effect on the Company, WW or any of the Subsidiaries taken as a whole.

(d) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

10.3 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

10.4 Entire Agreement; Assignment. This Agreement, the Stockholder Disclosure Letter and Exhibits hereto, the Mutual Disclosure Agreement and the documents and instruments and other agreements among the parties hereto referenced herein: (a) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the Mergers; (b) are not intended to confer upon any other person any rights or remedies hereunder; and (c) shall not be assigned by operation of law or otherwise except as otherwise specifically permitted, except that Parent, Metal Merger Sub and WW Merger Sub may assign their respective rights and delegate their respective obligations hereunder to their respective affiliates (except that with respect to the indemnification obligations of Stockholder set forth in Section 7.2(a)(ii), Parent or its affiliate, as

applicable, shall have the right to assign such indemnities in whole or in part to any third party without the consent of Stockholder).

10.5 Severability. In the event that any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

10.6 Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

10.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Each of the parties hereto agrees that process may be served upon them in any manner authorized by the laws of the State of Delaware for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

10.8 Rules of Construction. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

10.9 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, including Section 5.13 and Section 5.14 hereof. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

10.10 Attorney's Fees. If any action or other proceeding relating to the enforcement of any provision of this Agreement is brought by any party hereto, the prevailing party shall be entitled to recover reasonable attorney's fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled).

10.11 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY FOR ANY ACTION,

PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF.

(Remainder of page intentionally left blank.)

IN WITNESS WHEREOF, Parent, Metal Merger Sub, WW Merger Sub, the Company, WW, CMS and Stockholder, and have caused this Agreement to be signed by their duly authorized respective officers, all as of the date first written above.

HOMESTORE.COM, INC.

By:

Name:

Title:

CENDANT CORPORATION

By:

Name:

Title:

MOVE.COM, INC.

By:

Name:

Title:

METAL ACQUISITION CORP.

By:

Name:

Title:

WELCOME WAGON INTERNATIONAL INC.

By:

Name:

Title:

WW ACQUISITION CORP.

By:

Name:

Title:

CENDANT MEMBERSHIP SERVICES, INC.

By:

Name:

Title:

REORGANIZATION AGREEMENT

EXHIBIT INDEX

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Exhibit A-2	Form of NRT Listing Agreement
Exhibit A-3	Form of iLead Agent Services Agreement
Exhibit A-4	Form of Software License Agreement (Top Producer)
Exhibit A-5	Form of Marketplace Agreement (Cendant, Century21, Coldwell Banker, ERA)
Exhibit A-6	Form of Mortgage Marketing Agreement
Exhibit A-7	Form of Purchase Agreement
Exhibit A-8	Form of Corporate Services Transition Agreement
Exhibit A-9	Form of Transaction Platform Marketing Agreement
Exhibit A-10	Form of Leased Employee Agreement
Exhibit B	Form of Stockholder Agreement
Exhibit C	Form of Registration Rights Agreement
Exhibit D	List of Signatories to Support Agreement
Exhibit E	Form of Support Agreement
Exhibit F-1(a) and (b)	Forms of Tax Certificate (Stockholder)
Exhibit F-2(a) and (b)	Forms of Tax Certificate (Parent, Metal Merger Sub and WW Merger Sub)

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

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of November 11, 2000, is by and among Cendant Corporation, a Delaware corporation ("Parent"), PHH Corporation, a Maryland corporation and an indirect wholly owned Subsidiary (as defined below) of Parent ("PHH"), Avis Acquisition Corp., a Delaware corporation and a wholly owned Subsidiary of PHH ("Merger Sub"), and Avis Group Holdings, Inc., a Delaware corporation (the "Company").

RECITALS

WHEREAS, Cendant Car Holdings, Inc., a Delaware corporation and an indirect, wholly owned Subsidiary of Parent ("Car Holdings"), is the beneficial owner of 5,535,800 shares of class A common stock, par value $.01 per share, of the Company (the "Company Common Stock"), which represents approximately 17.8% of the outstanding shares of Company Common Stock;

WHEREAS, Parent and PHH have proposed that PHH acquire (the "Acquisition") all of the issued and outstanding shares of Company Common Stock not beneficially owned (within the meaning of Rule 13d-3 of the Exchange Act (as defined below)) by Parent, PHH, Merger Sub, Car Holdings or any other direct or indirect Subsidiary of Parent (collectively, the "Acquisition Group") (such outstand ing shares of Company Common Stock not owned by the Acquisition Group being referred to herein as the "Shares");

WHEREAS, in furtherance of the Acquisition, it is proposed that Merger Sub shall be merged with and into the Company, with the Company continu ing as the surviving corporation (the "Merger"), in accordance with the General Corporation Law of the State of Delaware (the "DGCL") and upon the terms and subject to the conditions set forth herein;

WHEREAS, a special committee of the board of directors of the Company (the "Board"), consisting entirely of nonmanagement directors of the Company who are not Affiliates (as defined below) of the Acquisition Group (the "Independent Committee"), was established for, among other purposes, the purpose of evaluating the Acquisition and making a recommendation to the Board with regard to the Acquisition;

WHEREAS, the Independent Committee has received the opinion of Morgan Stanley & Co., Incorporated ("Morgan Stanley"), financial advisor to the Independent Committee, that, as of the date hereof, the consideration to be received

by the holders of Shares pursuant to the Merger is fair to such holders from a financial point of view;

WHEREAS, the Board, based on the unanimous recommendation of the Independent Committee, has, in light of and subject to the terms and conditions set forth herein, (i) determined that (x) the Merger Consideration (as defined below), is fair to the holders of Shares and (y) the Merger is advisable and in the best interests of the Company and the holders of Shares; (ii) approved, and declared the advisability of, this Agreement and (iii) determined to recommend that the stock holders of the Company vote to adopt this Agreement;

WHEREAS, the respective boards of directors of Parent, PHH and Merger Sub have approved this Agreement; the board of directors of Merger Sub has declared the advisability of the Agreement; and PHH, as the sole stockholder of Merger Sub, has adopted this Agreement; and

WHEREAS, the Company, Parent, PHH and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with the Merger and the other transactions contemplated hereby (collectively, the "Transactions") and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations, warranties and agreements contained herein, the parties hereto agree as follows:

ARTICLE I
THE MERGER

1.1 THE MERGER. At the Effective Time (as defined below), and upon the terms and subject to the conditions of this Agreement and in accordance with the DGCL, Merger Sub shall be merged with and into the Company. Following the Merger, the Company shall continue as the surviving corporation (the "Surviving Corporation") and as a wholly owned subsidiary of PHH, and the separate corporate existence of Merger Sub shall cease in accordance with the DGCL.

1.2 EFFECTIVE TIME. Subject to the provisions of this Agreement, the parties shall cause the Merger to be consummated by filing a certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware in such form as required by, and executed in accordance with, the relevant provisions of the DGCL as soon as practicable on or after the Closing Date (as defined below). The Merger shall become effective upon such filing or at such time thereafter as is

agreed by Parent and the Independent Committee and provided in the Certificate of Merger (the "Effective Time," and the date of such effectiveness shall be the "Effec tive Date").

1.3 CLOSING OF THE MERGER. The closing of the Merger (the "Closing") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York, at 10:00 a.m. (local time) on a date to be specified by the parties, which shall be no later than the second Business Day after satisfaction or waiver (as permitted by this Agreement and applicable law) of all of the conditions set forth in Article VI hereof (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) (the "Closing Date"), unless another time, date or place is agreed by Parent and the Independent Committee in writing.

1.4 EFFECTS OF THE MERGER. The Merger shall have the effects set forth in Section 259 of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all properties, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corpora tion, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

1.5 CERTIFICATE OF INCORPORATION AND BY-LAWS. At the Effective Time, the Amended and Restated Certificate of Incorporation of the Company shall be amended and restated in its entirety to read as set forth in Annex A and, as so amended, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided by law and such certificate of incorporation, subject to the provisions of Section 5.5. The by-laws of Merger Sub, as in effect immedi ately prior to the Effective Time, shall be the by-laws of the Surviving Corporation until thereafter amended in accordance with its terms, and as provided by applicable law, and the certificate of incorporation of the Surviving Corporation, subject to the provisions of Section 5.5.

1.6 DIRECTORS. The directors of Merger Sub at the Effective Time, from and after the Effective Time, shall be the directors of the Surviving Corpora tion, each to hold office in accordance with the certificate of incorporation and by-laws of the Surviving Corporation until such director's successor is duly elected and qualified in the manner provided in the Surviving Corporation's certificate of incorporation and by-laws, or as otherwise provided by applicable law.

1.7 OFFICERS. The officers of the Company at the Effective Time, from and after the Effective Time, shall be the officers of the Surviving Corporation until such officer's successor is duly elected or appointed and qualified in the manner

provided in the Surviving Corporation's certificate of incorporation and by-laws, or as otherwise provided by applicable law.

1.8 SUBSEQUENT ACTIONS. If, at any time after the Effective Time, the Surviving Corporation shall determine or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connec tion with, the Merger or otherwise to carry out this Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of either the Company or Merger Sub, all such deeds, bills of sale, instruments of conveyance, assignments and assurances and to take and do, in the name and on behalf of the Company, Merger Sub or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation or otherwise to carry out this Agreement.

ARTICLE II
CONVERSION OF SHARES

2.1 CONVERSION OF SHARES. At the Effective Time, by virtue of the Merger, and without any action on the part of the holder thereof:

(a) subject to Section 2.3, each Share issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive an amount in cash, without interest, equal to thirty-three United States Dollars ($33.00) (the "Merger Consideration") in the manner provided in Section 2.2 hereof;

(b) each Share issued and held in the Company's treasury or held by any Subsidiary of the Company immediately prior to the Effective Time shall, by virtue of the Merger, cease to be outstanding and shall be cancelled and retired without payment of any consideration therefor;

(c) each share of Company Common Stock held by any member of the Acquisition Group immediately prior to the Effective Time shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation; and

(d) each share of common stock, par value $.01 per share, of Merger Sub ("Merger Sub Common Stock") issued and outstanding immediately

prior to the Effective Time shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation.

2.2 DELIVERY OF MERGER CONSIDERATION.

(a) Immediately prior to the Effective Time, Parent and PHH shall deposit or cause to be deposited in trust (the "Payment Fund") with an agent desig nated by Parent and reasonably satisfactory to the Independent Committee (the "Payment Agent") for the benefit of the holders of certificates representing the Shares issued and outstanding as of the Effective Time (collectively, "Certificates"), the aggregate Merger Consideration to be paid in respect of the Shares. The Payment Fund shall not be used for any other purpose. The Payment Fund shall be invested by the Payment Agent, as directed by the Surviving Corporation, in (i) obligations of or guaranteed by the United States, and (ii) certificates of deposit, bank repurchase agreements and bankers' acceptances of any bank or trust company organized under federal law or under the law of any state of the United States or of the District of Columbia that has capital, surplus and undivided profits of at least $1 billion or in money market funds which are invested substantially in such investments. Any net earnings with respect thereto shall be paid to the Surviving Corporation as and when requested by the Surviving Corporation.

(b) As soon as reasonably practicable after the Effective Time, Parent shall instruct the Payment Agent to mail to each holder of record of Shares immediately prior to the Effective Time (excluding any Shares cancelled pursuant to Section 2.1 hereof):

(i) a letter of transmittal (the "Letter of Transmittal") (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of such Certificates to the Payment Agent and shall be in such form and have such other provisions as Parent reasonably specifies), and

(ii) instructions for use in effecting the surrender of each Certificate in exchange for the Merger Consideration with respect to each of the Shares formerly represented thereby.

(c) Parent and the Surviving Corporation shall cause the Payment Agent to pay to the holders of a Certificate, as soon as practicable after receipt of any Certificate (or in lieu of any such Certificate which has been lost, stolen or destroyed, an affidavit of lost, stolen or destroyed share certificates (including customary indemnity or bond against loss) in form and substance reasonably satisfactory to Parent) together with the Letter of Transmittal, duly executed, and such other

documents as Parent or the Payment Agent reasonably request, in exchange therefor a check in the amount equal to the Merger Consideration multiplied by the number of Shares represented by such Certificate. No interest shall be paid or accrued on any cash payable upon the surrender of any Certificate. Each Certificate surrendered in accordance with the provisions of this Section 2.2(c) shall be cancelled forthwith.

(d) In the event of a transfer of ownership of Shares which is not registered in the transfer records of the Company, the Merger Consideration may be paid to the transferee only if (i) the Certificate representing such Shares surrendered to the Payment Agent in accordance with Section 2.2(c) hereof is properly endorsed for transfer or is accompanied by appropriate and properly endorsed stock powers and is otherwise in proper form to effect such transfer, (ii) the Person requesting such transfer pays to the Payment Agent any transfer or other taxes payable by reason of such transfer or establishes to the satisfaction of the Payment Agent that such taxes have been paid or are not required to be paid, and (iii) such Person establishes to the reasonable satisfaction of Parent that such transfer would not violate any applicable federal or state securities laws.

(e) Subject to Section 2.3, at and after the Effective Time, each holder of a Certificate that represented issued and outstanding Shares immediately prior to the Effective Time shall cease to have any rights as a stockholder of the Company, except for the right to surrender his or her Certificate in exchange for the Merger Consideration multiplied by the number of Shares represented by such Certificate. At the Effective Time, the stock transfer books of the Company shall be closed, except as otherwise provided by applicable law, and no transfer of Shares shall be made on the stock transfer books of the Surviving Corporation. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Payment Agent for any reason, they shall be cancelled and exchanged as provided in this Article II, except as otherwise provided by applicable law.

(f) The Merger Consideration paid in the Merger shall be net to the holder of Shares in cash, and without interest thereon, subject to reduction only for any applicable withholding Taxes (as defined below).

(g) Promptly following the date which is 180 days after the Effective Date, the Payment Agent shall deliver to the Surviving Corporation all cash (including any interest received with respect thereto), Certificates and other docu ments in its possession relating to the transactions contemplated hereby, and the Payment Agent's duties shall terminate. Thereafter, each holder of a Certificate (other than Certificates representing Dissenting Shares (as defined below)) may surrender such Certificate to the Surviving Corporation and (subject to any applica ble abandoned property, escheat or similar law) receive in consideration therefor (and

only as general creditors thereof) the aggregate Merger Consideration relating thereto, without any interest thereon. Notwithstanding the foregoing, no member of the Acquisition Group, nor the Surviving Corporation, the Company or the Payment Agent shall be liable to a holder of a Certificate for any Merger Consideration properly delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(h) Any portion of the Merger Consideration made available to the Payment Agent pursuant to Section 2.2(a) to pay for Shares for which appraisal rights have been perfected shall be returned to Parent or PHH upon demand.

2.3 DISSENTING SHARES. Notwithstanding anything in this Agree ment to the contrary, Shares that are issued and outstanding immediately before the Effective Time and that are held by stockholders who have not voted in favor of the adoption of this Agreement or consented thereto in writing and who have properly exercised appraisal rights with respect thereto in accordance with Section 262 of the DGCL shall not be converted into the right to receive the Merger Consideration as provided in Section 2.1, unless such holders fail to perfect or withdraw or otherwise lose their rights to appraisal. Instead, ownership of such Shares shall entitle the holder thereof to receive the consideration determined pursuant to Section 262 of the DGCL; provided, however, that if such holder fails to perfect or effectively with draws such holder's right to appraisal and payment under the DGCL, each of such Shares shall thereupon be deemed to have been converted, at the Effective Time, into the right to receive the Merger Consideration, without any interest thereon, upon surrender of the Certificate or Certificates in the manner provided in Section 2.2 hereof. The Company shall give Parent (i) prompt notice of any demands (or withdrawals of demands) for appraisal of any Shares received by the Company pursuant to the applicable provisions of the DGCL and any other instruments served pursuant to the DGCL and received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the DGCL. The Company shall not, except with the prior written consent of Parent, make any payment with respect to any such demands for appraisal or offer to settle, or settle, any such demands.

2.4 TREATMENT OF COMPANY OPTIONS.

(a) Subject to Section 2.4(b), the Company shall take all action necessary so that each option to purchase shares of Company Common Stock (each, an "Option") granted under the Company's 1997 Stock Option Plan and 2000 Incentive Compensation Plan (collectively, the "Assumed Option Plans" and, individually, an "Assumed Option Plan") outstanding and unexercised immediately prior to the Effective Time shall be cancelled immediately prior to the Effective

Time in exchange for the right to receive an amount in cash equal to the product of (i) the number of shares of Company Common Stock subject to such Option immedi ately prior to the Effective Time and (ii) the excess, if any, of the Merger Consider ation over the per share exercise price of such Option, to be delivered by the Surviv ing Corporation promptly following the Effective Time. All applicable withholding taxes attributable to the payments made hereunder shall be deducted from the amounts payable under this Section 2.4. Notwithstanding the foregoing, or Section 2.4(b), any Option with an exercise price greater than the Merger Consideration immediately prior to the Effective Time shall be automatically converted into an Assumed Option in accordance with Section 2.4(c), whether or not the holder thereof shall have made a Retention Election with respect to such Option in accordance with Section 2.4(b). The Company shall use its commercially reasonable efforts to obtain the consent of each holder of Options to the foregoing treatment of such Options to the extent required under the Assumed Option Plans pursuant to which such Options were granted.

(b) Notwithstanding the provisions of Section 2.4(a), each person who, on or prior to the Effective Date, is the holder of an outstanding and unexer cised Option shall be entitled, with respect to all or any portion of such holder's Option, to make an unconditional election to the Company in writing (a "Retention Election") on or prior to the Effective Date, to convert, as of the Effective Time, such portion of their Options as may be specified in such Retention Election into options to purchase shares of common stock, par value $.01 per share, of Parent ("Cendant Common Stock"), as set forth in subsection (c) below, in lieu of receiving a cash payment, if any, in consideration for the cancellation of such portion of their Options in the manner described in Section 2.4(a).

(c) Any portion of an Option with respect to which a timely Retention Election has been delivered to the Company (the "Elected Portion") shall, at the Effective Time, become and represent an option to purchase Cendant Common Stock; and Parent shall assume each such option (hereinafter, an "Assumed Option") subject to the terms of the applicable Assumed Option Plan, in each case as hereto fore amended or restated, as the case may be, and the agreement evidencing the grant thereunder of such Assumed Option; provided, however, that from and after the Effective Time, (i) the number of shares of Cendant Common Stock purchasable upon exercise of such Assumed Option shall be equal to the number of shares of Company Common Stock that were purchasable under such Assumed Option immediately prior to the Effective Time multiplied by the Exchange Ratio (as defined below), and rounded up or down to the nearest whole share, and (ii) the per share exercise price under each such Assumed Option shall be adjusted by dividing the per share exercise price of each such Assumed Option by the Exchange Ratio, and rounding up or down to the nearest whole cent; provided, however, that in the

case of any Options intended to qualify as "incentive stock options" under Section 422 of the Code, the adjustments pursuant to this Section 2.4(c) shall be determined in order to comply with Section 424(a) of the Code. The terms of the Assumed Option shall be the same as the original Option except that all references to the Company shall be deemed to be references to Parent. The terms of each Assumed Option shall, to the extent provided in the applicable Assumed Option Plan, be subject to further adjustment as appropriate to reflect any stock split, stock dividend, recapitalization or other similar transaction with respect to Cendant Common Stock on or subsequent to the Effective Time. The "Exchange Ratio" shall be equal to the ratio obtained by dividing the amount of the Merger Consideration by the average closing price of one share of Cendant Common Stock on the New York Stock Exchange for the ten (10) consecutive trading days immediately preceding the Effective Date.

(d) The parties acknowledge that each Option to purchase shares of Company Common Stock under the Assumed Option Plans shall become fully vested and exercisable in connection with consummation of the Merger in accor dance with and subject to the terms of such Option and the relevant Assumed Option Plan.

2.5 ADJUSTMENTS. If, during the period between the date of this Agreement and the Effective Time, any change in the outstanding Shares shall occur in accordance with the terms of this Agreement, including by reason of any reclassi fication, recapitalization, stock split or combination, exchange or readjustment of Shares, or stock dividend thereon with a record date during such period, the cash payable pursuant to the Offer, the Merger Consideration and any other amounts payable pursuant to this Agreement shall be appropriately adjusted.

2.6 STOCKHOLDERS MEETING.

(a) The Company, acting through the Board, shall, in accordance with and to the extent permitted by applicable law:

(i) as promptly as practicable after the date hereof, call, give notice of, convene and hold a special meeting of its stockholders (the "Stock holders Meeting") for the purpose of considering and taking action upon the adoption of this Agreement;

(ii) prepare and file with the Securities and Exchange Commission (the "SEC") a preliminary proxy statement relating to this Agreement and the Merger as promptly as practicable after the date hereof, and use its commer cially reasonable efforts to obtain and furnish the information required to be included

in such proxy statement and, after consultation with Parent, respond promptly to any comments made by the SEC and its staff with respect to the preliminary proxy statement and cause a definitive proxy statement relating to this Agreement and the Merger (such proxy statement, together with any and all amendments or supplements thereto, the "Proxy Statement") to be mailed to its stockholders at the earliest practicable time;

(iii) include in the Proxy Statement the recommendations of the Independent Committee and the Board that stockholders of the Company vote in favor of the adoption of this Agreement (as the same may be amended, modified or withdrawn in accordance with Section 5.2(d) hereof); and

(iv) use its reasonable best efforts to solicit from holders of Shares proxies in favor of the adoption of this Agreement and take all other action necessary or advisable to secure, at the Stockholders Meeting, the affirmative vote of (A) the holders of a majority of the outstanding shares of Company Common Stock (voting as one class, with each share of Company Common Stock having one vote) and (B) the holders of a majority of the votes cast at the Stockholders Meeting by holders of Shares in favor of the adoption of this Agreement (the "Company Stock holder Approval"). The Company shall cause all Shares for which valid proxies have been submitted and not revoked to be voted at the Stockholders Meeting in accor dance with the instructions on such proxies.

(b) Once the Stockholders Meeting has been called and noticed, the Company shall not postpone or adjourn the Stockholders Meeting (other than for the absence of a quorum) without the prior written consent of Parent.

(c) Parent, PHH and Purchaser agree to promptly provide the Company with the information concerning Parent, PHH and Purchaser and their respective Affiliates required to be included in the Proxy Statement. At the Stock holders Meeting, Parent, PHH and Purchaser shall vote, or cause to be voted, all shares of Company Common Stock beneficially owned by them or any of their respective Subsidiaries in favor of the adoption of this Agreement.

(d) Notwithstanding anything to the contrary contained in this Agreement, in the event that the Independent Committee changes its recommenda tion of this Agreement and the Merger in accordance with Section 5.2(d) hereof and this Agreement has not been terminated pursuant to Article VII hereof, then, without limiting the Company's ability to disclose the recommendations of the Board and the Independent Committee in the Proxy Statement:

(i) in performing its obligations under this Section 2.6, the Company shall not be obligated to solicit from holders of Shares proxies in favor of the adoption of this Agreement or to take all action necessary or advisable to secure, at the Stockholders Meeting, the Company Stockholders Approval, but instead shall be obligated to solicit impartially from holders of Shares proxies to be voted at the Stockholders Meeting (making no instructions to vote in favor or against, but merely to return a completed proxy card) and to take all action necessary or advisable to maximize, at the Stockholders Meeting, the number of proxies submitted by holders of Shares;

(ii) the Company shall remain obligated to vote all unspecified but executed proxies submitted by holders of Shares in favor of the adoption of this Agreement;

(iii) Parent and its affiliates and agents shall have the right, as a participant in the Company's solicitation of proxies, to communicate with and solicit from holders of Shares the submission of Company proxies in favor of the adoption of this Agreement and to take all actions necessary or advisable to secure, at the Stockholders Meeting, the Company Stockholders Approval and otherwise to act as a participant in the Company's solicitation; and

(iv) The Company shall cooperate with Parent in connec tion with any actions taken by it pursuant to clause (d)(ii) above and shall make any filings under Federal securities laws required in connection therewith.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent, PHH and Merger Sub as of the date of this Agreement as follows:

3.1 ORGANIZATION. The Company and each of its Subsidiaries is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate or other power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Company and each of its Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary where the failure to be so duly qualified or licensed or in good standing would, individually or in the aggregate, result in a Material Adverse Effect (as

defined below). As used herein, the term "Material Adverse Effect" means a material adverse change in, or effect on, the business, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole, but shall not include any change, event, effect, occurrence or circumstance arising in connec tion with or as a result of (i) the announcement or performance of the Transactions contemplated by this Agreement, in and of themselves, or (ii) Parent's announcement or other communication of Parent of the plans or intentions of Parent with respect to any conduct of any business of the Company or any of its Subsidiaries.

3.2 AUTHORITY RELATIVE TO THIS AGREEMENT.

(a) The Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the Transactions, includ ing, without limitation, the Merger. The execution and delivery of this Agreement by the Company, and the consummation of the Transactions to be consummated by it, have been duly authorized by the Board and no other corporate proceedings on the part of the Company are required to authorize this Agreement or to consummate the Transactions to be consummated by it, other than, with respect to the Merger, (i) the Company Stockholder Approval and (ii) the filing and recordation of the Certificate of Merger in accordance with the DGCL. This Agreement has been duly executed and delivered by the Company and (assuming due authorization, execution and delivery hereof by Parent, PHH and Merger Sub) constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, relating to creditors' rights generally and (ii) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) The Company hereby represents and warrants that (i) the Independent Committee has been duly authorized and constituted; (ii) the Board, based on the recommendation of the Independent Committee at a meeting duly called and held, has (A) determined that (x) the Merger Consideration is fair to the holders of Shares and (y) the Merger is advisable and in the best interests of the Company and the holders of Shares, (B) approved and declared the advisability of, this Agree ment and (C) determined to recommend that the stockholders of the Company vote to adopt this Agreement in accordance with the provisions of the DGCL. The Independent Committee and the Board have received the written opinion (the "Fairness Opinion") of Morgan Stanley to the effect that, as of the date hereof, the Merger Consideration to be paid to the holders of Shares is fair to such holders from a financial point of view, and, as of the date hereof, such Fairness Opinion has not

been withdrawn. The Company has delivered a true, correct and complete copy of the Fairness Opinion to Parent.

3.3 VOTE REQUIRED. The affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock is the only vote of holders of any class or series of the Company's capital stock required to approve the Merger and adopt this Agreement under the DGCL, the Company's Amended and Restated Certificate of Incorporation and the Company's Amended and Restated ByLaws.

3.4 STATE TAKEOVER STATUTES. The Company has elected not to be governed by Section 203 of the DGCL in accordance with the provisions of Section 203(b) of the DGCL. The restrictions on business combinations contained in Section 203 of the DGCL do not apply to the Merger or the other Transactions nor shall they apply to any member of the Acquisition Group as a result of this Agreement or the Transactions.

3.5 CAPITALIZATION.

(a) The authorized capital stock of the Company consists of 100,000,000 shares of Company Common Stock, 15,000,000 shares of class B common stock, par value $.01 per share of the Company (the "Class B Common Stock") and 20,000,000 shares of preferred stock, par value $.01 per share, of the Company ("Preferred Stock"). As of October 31, 2000, there were (i) 31,156,172 shares of Company Common Stock issued and outstanding, (ii) 4,768,828 shares of Company Common Stock held in the Company's treasury, (iii) 9,000,000 shares of Company Common Stock reserved for issuance upon the exercise of outstanding Options, (iv) no shares of Company Common Stock reserved for issuance upon the conversion of the Class B Common Stock, (v) no shares of Class B Common Stock issued, (vi) no shares of Class B Common Stock reserved for issuance upon conver sion of the series A preferred stock, par value $.01 per share, of Avis Fleet Leasing and Management Corporation, a Texas corporation and a subsidiary of the Company (the "Avis Fleet") and series B preferred stock, par value $.01 per share of Avis Fleet, and (vii) no shares of Preferred Stock issued. All issued and outstanding shares of Company Common Stock are, and all shares of Company Common Stock issuable upon exercise of Options or conversion of the Class B Common Stock shall be, when issued in accordance with the respective terms thereof, duly authorized and validly issued, fully paid and nonassessable, and free of preemptive rights.

(b) Except as set forth in subsection (a) above or in Section 3.5(b) of the disclosure letter delivered by the Company to Parent prior to the execution of this Agreement (the "Company Disclosure Letter"), the Company does not have any

shares of its capital stock issued or outstanding and there are no outstanding sub scriptions, options, warrants, calls, convertible securities, rights or other agreements or commitments (i) to which the Company or any of its Subsidiaries is a party of any character relating to the issued or unissued capital stock or other equity interests of the Company or any of its Subsidiaries, or (ii) obligating the Company or any Subsidiary of the Company to (A) issue, transfer or sell any shares of capital stock or other equity interests of the Company or any Subsidiary of the Company or securities convertible into or exchangeable for such shares or equity interests, (B) grant, extend or enter into any such subscription, option, warrant, call, convertible securities or other right, agreement, arrangement or commitment to repurchase, (C) redeem or otherwise acquire any such shares of capital stock or other equity interests or (D) provide a material amount of funds to, or make any material investment (in the form of a loan, capital contribution or otherwise) in, any Person.

(c) Neither the Company nor any of its Subsidiaries has outstand ing bonds, debentures, notes or other obligations, the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of the Company or such Subsidiary on any matter. Except as set forth in Section 3.5(c) of the Company Disclosure Letter, there are no voting trusts or other agreements or understandings to which the Company or any of its Subsidiaries is a party with respect to the voting of the capital stock or other equity interest of the Company or any of its Subsidiaries.

3.6 SUBSIDIARIES.

(a) Section 3.6(a) of the Company Disclosure Letter sets forth a complete and accurate list of each Subsidiary of the Company. Except as set forth in Section 3.6 of the Company Disclosure Letter, all outstanding equity securities or other equity interests in each Subsidiary of the Company (i) are owned of record and beneficially by the Company or another of the Company's wholly owned Subsidiar ies, free of all liens, claims, charges or encumbrances, and (ii) have been duly authorized, and are validly issued, fully paid and nonassessable, and free of preemp tive rights. Section 3.6(a) of the Company Disclosure Letter sets forth all debt securities in excess of $500,000 issued by the Company or any Subsidiary of the Company.

(b) Except as set forth in Section 3.6(b) of the Company Disclo sure Letter, neither the Company nor any Subsidiary of the Company owns, directly or indirectly, a material amount of any capital stock, interest or equity investment or debt security in any corporation, partnership, limited liability company, joint venture, business, trust or other entity other than interests in another Subsidiary of the Company.

3.7 NO CONFLICT; REQUIRED FILINGS AND CONSENTS.

(a) Except for (i) applicable requirements of (A) the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (B) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and any similar foreign competition laws applicable hereto, and (C) any state securities or blue sky laws applicable hereto, (ii) the filing and recordation of the Certificate of Merger, as required by the DGCL, and (iii) as set forth in Section 3.7(a) of the Company Disclosure Letter, neither the execution and delivery of this Agreement by the Company nor the consummation by the Company of the Transactions contemplated hereby shall require on the part of the Company or any Subsidiary of the Company any filing with, or obtaining of, any permit, authorization, consent or approval of, or any notice to, any court, tribunal, legislative, executive or regulatory authority or agency (a "Governmental Entity"), where the failure to so file or obtain would, individually or in the aggregate, result in a Material Adverse Effect or would materially impair the Company's ability to consummate the Transactions.

(b) Except as set forth in Section 3.7(b) of the Company Disclo sure Letter, neither the execution and delivery of this Agreement by the Company nor the consummation by the Company of the Transactions will (i) conflict with or result in any breach of any provision of the Amended and Restated Certificate of Incorporation of the Company or the Amended and Restated By-laws of the Com pany or equivalent organizational documents of any Subsidiary of the Company, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, cancellation, suspension, modification or acceleration of any obligation under, or result in the creation of a lien under, any of the terms, conditions or provisions of, or otherwise require the consent or waiver of, or notice to, any other party under, any bond, note, mortgage, indenture, other evidence of indebtedness, guarantee, license, agreement or other contract or instrument ("Contract") to which the Company or any Subsidiary of the Company is a party or by which any of them or any of their respective properties or assets is bound, (iii) violate any law, statute, rule, regulation, order, writ, injunction or decree applicable to the Company, any Subsidiary of the Company or any of their respective properties or assets, or (iv) require the Company to pay any existing indebtedness where such violations, breaches, defaults or rights, in the case of clause (ii) or (iii), would, individually or in the aggregate, result in a Material Adverse Effect or would materially impair the Company's ability to consummate the Transactions.

3.8 SEC DOCUMENTS AND FINANCIAL STATEMENTS.

(a) The Company has filed all forms, reports and documents required to be filed with the SEC pursuant to the Exchange Act since December 31, 1998 (collectively, the "Company SEC Reports"). The Company SEC Reports, as of their respective filing dates, (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) complied in all material respects with the then applicable requirements of the Exchange Act, the Securities Act of 1933, as amended (the "Securities Act") and the applicable rules and regulations thereunder. No Subsidiary of the Company is required to file any forms, reports or other documents with the SEC.

(b) The consolidated financial statements (including all related notes) included in the Company SEC Reports fairly present the consolidated finan cial position of the Company and its consolidated Subsidiaries as of the respective dates thereof, and the results of operations and the changes in cash flows of the Company and its consolidated Subsidiaries for the respective periods set forth therein. Each of the consolidated financial statements (including all related notes) included in the Company SEC Reports has been prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"), except as otherwise noted therein, and subject, in the case of interim financial statements, to normal and recurring year-end audit adjustments.

3.9 NO UNDISCLOSED LIABILITIES. Except as and to the extent disclosed in Section 3.9 of the Company Disclosure Letter or reflected or reserved against in the Company's consolidated balance sheets included in the Company SEC Reports, and except for liabilities and obligations incurred in the ordinary course of business, consistent with past practice since December 31, 1999, neither the Company nor any Subsidiary of the Company has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet of the Company and its Subsidiaries (or in the notes thereto).

3.10 ABSENCE OF CERTAIN CHANGES. Except as contemplated by this Agreement or set forth in Section 3.10 of the Company Disclosure Letter or in the Form 10-Q of the Company filed with respect to the quarter ended June 30, 2000, since June 30, 2000, (a) the businesses of the Company and its Subsidiaries have been conducted in the ordinary course of business, consistent with past practice, (b) neither the Company nor any Subsidiary of the Company has taken any action

which, if taken after the date hereof, would violate Section 5.1 hereof if taken without the approval of Parent, and (c) there has not occurred any event, circum stance or condition which, individually or together with all such events, circum stances or conditions, has resulted or would result in a Material Adverse Effect.

3.11 PROXY STATEMENT. None of the information supplied by the Company for inclusion or incorporation by reference in the Proxy Statement shall, at the time it is filed with the SEC, at the time it is first mailed to the Company's stockholders, or at the time of the Stockholders Meeting, contain any untrue state ment of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, except that no representation or warranty is made by the Company as to any information supplied by Parent, PHH or Merger Sub to the Company for inclusion or incorporation by reference in the Proxy Statement. The Proxy Statement shall comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder.

3.12 LITIGATION. Except as specifically disclosed in the Company SEC Reports or set forth in Section 3.12 of the Company Disclosure Letter, there is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Company, threatened against or involving the Company or any of its Subsidiar ies, at law or in equity, by or before any Governmental Entity which (i), as of the date hereof, questions or challenges the validity of this Agreement or which (ii), if adversely determined, would result in a Material Adverse Effect or would materially impair or delay the ability of the Company to consummate the Transactions to be consummated by it.

3.13 TAXES. Except as set forth in Section 3.13 of the Company Disclosure Letter:

(a) Each of the Company and its Subsidiaries has (i) duly and timely filed (or there has been filed on their behalf) with the appropriate Governmen tal Entities all material Tax Returns (as defined below) required to be filed by it and all such material Tax Returns are true, correct and complete; (ii) duly paid in full (or there has been duly paid on its behalf) all Taxes (as defined below) shown on such Tax Returns that are due and payable; and (iii) made adequate provision, in accor dance with GAAP (or adequate provision has been made on its behalf), for the payment of all current Taxes not yet due.

(b) Each of the Company and its Subsidiaries has complied in all material respects with all applicable laws, rules and regulations relating to the

payment and withholding of Taxes and has, within the time and the manner pre scribed by law, withheld and paid over the proper Governmental Entities all material amounts required to be so withheld and paid over.

(c) Neither the Company nor any of its Subsidiaries has requested an extension of time within which to file any material Tax Return in respect of a taxable year which has not since been filed and no outstanding waivers or compara ble consents regarding the application of the statute of limitations with respect to material Taxes or material Tax Returns has been given by or on behalf of the Company or any of its Subsidiaries.

(d) No material federal, state, local or foreign audits, examinations or other administrative court proceedings have been commenced or, to the Com pany's knowledge, are threatened with regard to any material Taxes or material Tax Returns of the Company or any of its Subsidiaries. No written notification has been received by the Company or any of its Subsidiaries that such an audit, examination or other proceeding is pending or threatened with respect to any material Taxes due from or with respect to or attributable to the Company or any of its Subsidiaries or any material Tax Return filed by or with respect to the Company or any of its Subsidiaries.

(e) Neither the Company nor any of its Subsidiaries is a party to any agreement, plan, contract or arrangement that could result, separately or in the aggregate, in a payment of (i) any "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) any amount that would not be deductible under Section 162(m) of the Code.

(f) Neither the Company nor any of its Subsidiaries is a party to any material tax sharing, tax indemnity or other agreement or arrangement.

(g) There are no material liens for Taxes upon the assets of the Company or any of its Subsidiaries except liens for Taxes not yet due and payable.

(h) For purposes of this Agreement, "Taxes" shall mean any and all taxes, charges, fees, levies or other assessments, including income, gross receipts, excise, real or personal property, sales, withholding, social security, occupation, use, service, service use, value added, license, net worth, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the United States Internal Revenue Service (the "IRS") or any taxing authority (whether domestic or foreign including any state, local or foreign government or any subdivision or taxing agency thereof (including a United States possession)), whether computed on a separate, consoli dated, unitary, combined or any other basis; and such term shall include any interest,

penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies or other assessments. For purposes of this Agreement, "Tax Return" shall mean any report, return, document, declaration or other information or filing required to be supplied to any taxing authority or jurisdic tion (foreign or domestic) with respect to Taxes.

3.14 EMPLOYEE BENEFIT PLANS.

(a) Each material employee benefit plan, program, arrangement or agreement, including each "employee benefit plan," within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), in each case, maintained by the Company or any of its Subsidiaries, or to which the Company or any of its Subsidiaries contributes or is required to contribute (each, a "Plan"; collectively, "Plans") is listed in Section 3.14(a) of the Company Disclosure Letter. None of the Company or any of its Subsidiaries has any commitment or formal plan to create any additional employee benefit plan or modify or change any existing Plan (except as required to maintain the tax-qualified status of any Plan intended to qualify under Section 401(a) of the Code).

(b) Except as disclosed in the Company SEC Reports or Section 3.14(b) of the Company Disclosure Letter or to the extent that any breach of the representations set forth in this sentence would not have a Material Adverse Effect: (i) each Plan (other than any Plan that is a "multiemployer plan," within the meaning of Section 4001(a)(3) of ERISA (a "Multiemployer Plan")) is in compliance with applicable law and has been administered and operated in all respects in accordance with its terms; (ii) each Plan (other than any Multiemployer Plan) which is intended to be "qualified" within the meaning of Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), has received a favorable determination letter regarding its tax-qualified status from the IRS and the Company is not aware of any circumstances that could reasonably be expected to result in the revocation of such letter; (iii) the actuarial present value of the accumulated plan benefits (whether or not vested) under each Plan covered by Title IV of ERISA (other than any Multiemployer Plan) as of the close of its most recent plan year did not exceed the fair value of the assets allocable thereto; (iv) no Plan covered by Title IV of ERISA (other than any Multiemployer Plan) has been terminated and no proceedings have been instituted to terminate or appoint a trustee to administer any such plan; (v) no "reportable event" (as defined in Section 4043 of ERISA) has occurred with respect to any Plan covered by Title IV of ERISA (other than any Multiemployer Plan); (vi) no Plan (other than any Multiemployer Plan) subject to Section 412 of the Code or Section 302 of ERISA nor any such employee benefit plan sponsored or maintained by any entity that, together with the Company, would be deemed a "single employer" within the meaning of Section 4001(b) of ERISA (an

"ERISA Affiliate") has incurred any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, or obtained a waiver of any minimum funding standard or an extension of any amortization period under Section 412 of the Code or Section 303 or 304 of ERISA; (vii) the Company and each Subsidiary of the Company have made all contributions to each Plan required by the terms of each such Plan or any collectively bargained agreement; (viii) neither the Company nor any Subsidiary of the Company has incurred any unsatisfied withdrawal liability under Part 1 of Subtitle E of Title IV of ERISA to any Multiemployer Plan; (ix) no Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for employees or former employees of the Company or any of its Subsidiaries for periods extending beyond their retirement or other termination of service, other than (1) coverage mandated by applicable law, (2) death benefits under any "pension plan," or (3) benefits the full cost of which is borne by the current or former employee (or his or her beneficiary); (x) neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any other "disqualified person" or "party in interest" (as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively) has engaged in any transactions in connection with any Plan that would result in the imposition of a penalty pursuant to Section 502(i) of ERISA or a tax pursuant to Section 4975 of the Code; (xi) there has been no failure of a Plan that is a group health plan (as defined in Section 5000(b)(1) of the Code) to meet the requirements of Section 4980B(f) of the Code with respect to a qualified beneficiary (as defined in Section 4980B(g) of the Code); (xii) there are not pending or, to the Company's knowledge, threatened, claims by or on behalf of any Plan, by any employee or beneficiary covered under any such Plan or otherwise involving any such Plan (other than routine claims for benefits payable in the ordinary course, and appeals of denied claims); and (xiii) no liability under Title IV or Section 302 of ERISA has been incurred by the Company or any ERISA Affiliate that has not been satisfied in full, and no condition exists that could reasonably be expected to present a material risk to the Company or any ERISA Affiliate of incurring any such liability, other than liability for premiums due the Pension Benefit Guaranty Corporation (which premiums have been paid when due).

(c) The Company has heretofore delivered or made available to Parent true and complete copies of each Plan and any amendments thereto, any related trust or other funding vehicle, any summaries required under ERISA or the Code, the most recent annual reports filed with the IRS, and the most recent determination letter received from the IRS with respect to each Plan intended to qualify under Section 401(a) of the Code.

(d) Except as set forth in Section 3.14(d) of the Company Disclosure Letter, the consummation of the Transactions shall not, either alone or in

combination with another event, (i) entitle any current or former employee or officer of the Company or any of its Subsidiaries to severance pay, unemployment compensation or any other payment or benefit, except as expressly provided in this Agreement, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer.

3.15 COMPLIANCE WITH APPLICABLE LAWS. Except as set forth in Section 3.15 of the Company Disclosure Letter, each of the Company and its Subsidiaries, and their respective properties, assets and operations, are in compliance in all material respects with all applicable statutes, laws, rules, regulations, judgments, decrees, orders, arbitration awards, franchises, permits or licenses or other governmental authorizations or approvals which are material to the business and operations of the Company or its Subsidiaries. Except as set forth in Section 3.15 of the Company Disclosure Letter, the Company and its Subsidiaries hold all licenses, franchises, ordinances, authorizations, permits, certificates, variances, exemptions, concessions, leases, rights of way, easements, instruments, orders and approvals, domestic or foreign ("Permits"), required for the ownership of the assets and operation of the businesses of the Company and its Subsidiaries where the failure of which to hold would, individually or in the aggregate, result in a Material Adverse Effect. Except as set forth in Section 3.15 of the Company Disclosure Letter, all Permits of the Company and its Subsidiaries required under any statute, law, rule or regulation of any Governmental Entity are in full force and effect where the failure to be in full force and effect would have a Material Adverse Effect.

3.16 MATERIAL CONTRACTS.

(a) Except as set forth in Section 3.16(a) of the Company Disclosure Letter, neither the Company nor any Subsidiary of the Company is a party to, or bound by, any Contract which is material to the Company and its Subsidiaries, taken as a whole (a "Company Material Contract"). Notwithstanding the foregoing, each of the following Contracts shall be a Company Material Contract and shall be set forth in Section 3.16 of the Disclosure Schedule:

(i) any contracts or agreements under which the Company or any Subsidiary of the Company has any outstanding indebtedness, obligation or liability for borrowed money or the deferred purchase price of property or has the right or obligation to incur any such indebtedness, obligation or liability in excess of $500,000;

(ii) any bonds or agreements of guarantee or indemnification in which the Company or any Subsidiary of the Company acts as surety, guarantor or indemnitor with respect to any obligation (fixed or contingent) in

excess of $500,000, other than any such guarantees of the obligations of the Company or any Subsidiary of the Company;

(iii) any noncompete agreements to which the Company, any Subsidiary of the Company or any Affiliate thereof is a party;

(iv) any partnership and joint venture agreements; and

(v) any Contract that provides for the payment of any amount or entitles any Person to receive any other benefit or exercise any other right as a result of the execution, delivery or performance of this Agreement, or the consummation of the Transactions, including the Merger.

(b) Neither the Company nor any Subsidiary of the Company is in breach of or default under the terms of any Company Material Contract where such breach or default would have a Material Adverse Effect. To the knowledge of the Company, no other party to any Company Material Contract is in breach of or default under the terms of any Company Material Contract where such breach or default would have a Material Adverse Effect. Each Company Material Contract is a valid and binding obligation of the Company or the Subsidiary of the Company which is party thereto and, to the knowledge of the Company, of each other party thereto, and is in full force and effect, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, relating to creditors' rights generally and (ii) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

3.17 ENVIRONMENTAL LAWS.

(a) Except as set forth in Section 3.17(a) of the Company Disclosure Letter, each of the Company and its Subsidiaries is (i) in compliance in all material respects with all applicable Environmental Laws (as defined below), which compliance includes the possession by the Company and its Subsidiaries of all Permits and other governmental authorizations required under applicable Environmental Laws, and (ii) in compliance with the terms and conditions of such Permits where the failure to be in compliance would result in a liability or obligation of the Company or any of its Subsidiaries of any nature, whether or not accrued, contingent or otherwise, in an amount exceeding $500,000 individually, and $5,000,000 in the aggregate. Except as set forth in Section 3.17(a) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries has received any communication or written notice, whether from a Governmental Entity, citizens

group, employee or otherwise, that alleges that the Company or any of its Subsidiaries is not in compliance with applicable Environmental Laws, where the failure to be in compliance would result in a liability or obligation of the Company or any of its Subsidiaries of any nature, whether or not accrued, contingent or otherwise, in an amount exceeding $500,000 individually, and $5,000,000 in the aggregate and, to the best knowledge of the Company and its Subsidiaries after due inquiry, there are no circumstances that may prevent or interfere with such compliance in the future, where the failure to be in compliance would result in a liability or obligation of the Company or any of its Subsidiaries of any nature, whether or not accrued, contingent or otherwise, in an amount exceeding $500,000 individually, and $5,000,000 in the aggregate.

(b) Except as set forth in Section 3.17(b) of the Company Disclo sure Letter, there is no Environmental Claim (as defined below) which, if adversely determined, would result in a liability or obligation of the Company or any of its Subsidiaries, whether or not accrued, contingent or otherwise, in an amount exceeding $500,000 individually, and $5,000,000 in the aggregate, pending or threatened against the Company or any of its Subsidiaries or, to the best knowledge of the Company and its Subsidiaries after due inquiry, against any person or entity whose liability for any Environmental Claim the Company or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law which, if adversely determined, would result in a liability or obligation of the Company or any of its Subsidiaries, whether or not accrued, contingent or otherwise, in an amount exceeding $500,000 individually, and $5,000,000 in the aggregate.

(c) Except as set forth in Section 3.17(c) of the Company Disclo sure Letter, there are no past or present actions, activities, circumstances, conditions, events or incidents, including the Release (as defined below) of any Hazardous Materials (as defined below), that could form the basis of any material Environmental Claim (as defined below) against the Company or any of its Subsidiaries or, to the best knowledge of the Company and its Subsidiaries after due inquiry, against any Person or entity whose liability for any material Environmental Claim the Company or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(d) Without in any way limiting the generality of the foregoing, except as set forth in Section 3.17(d) of the Company Disclosure Letter, all underground storage tanks owned, operated, or leased by the Company or any of its Subsidiaries and which are subject to regulation under the federal Resource Conservation and Recovery Act (or equivalent state or local law regulating underground storage tanks) meet the technical standards prescribed at Title 40 Code of Federal Regulations Part 280 which became effective December 22, 1998 (or any

applicable state or local law requirements which are more stringent than such technical standards or which became effective before such date) where the failure to meet such standards or requirements would result in a liability or obligation of the Company or any Subsidiary, whether or not accrued, contingent or otherwise, in an amount exceeding $500,000 individually, and $5,000,000 in the aggregate.

(e) The Company has provided to Parent true and correct copies of all material assessments, reports and investigations or audits in the possession of the Company or its Subsidiaries regarding environmental matters pertaining to, or the environmental condition of, any property currently or formerly owned, operated or leased by the Company or its Subsidiaries, or the compliance (or noncompliance) by the Company or any of its Subsidiaries with any Environmental Laws.

(f) For purposes of this Agreement:

(i) "Environmental Claim" means any claim, action, cause of action, investigation or notice (written or oral) by any person or entity alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (a) the presence, or Release into the environment, of any Hazardous Materials at any location, whether or not owned or operated by the Company or any of its Subsidiaries or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

(ii) "Environmental Laws" means all federal, interstate, state, local and foreign laws and regulations relating to pollution or protection of human health, safety, or the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including laws and regulations relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

(iii) "Hazardous Materials" means chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, radioactive materials, asbestos, petroleum and petroleum products.

(iv) "Release" shall mean releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, escaping, leaching, disposing or dumping.

3.18 INTELLECTUAL PROPERTY. Except for the rights (the "Licensed Rights") licensed to the Company pursuant to the Master License Agreement, dated as of July 30, 1997, among Cendant Car Rental, Inc., Avis Rent A Car System, Inc. and Wizard Co., Inc. (the "Avis License"), either the Company or a Subsidiary of the Company owns, or is licensed or otherwise possesses legally enforceable rights to use, all Intellectual Property (as defined below) used in their respective businesses where the failure to own, license or otherwise possess such Intellectual Property would result in a Material Adverse Effect and the consummation of the Transactions shall not alter or impair such rights in any material respect. Except as set forth in Section 3.18 of the Company Disclosure Letter, there are no pending or, to the knowledge of the Company, threatened claims by any Person challenging the use by the Company or its Subsidiaries of any material trademarks, trade names, service marks, service names, mark registrations, logos, assumed names, registered and unregistered copyrights, patents or applications and registrations therefor (collectively, the "Intellectual Property") in their respective operations as currently conducted which, if adversely determined, would result in a Material Adverse Effect. The conduct of the businesses of the Company and its Subsidiaries (other than the use by the Company and its Subsidiaries of the Licensed Rights in accordance with the terms of the Avis License) does not infringe, in any material respect, upon any intellectual property rights or any other proprietary right of any Person, and neither the Company nor any Subsidiary has received any written notice from any other Person pertaining to or challenging the right of the Company or any Subsidiary to use any of the Intellectual Property. Except as set forth in Section 3.18 of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries has made any claim of a violation or infringement by others of its rights to or in connection with the Intellectual Property used in their respective businesses which violation or infringement would have a Material Adverse Effect.

3.19 LABOR MATTERS.

(a) Except as set forth in Section 3.19(a) of the Company Disclosure Letter or specifically disclosed in the Company SEC Reports, there are no labor or collective bargaining agreements to which the Company or any Subsidiary of the Company is a party. To the knowledge of the Company, there is no union organizing effort pending or threatened against the Company or any Subsidiary of the Company. Except as set forth in Section 3.19(a) of the Company Disclosure Letter, there is no labor strike, labor dispute, work slowdown, stoppage or lockout pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary of the Company, which has had or would result in a Material Adverse Effect. Except as set froth in Section 3.19(a) of the Company Disclosure Letter, there is no unfair labor practice or labor arbitration proceeding pending or, to the knowledge of the Company, threatened against the Company or

any Subsidiary of the Company, that has had or would result in a Material Adverse Effect. The Company and its Subsidiaries are in compliance in all material respects with all applicable laws respecting (i) employment and employment practices, (ii) terms and conditions of employment and wages and hours, and (iii) unfair labor practice. Except as set forth in Section 3.19(a) of the Company Disclosure Letter or specifically disclosed in the Company SEC Reports, there is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Company, threatened against or involving the Company or any of its Subsidiaries, at law or in equity, alleging a violation of applicable laws, rules or regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, or unfair labor practice that has had or would result in a Material Adverse Effect.

(b) Except as set forth in Section 3.19(b) of the Company Disclosure Letter, no grievance or any arbitration proceeding arising out of or under collective bargaining agreements which would have a Material Adverse Effect is pending and no claim therefor exists.

(c) Neither the Company nor any of its Subsidiaries has any liabilities under the Worker Adjustment and Retraining Notification Act (the "WARN Act") that has had or would result in a Material Adverse Effect.

3.20 BROKERS OR FINDERS. None of the Company or any of its Subsidiaries or Affiliates has entered into any agreement or arrangement entitling any agent, broker, investment banker, financial advisor or other firm or Person to any brokers' or finders' fee or any other commission or similar fee in connection with any of the Transactions, except Morgan Stanley and Bear, Stearns & Co. Inc. ("Bear Stearns"), whose fees and expenses shall be paid by the Company in accordance with the Company's agreement with such firm. True and correct copies of engagement letters between the Company and each of Morgan Stanley and Bear Stearns have been provided to Parent.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PARENT, PHH AND MERGER SUB

Each of Parent, PHH and Merger Sub jointly and severally represents and warrants to the Company as follows:

4.1 ORGANIZATION. Each of Parent, PHH and Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of

the jurisdiction of its incorporation and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. Merger Sub has not engaged in any activities other than in connection with or as contemplated by this Agreement and has no material liabilities other than those incident to its formation and the Transactions.

4.2 AUTHORITY RELATIVE TO THIS AGREEMENT. Each of Parent, PHH and Merger Sub has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the Transactions. The execution and delivery of this Agreement by Parent, PHH and Merger Sub, and the consummation of the Transactions, have been duly authorized by the respective board of directors of each of Parent, PHH and Merger Sub, and by PHH as the sole stockholder of Merger Sub, and no other corporate proceeding on the part of Parent, PHH or Merger Sub is required to authorize this Agreement or to consummate the Transactions, other than the filing and the recordation of the Certificate of Merger in accordance with the DGCL. This Agreement has been duly executed and delivered by each of Parent, PHH and Merger Sub and (assuming due and valid authorization, execution and delivery hereof by the Company) constitutes a valid and binding agreement of each of Parent, PHH and Merger Sub, enforceable against each of Parent, PHH and Merger Sub in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, relating to creditor's rights generally and (ii) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

4.3 NO CONFLICT; REQUIRED FILINGS AND CONSENTS.

(a) Except (i) for applicable requirements of (A) the Exchange Act, (B) the HSR Act and any similar foreign competition laws, and (C) any state securities and blue sky filings applicable hereto, (ii) for the filing and recordation of the Certificate of Merger, as required by the DGCL, and (iii) as set forth in the disclosure letter delivered by Parent, PHH and Merger Sub prior to the execution of this Agreement to the Company (the "Parent Disclosure Letter"), neither the execution and delivery of this Agreement by Parent, PHH and Merger Sub, nor the consummation by Parent, PHH and Merger Sub of the Transactions, shall require, on the part of Parent, PHH or Merger Sub, any filing with, or obtaining of, any permit, authorization, consent or approval of, any Governmental Entity, except for such filings, permits, authorizations, consents or approvals the failure of which to make or obtain would not materially impair the ability of Parent, PHH or Merger Sub to consummate the Transactions.

(b) Except as set forth in Section 4.3(b) of the Parent Disclosure Letter, neither the execution and delivery of this Agreement by Parent, PHH or Merger Sub, nor the consummation by Parent, PHH or Merger Sub of the Transactions, shall (i) conflict with or result in a breach of the certificate of incorporation or by-laws of Parent, PHH or Merger Sub, (ii) result in a violation or breach of or constitute (with or without due notice or lapse of time, or both) a default under, or give rise to any right of termination, cancellation, suspension, modification or acceleration under, or result in the creation of a lien under, any of the terms, conditions or provisions of, or otherwise require the consent or waiver of, or notice to, any other party under, any material bond note, mortgage, indenture, other evidence of indebtedness, guarantee, license, agreement or other contract or instrument to which Parent, PHH or Merger Sub is a party or by which any of them or any of their respective properties or assets is bound, or (iii) violate any law, statute, rule, regulation, order, writ, injunction or decree applicable to Parent, PHH or Merger Sub, or any of their respective properties or assets except, in the case of clauses (ii) and (iii), for such violations, breaches, defaults or rights which would not materially impair the ability of Parent, PHH or Merger Sub to consummate the Transactions.

4.4 PROXY STATEMENT. None of the information supplied by Parent, PHH or Merger Sub for inclusion or incorporation by reference in the Proxy Statement shall, at the time it is filed with the SEC, at the time it is first mailed to the Company's stockholders or at the time of the Stockholders Meeting, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

4.5 LITIGATION. Except as set forth in Section 4.5 of the Parent Disclosure Letter, there is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of Parent, PHH or Merger Sub, threatened involving Parent, PHH or Merger Sub, at law or in equity, by or before any Governmental Entity which questions or challenges the validity of this Agreement or which, if adversely determined, would materially impair or delay the ability of Parent, PHH or Merger Sub to consummate the Transactions.

4.6 FINANCING. Parent and PHH have or shall have sufficient cash on hand and shall provide, or cause to be provided, at such time or times as such funds are required, to Merger Sub or, as the case may be, the Company, such cash on hand (i) to pay the Merger Consideration and to pay any other amounts required to be paid in order to consummate the Transactions contemplated by this Agreement, including pursuant to Section 2.4, (ii) to pay any fees and expenses in connection with the Transactions and (iii) to satisfy the obligations to pay any existing

indebtedness of the Company or its Subsidiaries that is required to be repaid as a result of the Transactions.

4.7 BROKERS OR FINDERS. None of Parent, PHH, Merger Sub or any of their respective Affiliates has entered into any agreement or arrangement entitling any agent, broker, investment banker, financial advisor or other firm or Person to any brokers' or finders' fee or any other commission or similar fee in connection with any of the Transactions, except Lehman Brothers and Chase Securities Inc., whose fees and expenses shall be paid by Parent in accordance with Parent's agreement with each such firm.

ARTICLE V
COVENANTS

5.1 CONDUCT OF BUSINESS BY THE COMPANY PENDING THE MERGER. The Company covenants and agrees that, during the period from the date of this Agreement and continuing until the earlier to occur of the termination of this Agreement or the Effective Time, except as contemplated by this Agreement or required by applicable law or rule of the New York Stock Exchange, unless Parent shall otherwise agree in writing (such agreement not to be unreasonably withheld, conditioned or delayed), and except as set forth in Section 5.1 of the Company Disclosure Letter:

(a) the Company shall conduct its business and shall cause the businesses of its Subsidiaries to be conducted, only in, and the Company and its Subsidiaries shall not take any action except in, the ordinary course of business, consistent with past practice; and the Company shall use its reasonable best efforts to preserve intact the business organizations of the Company and its Subsidiaries, and to maintain (i) the services of the present officers, employees and consultants of the Company and its Subsidiaries and (ii) its existing relations with suppliers, creditors, business associates and others having business dealings with it; and

(b) without limiting the generality of the foregoing, the Company shall not, and shall cause its Subsidiaries not to, take any of the following actions:

(i) amend its certificate of incorporation or by-laws;

(ii) issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any shares of capital stock of any class or any other equity interest, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any

other equity interest in the Company or any of its Subsidiaries (except for the issuance of shares of Company Common Stock pursuant to the exercise of Options outstanding on the date hereof);

(iii) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock or any other equity interest, including any constructive or deemed distributions, and any distribution in connection with the adoption of a shareholders rights plan, or make any other payments to stockholders in their capacity as such, except that a wholly owned Subsidiary of the Company may declare and pay a dividend to its parent;

(iv) split, combine or reclassify any of its capital stock or any other equity interest or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or any other equity interest;

(v) redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock or any other equity interests;

(vi) (A) purchase, acquire, sell, transfer, lease, license, mortgage, encumber or dispose of any material assets, other than the purchase, sale, rental and lease of vehicles in the ordinary course of business, consistent with past practice; (B) acquire (by merger, consolidation or acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof; (C) sell, transfer or dispose of any Subsidiary of the Company (by merger, consolidation, sale of stock or assets or otherwise); (D) incur or assume any indebtedness for borrowed money or other liability, other than in connection with the financing of vehicles in the ordinary course of business, consistent with past practice; (E) modify, amend or terminate any confidentiality agreements, standstill agreements or Company Material Contracts to which the Company or its Subsidiaries is a party or by which it is bound, or waive, release or assign any material rights or claims, other than in the ordinary course of business, consistent with past practice; (F) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, other than in the ordinary course of business, consistent with past practice; (G) make any material loans, advances or capital contributions to, or investments in, any other Person (other than to its wholly owned Subsidiaries in the ordinary course of business, consistent with past practice); (H) repurchase, redeem, repay or take any other action with respect to the issued and outstanding 11% Senior Subordinated Notes of the Company due May 2009 (the "Notes"), other than pursuant to Section 5.7; or (I) other than in the ordinary course of business, consistent with past

practice, enter into any material commitment, transaction, contract or agreement, including any of the following entered into outside the ordinary course of business (i) any material capital expenditure, (ii) any material contract or agreement outside the ordinary course of business, (iii) any contracts or agreements that cannot be cancelled on notice of thirty (30) days or less and (iv) any noncompete agreements or other agreements that limit the ability of the Company to conduct any line of business;

(vii) increase the compensation, severance or other benefits payable or to become payable to its directors, officers or employees, other than increases in salary or wages of employees of the Company or its Subsidiaries (who are not directors or executive officers of the Company) in accordance with past practice or pursuant to binding commitments made prior to the date hereof, or grant any severance or termination pay (except payments required to be made under the Plans or other obligations existing on the date hereof in accordance with the terms of such obligations) to, or enter into any employment or severance agreement with, any employee of the Company or any of its Subsidiaries, or establish, adopt, enter into or amend any collective bargaining agreement, Plan, trust, fund, policy or arrangement for the benefit of any current or former directors, officers or employees or any of their beneficiaries, except, in each case, as may be required by law or as would not result in a material increase in the cost of maintaining such collective bargaining agreement, Plan, trust, fund, policy or arrangement;

(viii) pay, repurchase, discharge or satisfy any of its material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business, consistent with past practice, or pursuant to contractual requirements existing on the date hereof, of claims, liabilities or obligations reflected or reserved against, in, or contemplated by, the consolidated financial statements (or the notes thereto) of the Company and its Subsidiaries;

(ix) take any action to change accounting policies or procedures or any of its methods of reporting income, deductions or other items for income tax purposes, except as required by a change in GAAP, SEC position or applicable law occurring after the date hereof;

(x) approve or authorize any action to be submitted to the stockholders of the Company for approval other than pursuant to this Agreement;

(xi) make or change any material election with respect to Taxes, agree or settle any material claim or assessment in respect of Taxes, or agree

to an extension or waiver of the limitation period to any material claim or assessment in respect of Taxes;

(xii) voluntarily take, or commit to take, any action that would or is reasonably likely to result in any of the conditions to the Merger set forth in Article VI not being satisfied or make any representation or warranty of the Company contained herein that is not qualified as to materiality inaccurate in any material respect, or any representation or warranty that is qualified as to materiality untrue in any respect at, or as of any time prior to, the Effective Time, or that would materially impair the ability of the Company, Parent, PHH or Merger Sub to consummate the Transactions, including the Merger, in accordance with the terms hereof or materially delay such consummation; or

(xiii) agree, authorize or announce to take any of the actions described in subsections (i) through (xii) above.

5.2 NO SOLICITATION.

(a) Except as set forth below, from and after the date hereof and prior to the Effective Time, the Company shall not, directly or indirectly, through any Subsidiary or Affiliate of the Company, or through any officer, director, employee, investment banker, agent or other representative of the Company or any Subsidiary or Affiliate of the Company, (i) encourage, invite, initiate or solicit any inquiries relating to or the submission or making of a proposal by any Person with respect to a Third-Party Acquisition (as defined below) or (ii) participate in, or encourage, invite, initiate or solicit, negotiations or discussions with, or furnish or cause to be furnished any information to, any Person relating to a Third-Party Acquisition. Upon the execution of this Agreement, the Company shall immediately (i) cease, or cause to be ceased, any discussions or negotiations with any Person, entity or group in connection with any proposed or potential Third-Party Acquisition and shall seek to have returned to the Company any confidential information provided in any such discussions or negotiations and (ii) take all actions necessary to rescind the Company's stock repurchase program authorized by the Board on August 9, 2000. Notwithstanding the foregoing, prior to the Stockholders Meeting, if the Company, the Board or the Independent Committee, without being in violation of the terms of this Section 5.2, receives an unsolicited bona fide written proposal from any Person or group with respect to a Third-Party Acquisition which could reasonably be expected to result in a Superior Proposal (as defined below), then the Company may, directly or indirectly, furnish information and access to such Person or group pursuant to an appropriate confidentiality agreement, and may participate in discussions and negotiations with, such Person or group; provided, however, that the terms of such confidentiality agreement shall have terms that are not less restrictive

than the terms set forth in the confidentiality agreement between the Company and Parent, dated as of July 31, 2000 (the "Confidentiality Agreement").

(b) The Company shall within twenty-four (24) hours notify Parent in writing upon receipt of any proposal, written or oral, relating to a Third-Party Acquisition or any request for nonpublic information relating to the Company or any of its Subsidiaries in connection with any pending, proposed or contemplated Third-Party Acquisition or for access to the properties, books or records of the Company or any Subsidiary by any Person that informs the Board or the Independent Committee that it is considering making, or has made, a proposal relating to a Third- Party Acquisition. Such notice shall identify the Person submitting the proposal, attach a copy of any written correspondence or other written materials relating to such proposal, summarize any significant terms of such proposal not reflected in any such attached materials, state whether the Company is providing or intends to provide the Person or group making such proposal with access to information concerning the Company or any of its Subsidiaries, as provided in this Section 5.2 and, if it proposes to provide such access to information, state that such proposal could reasonably be expected to result in a Superior Proposal and the basis for such conclusion. The Company also shall promptly notify Parent of any significant development relating to any inquiries, discussions, negotiations, proposals or requests for information concerning any Third-Party Acquisition. The Company shall keep Parent informed of the status of any such negotiations and shall further update, to the extent of any significant developments, the information required to be provided in each notice upon the request of Parent.

(c) Except as provided in subparagraph (d) below, neither the Board nor the Independent Committee shall (i) withdraw or modify, or propose to withdraw or modify, or refuse or fail at Parent's request to reaffirm, (A) the approval by the Board of this Agreement or the Merger, (B) the favorable recommendation of the Independent Committee and the Board with respect thereto, or (C) the Board's recommendation to stockholders of the Company that they vote their shares of Company Common Stock in favor of adoption of this Agreement, and the Board's direction that this Agreement be submitted to stockholders for such adoption; (ii) approve or recommend, or propose publicly to approve or recommend, any Third- Party Acquisition; or (iii) cause the Company to enter into any agreement in principle, letter of intent, contract, agreement (whether written or oral) or memorandum of understanding (each, a "Company Acquisition Agreement") related to any Third-Party Acquisition.

(d) Notwithstanding the foregoing, in the event that the Independent Committee determines in good faith, after receipt of advice of its outside legal counsel, that failure to take such action would constitute a breach of the

Board's fiduciary duties to the Company's stockholders under applicable law, the Independent Committee (and the Board acting on the recommendation of the Independent Committee) may (i) withdraw or modify its approval or recommendation of this Agreement and the Merger and disclose such withdrawal or modification to the Company's stockholders; and, (ii) solely in relation to a Third- Party Acquisition that constitutes a Superior Proposal, provided the Board, the Independent Committee and the Company have not violated the terms of this Section 5.2, (A) recommend such Superior Proposal, and/or (B) following the Stockholders Meeting, if the Company Stockholder Approval shall not have been obtained, terminate this Agreement in accordance with Section 7.1(d)(iii) hereof and, contemporaneously with such termination, cause the Company to enter into a Company Acquisition Agreement with respect to such Superior Proposal, provided, however, that (x) prior to taking any of the foregoing actions, the Company shall have paid Parent by wire transfer the amount payable pursuant to Section 7.3 and (y) prior to taking the action described in clause (B) above, the Independent Committee shall have (1) given Parent at least three Business Days' prior written notice that the Company intends to terminate this Agreement and provided Parent with a reasonable opportunity to respond to any such Superior Proposal (which response could include a proposal to revise the terms of the Transactions) and (2) fully considered any such response by Parent and concluded that, notwithstanding such response, such proposal continues to be a Superior Proposal in relation to the Transactions, as the terms of the Transactions may be proposed to be revised by Parent's response. Notwithstanding the foregoing, the obligation of the Company to duly call, give notice of, convene and hold the Stockholders Meeting in accordance with Section 2.3 hereof shall not be affected by the commencement, proposal, public disclosure or communication to the Company of a Third-Party Acquisition or a Superior Proposal or by the taking of any action by the Board or the Independent Committee in accordance with this Section 5.2. No action taken by the Board or the Independent Committee in accordance with this Section 5.2 shall constitute a breach of any other section of this Agreement.

(e) As used in this Agreement, the term "Third-Party Acquisition" shall mean any of the following events: (i) the acquisition of the Company by merger, purchase of stock or assets, joint venture or otherwise by, or a "merger of equals" with, any Person (which includes a "person," as such term is defined in Section 13(d)(3) of the Exchange Act) other than a member of the Acquisition Group (a "Third Party"); (ii) the acquisition by a Third Party of any material portion (which shall include twenty percent (20%) or more) of the assets of the Company and its Subsidiaries, taken as a whole; (iii) the acquisition by a Third Party of twenty percent (20%) or more of the outstanding shares of Company Common Stock; (iv) the adoption by the Company of a plan of liquidation or the declaration or payment of an extraordinary dividend; or (v) the repurchase by the Company or any of its

Subsidiaries of more than twenty percent (20%) of the outstanding shares of Company Common Stock.

(f) For purposes of this Agreement, "Superior Proposal" means any bona fide written proposal to acquire, directly or indirectly, for consideration consisting of cash and/or securities, all of the shares of Company Common Stock then outstanding or all or substantially all of the assets of the Company to be followed by a pro rata distribution of the sale proceeds to stockholders of the Company, that (i) is not subject to any financing conditions or contingencies, (ii) provides holders of Company Common Stock with per share consideration that the Independent Committee determines in good faith, after receipt of advice of its financial advisor, is more favorable from a financial point of view than the consideration to be received by holders of Company Common Stock in the Merger, (iii) is determined by the Independent Committee in its good faith judgment, after receipt of advice of its financial advisor and outside legal counsel, to be likely of being completed (taking into account all legal, financial, regulatory and other aspects of the proposal, the Person making the proposal and the expected timing to complete the proposal), (iv) does not, in the definitive Company Acquisition Agreement, contain any "due diligence" conditions, and (v) has not been obtained by or on behalf of the Company in violation of this Section 5.2.

5.3 ACCESS TO INFORMATION; CONFIDENTIALITY.

(a) Until the Effective Date, the Company shall (and shall cause its Subsidiaries to) afford to the officers, employees, accountants, counsel, financing sources and other representatives of Parent, reasonable access during normal business hours to its properties, books, contracts, commitments and records; furnish to Parent all information concerning its business, properties, and personnel as Parent may reasonably request or has reasonably requested; and use reasonable best efforts to make available during normal business hours to the officers, employees, accountants, counsel, financing sources and other representatives of Parent the appropriate individuals (including management personnel, attorneys, accountants and other professionals) for discussion of the Company's business, properties, prospects and personnel as Parent may reasonably request.

(b) Parent shall keep all information disclosed to the persons identified in clause (a) above pursuant to this Agreement confidential in accordance with the terms of the Confidentiality Agreement.

(c) As soon as practicable (but in no case later than 21 days) after the execution of this Agreement, the Company shall permit Parent to electronically link the Company's financial reporting system to Parent's financial reporting

consolidation system ("Hyperion"). The link to Hyperion will be completed by Parent's financial reporting staff, with assistance from the Company's accounting staff, at no incremental cost to the Company. Parent will provide the necessary Hyperion and ancillary software to be installed on a computer in the Company's accounting department.

5.4 CONSENTS; APPROVALS.

(a) The Company, Parent and Merger Sub shall each use its reasonable best efforts (which efforts, to the extent reasonably practicable, shall be made prior to the consummation of the Merger), and cooperate with each other, to obtain as promptly as practicable all consents, waivers, approvals, authorizations or orders (including all rulings and approvals of all United States and foreign Governmental Entities), and the Company, Parent, PHH and Merger Sub shall make all filings (including all filings with United States and foreign Governmental Entities) required in connection with the authorization, execution and delivery of this Agreement by the Company, Parent, PHH and Merger Sub and the consummation by them of the Transactions.

(b) Each party hereto shall make an appropriate filing of a notification and report form pursuant to the HSR Act with respect to the Transactions within fifteen Business Days after the date hereof, shall as promptly as practicable supply any additional information and documentary material that may be requested pursuant to the HSR Act, and shall use reasonable best efforts to obtain early termination of the waiting period under the HSR Act. In addition, each party hereto shall promptly make any other filing that may be required under any antitrust law or by any antitrust authority and shall as promptly as practicable supply and additional information and documentary material that may be required in connection therewith.

5.5 INDEMNIFICATION AND INSURANCE.

(a) From and after the Effective Date, Parent and the Surviving Corporation and their respective successors shall indemnify, defend and hold harmless each Person who is now, or has been at any time prior to the date hereof or who becomes prior to the Effective Time, an officer or director of the Company or any of the Subsidiaries (the "Covered Parties") against all losses, claims, damages, costs, expenses (including reasonable attorneys' fees and expenses), liabilities or judgments or amounts that are paid in settlement with the approval of the indemnifying party (which approval shall not be unreasonably withheld or delayed) incurred in connection with any threatened or actual action, suit or proceeding based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director or officer of the Company ("Indemnified Liabilities"), including all

Indemnified Liabilities based in whole or in part on, or arising in whole or in part out of, this Agreement or the transactions contemplated hereby, in each case to the fullest extent that a corporation is permitted by law to indemnify its own directors or officers, as the case may be. In the event any such claim, action, suit, proceeding or investigation is brought against any Covered Party, the indemnifying parties shall assume and direct all aspects of the defense thereof, including settlement, and the Covered Party shall cooperate in the defense of any such matter. The Covered Party shall have a right to participate in (but not control) the defense of any such matter with its own counsel and at its own expense. Notwithstanding the right of the indemnifying parties to assume and control the defense of such litigation, claim or proceeding, such Covered Party shall have the right to employ separate counsel and to participate in the defense of such litigation, claim or proceeding, and the indemnifying parties shall bear the fees, costs and expenses of such separate counsel and shall pay such fees, costs and expenses promptly after receipt of an invoice from such Covered Party if (i) the use of counsel chosen by the indemnifying parties to represent such Covered Party would present such counsel with a conflict of interest, (ii) the defendants in, or targets of, any such litigation, claim or proceeding shall have been advised by counsel that there may be legal defenses available to it or to other Covered Parties which are different from or in addition to those available to the indemnifying parties or (iii) the indemnifying parties shall not have employed counsel satisfactory to such Covered Party, in the exercise of the Covered Party's reasonable judgment, to represent such Covered Party within a reasonable time after notice of the institution of such litigation, claim or proceeding. The Covered Parties as a group shall be represented by a single law firm (plus no more than one local counsel in any jurisdiction) with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Covered Parties. The indemnifying parties shall not settle any such matter unless (i) the Covered Party gives prior written consent, which shall not be unreasonably withheld or delayed, or (ii) the terms of the settlement provide that the Covered Party shall have no responsibility for the discharge of any settlement amount and impose no other obligations or duties on the Covered Party, and the settlement discharges all rights against the Covered Party with respect to such matter. Any Covered Party wishing to claim indemnification under this Section 5.5, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify Parent and the Surviving Corporation (but the failure so to notify shall not relieve the indemnifying party from any liability which it may have under this Section 5.5, except to the extent such failure materially prejudices the indemnifying parties). Each Covered Party shall be entitled to the advancement of expenses to the full extent permitted by law in connection with any such action (subject to tendering any undertaking to repay such expenses, to the extent required by applicable law). Notwithstanding the foregoing, in the event that there is any conflict between this Section 5.5(a) and the terms of the Amended and

Restated Certificate of Incorporation or Amended and Restated By-Laws of the Company, the Amended and Restated Certificate of Incorporation and/or Amended and Restated By-laws, as the case may be, shall prevail.

(b) All rights to indemnification, all limitations on liability and all rights to advancement of expenses existing in favor of a Covered Party as provided herein, in the Company's Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws or other indemnification agreements as in effect as of the date hereof shall survive the Merger and shall continue in full force and effect, without any amendment thereto, for a period of six years from the Effective Time to the extent such rights are consistent with applicable law; provided that in the event any claim or claims are asserted or made within such six-year period, all rights to indemnification in respect of any such claim or claims shall continue until disposition of any and all such claims; provided further, that any determination required to be made with respect to whether a Covered Party's conduct complies with the standards set forth under applicable law, the Company's Amended Restated Certificate of Incorporation, Amended and Restated By-Laws or such agreements, as the case may be, shall be made by independent legal counsel selected by the Covered Party and reasonably acceptable to the Surviving Corporation.

(c) In the event that Cendant or the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, to the extent necessary to effectuate the purposes of this Section 5.5, proper provision shall be made so that such successors, assigns and transferees, as the case may be, assume the obligations set forth in this Section 5.5, and none of the actions described in the foregoing clauses (i) or (ii) shall be taken until such provision is made.

(d) For a period of six years after the Effective Time, Cendant shall cause the Surviving Corporation and its successors to maintain in effect, without any lapses in coverage, policies of directors' and officers' liability insurance (or a "tail" policy) for the benefit of those Persons who are covered by the Company's directors' and officers' liability insurance policies as of the date hereof, providing coverage with respect to matters occurring prior to the Effective Time that is at least equal to the coverage provided under the Company's current directors' and officers' liability insurance policies to the extent that such liability insurance can be maintained at an annual cost to the Surviving Corporation of not greater than 200 percent of the premium for the current Company directors' and officers' liability insurance; provided that if such insurance (or "tail" policy) cannot be so maintained at such cost, the Surviving Corporation shall maintain as much of such insurance as

can be so maintained at a cost equal to 200 percent (200%) of the current annual premiums of the Company for such insurance.

5.6 EMPLOYEE BENEFITS.

(a) During the period commencing at the Effective Time and ending on December 31, 2001, Parent shall cause all current and former employees and officers of the Company and its Subsidiaries who are entitled to receive compensation and benefits as of the Effective Time, other than employees covered by collective bargaining agreements, to receive (i) the salary or wage level and bonus opportunity, to the extent applicable, not materially less favorable in the aggregate than that in effect on the date hereof and (ii) benefits, perquisites and other terms and conditions of employment that are not materially less favorable in the aggregate than the benefits, perquisites and other terms and conditions that they were entitled to receive on the date hereof.

(b) Subject to Section 5.6(a) hereof, from and after the Effective Time, Parent shall honor, pay, perform and satisfy any and all liabilities, obligations and responsibilities to, or in respect of, each employee and officer of the Company and its Subsidiaries, and each former employee and officer of the Company and its Subsidiaries, as of the Effective Time arising under the terms of, or in connection with, any employee benefit, fringe benefit, deferred compensation or incentive compensation plan or arrangement or any employment, consulting, retention, severance, change-of-control or similar agreement, in each case, to the extent listed in Section 3.14(a) or 3.16(a) of the Company Disclosure Letter and in accordance with the terms thereof in effect on the date hereof. Without limiting the generality of the foregoing, until December 31, 2001, Parent shall keep in effect all severance and retention plans, practices and policies that are applicable to employees and officers of the Company and its Subsidiaries as of the date hereof.

(c) Parent shall, or shall cause the Surviving Corporation and its Subsidiaries to, give Continuing Employees full credit for purposes of eligibility and vesting under any employee benefit plans or arrangements maintained by Parent, the Surviving Corporation or any Subsidiary of Parent or the Surviving Corporation for such Continuing Employees' service with the Company, any Subsidiary of the Company or any of their respective predecessors to the same extent recognized by the Company, any Subsidiary of the Company or any such predecessor for similar purposes immediately prior to the Effective Time. In addition, Parent shall, or shall cause the Surviving Corporation and its Subsidiaries to, give Continuing Employees full credit for purposes of the determination of benefits under any employee benefit plans or arrangements in effect as of the date hereof maintained by Parent for such Continuing Employees' service with the Company, any Subsidiary of the Company

or any of their respective predecessors to the same extent recognized by the Company, any Subsidiary of the Company or any such predecessor for similar purposes immediately prior to the Effective Time. Parent shall, or shall cause the Surviving Corporation and its Subsidiaries to, (i) waive all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Continuing Employees under any welfare plan that such employees may be eligible to participate in after the Effective Time, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Effective Time under any welfare plan maintained for the Continuing Employees immediately prior to the Effective Time, and (ii) provide each Continuing Employee with credit for any co- payments and deductibles paid prior to the Effective Time in satisfying any applicable co-payment, deductible or out-of-pocket requirements in respect of the year during which the Effective Time occurs under any welfare plans that such employees are eligible to participate in after the Effective Time to the same extent as if those deductibles or co-payments had been paid under the welfare plans for which such employees are eligible after the Effective Time.

(d) Nothing contained herein shall constitute assurance of continued employment of any officer or employee of the Company or any of its Subsidiaries following the Effective Time.

5.7 NOTE TENDER OFFER. Parent may, in its sole and absolute discretion, commence a tender offer and consent solicitation to repurchase any and all of the outstanding Notes (the "Note Tender Offer") on terms and conditions determined solely by Parent. The Note Tender Offer shall be effected in compliance with applicable laws and SEC rules and regulations. The Company shall cooperate with Parent, PHH and Merger Sub in connection with the preparation of all documents and the making of all filings required in connection with the Note Tender Offer and shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate the Note Tender Offer; provided, however, that it is understood and agreed by the parties hereto that (i) such Note Tender Offer shall be consummated no earlier than the Closing Date, (ii) the Company shall have no obligation to provide any funds to consummate the Note Tender Offer, and (iii) Parent or PHH shall provide the funds required to consummate the Note Tender Offer on or after the Effective Time, together with all related fees and expenses.

5.8 NOTIFICATION OF CERTAIN MATTERS. The Company shall give prompt notice to Parent, and Parent (on behalf of itself, PHH and Merger Sub) shall give prompt notice to the Company, of (i) the occurrence or non-occurrence of any event known to it, the occurrence or non-occurrence of which is reasonably likely to

cause any representation or warranty of such party contained in this Agreement to be materially untrue or inaccurate, (ii) any failure of the Company or Parent, PHH or Merger Sub, as the case may be, to comply with or satisfy, or the occurrence or non-occurrence of any event known to it, the occurrence or non-occurrence of which is reasonably likely to cause the failure by such party materially to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; (iii) the occurrence of any other event known to it which would be reasonably likely (A) to have a Material Adverse Effect or (B) to cause any condition set forth in Article VI to be unsatisfied in any material respect at any time prior to the Effective Time; or (iv) any action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Company, threatened which questions or challenges the validity of this Agreement; provided, however, that the delivery of any notice pursuant to this Section 5.8 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

5.9 FURTHER ACTION. Upon the terms and subject to the conditions hereof each of the parties hereto shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement, to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings, and otherwise to satisfy or cause to be satisfied all conditions precedent to its obligations under this Agreement.

5.10 PUBLIC ANNOUNCEMENTS. Parent, PHH, Merger Sub and the Company shall consult with each other before issuing any press release or making any public statement with respect to this Agreement, the Merger or the other Transactions and shall not issue any such press release or make any such public statement without the prior consent of the other parties, which shall not be unreasonably withheld; provided, however, that any party may, without the prior consent of the others, issue such press release or make such public statement as may, upon the advice of counsel, be required by law or the rules and regulations of The New York Stock Exchange, in advance of obtaining such prior consent, in which case, the parties shall cooperate to reach mutual agreement as to the language of any such report, statement or press release. Immediately following the execution and delivery of this Agreement, Parent, PHH, Merger Sub and the Company are each issuing press releases to be mutually agreed upon with respect to this Agreement, the Merger and the other Transactions.

5.11 TRANSFER TAXES. Parent shall pay any real property or other similar transfer Taxes incurred in connection with the consummation of the Offer and the Merger.

5.12 FINANCIAL STATEMENTS. Upon request by Parent or PHH, the Company shall use commercially reasonable efforts to cooperate with Parent and PHH in connection with preparing such financial statements as are required by applicable law and by SEC rules and regulations to be filed by PHH with the SEC in connection with the prospectus for the medium term notes to be issued by PHH; such cooperation shall include, without limitation, providing all information reasonably requested by Parent or PHH.

5.13 SECTION 16 MATTERS. The Company shall take all such steps as may be required to cause any dispositions of Company Common Stock (including derivative securities with respect to the Company Common Stock) resulting from the Transactions contemplated by this Agreement by each officer or director who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company to be exempt under Rule 16b-3 promulgated under the Exchange Act, such steps to be taken in accordance with the No-Action Letter, dated January 12, 1999, issued by the Commission to Skadden, Arps, Slate, Meagher & Flom LLP.

ARTICLE VI
CONDITIONS TO THE MERGER

6.1 CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligations of each party to effect the Merger shall be subject to the fulfillment or waiver (to the extent permitted by applicable law) at or prior to the Effective Time of the following conditions:

(a) STOCKHOLDER APPROVAL. The Company Stockholder Approval shall have been obtained at or prior to the Effective Time in accordance with the DGCL.

(b) NO INJUNCTION OR STATUTE. No statute, rule, regulation, order, decree, judgment, injunction or ruling shall have been enacted, entered, promulgated or enforced by any court or other Governmental Entity of competent jurisdiction which, in any such case, (i) prohibits or restricts the ownership or operation by Parent (or any of its Affiliates or Subsidiaries) of a material portion of the Company's and its Subsidiaries' businesses or assets, or compels Parent (or any of its Affiliates or Subsidiaries) to dispose of or hold separate any material portion of the Company's and its Subsidiaries' businesses or assets, or (ii) restrains in any material respect or prohibits the consummation of the Merger, which has not been vacated, dismissed or withdrawn prior to the Effective Time. The Company and Parent shall use their

respective best efforts to have any of the foregoing vacated, dismissed or withdrawn by the Effective Time.

(c) NO ACTION. No action, suit or proceeding shall have been instituted, or shall be pending or threatened by a Governmental Entity (i) seeking to restrain in any material respect or prohibit the consummation of the Merger or the performance of any of the other Transactions contemplated by this Agreement, (ii) seeking to obtain from the Company, Parent, PHH or Merger Sub any damages that would result in a Material Adverse Effect or (iii) seeking to impose the restrictions, prohibitions or limitations referred to in subsection (b) above.

(d) HSR ACT. Any waiting period applicable to the Merger under the HSR Act and any applicable foreign competition or antitrust laws shall have been terminated or expired.

6.2 CONDITIONS TO OBLIGATIONS OF THE COMPANY TO EFFECT THE MERGER. The obligation of the Company to effect the Merger shall be subject to the fulfillment or waiver (to the extent permitted by applicable law) at or prior to the Effective Time of the following conditions:

(a) The representations and warranties of Parent, PHH and Merger Sub set forth in this Agreement shall be true and correct in all respects as of the Effective Time as though made on or as of such time (ignoring for purposes of this determination any materiality or Material Adverse Effect qualifiers contained within individual representations and warranties), except for (i) those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time which need only be true and correct as of such date or with respect to such period and (ii) such failures to be true and correct as would not, individually or in the aggregate, reasonably be expected to materially impair the ability of Parent, PHH or Merger Sub to consummate the Merger.

(b) Parent, PHH and Merger Sub shall have performed and complied in all material respects with all obligations, agreements and covenants required by this Agreement to be performed and complied with by it prior to the Effective Time.

(c) The Company shall have received a certificate signed by the chief financial officer of Parent, dated as of the Closing Date, to the effect that, to the best of such officer's knowledge, the conditions set forth in Section 6.2(a) and Section 6.2(b) have been satisfied.

6.3 CONDITIONS TO OBLIGATIONS OF PARENT AND MERGER SUB TO EFFECT THE MERGER. The obligation of Parent, PHH and Merger Sub to effect the Merger shall be subject to the fulfillment or waiver (to the extent permitted by applicable law) at or prior to the Effective Time of the following conditions:

(a) The representations and warranties of the Company set forth in this Agreement shall be true and correct in all respects as of the Effective Time as though made on or as of such time (ignoring for purposes of this determination any materiality or Material Adverse Effect qualifiers contained within individual representations and warranties), except for (i) those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time which need only be true and correct as of such date or with respect to such period and (ii) such failures to be true and correct as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The Company shall have performed and complied in all material respects with all obligations, agreements and covenants required by this Agreement to be performed or complied with by it prior to the Effective Time, except for such failures to perform or comply as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(c) Parent shall have received a certificate signed by the chief financial officer of the Company, dated as of the Closing Date, to the effect that, to the best of such officer's knowledge, the conditions set forth in Section 6.3(a) and Section 6.3(b) have been satisfied.

(d) Neither the Board nor the Independent Committee (i) shall have withdrawn, modified or changed its approval or recommendation of this Agreement, the Merger or the other Transactions in any manner which Parent reasonably determines to be adverse to Parent, (ii) shall have recommended the approval or acceptance of a Superior Proposal or Third-Party Acquisition from a Person or entity other than a member of the Acquisition Group, or (iii) shall have executed any Company Acquisition Agreement.

(e) No event, change, development or circumstance shall have occurred or shall exist which is reasonably expected to result in a Material Adverse Effect.

(f) The Company shall have obtained the consents, approvals and waivers set forth in Section 6.3(f) of the Company Disclosure Schedule.

ARTICLE VII
TERMINATION

7.1 TERMINATION. This Agreement may be terminated at any time prior to the Effective Time, notwithstanding adoption of this Agreement by the stockholders of the Company:

(a) by mutual written consent duly authorized by the Board of Directors of each of the Company (provided such termination has been approved by the Independent Committee) and Parent; or

(b) by either the Company (provided such termination has been approved by the Independent Committee) or Parent as follows:

(i) if the Effective Time shall not have occurred on or prior to June 30, 2001; provided, however, that the right to terminate this Agreement under this Section 7.1(b)(i) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Merger to be consummated on or prior to such date; or

(ii) if a Governmental Entity shall have issued a non appealable final order, decree or ruling or taken any other nonappealable final action having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger (which order, decree, ruling or other action the parties hereto shall have used their best efforts to lift); or

(iii) if the Company Stockholder Approval shall not have been obtained at the Stockholders Meeting; or

(c) by Parent, on behalf of itself, PHH and Merger Sub, as follows:

(i) upon a material breach of any covenant or agreement set forth in this Agreement (a "Terminating Breach") on the part of the Company; provided that, if such Terminating Breach is curable on or prior to the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001 by the Company through the exercise of its reasonable best efforts and for so long as the Company continues to exercise such reasonable best efforts, Parent may not terminate this Agreement under this Section 7.1(c)(i) until the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001; or

(ii) (x) the Independent Committee or the Board shall (A) withdraw, modify or change its approval or recommendation of this Agreement, the Merger or the other Transactions in any manner which Parent reasonably determines to be adverse to Parent; (B) approve or recommend to the stockholders of the Company a Third-Party Acquisition or a Superior Proposal; (C) violate any of the provisions of Section 5.2 hereof; (D) take any public position or make any disclosures to the Company's stockholders which has the effect of any of the foregoing; or (E) resolve to enter into a Company Acquisition Agreement relating to a Third-Party Acquisition or a Superior Proposal; or (y) the Company shall (A) execute a Company Acquisition Agreement relating to a Third-Party Acquisition or a Superior Proposal (B) violate any of the provisions of Section 5.2 hereof; or

(iii) if any representation or warranty of the Company set forth in this Agreement shall have become untrue or shall have been untrue when made, if such failure to be true and correct, individually or in the aggregate, would result in a Material Adverse Effect; provided that, if such failure is curable on or prior to the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001 by the Company through the exercise of its reasonable best efforts and for so long as the Company continues to exercise such reasonable best efforts, Parent may not terminate this Agreement under this Section 7.1(c)(iii) until the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001; or

(d) by the Company (provided such termination has been approved by the Independent Committee) as follows:

(i) upon a Terminating Breach on the part of Parent, PHH or Merger Sub; provided that, if such Terminating Breach is curable on or prior to the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001 by Parent, PHH or Merger Sub through the exercise of its reasonable best efforts and for so long as Parent, PHH and Merger Sub continue to exercise such reasonable best efforts, the Company may not terminate this Agreement under this Section 7.1(d)(i) until the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001; or

(ii) if any representation or warranty of Parent, PHH or Merger Sub, respectively, set forth in this Agreement shall have been untrue in any material respect or shall have been untrue in any material respect when made; provided that, if such failure is curable prior to the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001 by Parent, PHH or Merger Sub, as the case may be, through the exercise of its reasonable best efforts and for so long as Parent, PHH or Merger Sub, as the case may be, continues to exercise such

reasonable best efforts, the Company may not terminate this Agreement under this Section 7.1(d)(ii) until the earlier of (A) 60 days following notice of such Terminating Breach and (B) June 30, 2001; or

(iii) if, following the Stockholders Meeting, (A) the Company Stockholder Approval shall not have been obtained, (B) the Company concurrently executes and delivers a definitive agreement with respect to a Superior Proposal and (C) the Independent Committee determines in good faith, after receipt of advice of its outside legal counsel, that a failure to terminate this Agreement in order to enter into a definitive agreement with regard to such Superior Proposal would constitute a breach of its fiduciary duties to the Company's stockholders under applicable law; provided that, prior to such termination, (x) the Company has given Parent three (3) Business Days' advance notice of the Company's intention to accept such Superior Proposal and shall have complied in all respects with the provisions of Section 2.6 and Section 5.2; and (y) the Company shall have paid by wire transfer the Fee and the Parent Expenses pursuant to Section 7.3(b).

7.2 EFFECT OF TERMINATION. In the event of the termination of this Agreement pursuant to Section 7.1, written notice thereof shall forthwith be given to the other party or parties specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto or any of its Affiliates, directors, officers, stockholders, representatives or agents except for any obligation of the Company or Parent set forth in Article VII hereof, if any. Notwithstanding the foregoing, or any other provision of this Agreement (including Section 7.3), nothing herein shall relieve the Company, Parent, PHH or Merger Sub from liability for any breach hereof.

7.3 FEES AND EXPENSES.

(a) Except as set forth in this Section 7.3, all fees and expenses incurred in connection with this Agreement and the Transactions shall be paid by the party incurring such expenses, whether or not the Merger is consummated.

(b) The Company shall pay, or cause to be paid, to Parent, the Parent Expenses (as defined below) actually incurred and a fee of $28,000,000 (the "Fee") upon the first to occur of any of the following events:

(i) the termination of this Agreement by Parent or the Company pursuant to subsection (b)(i) of Section 7.1, or the termination of this Agreement by Parent pursuant to Subsection (c)(i) or (c)(iii) of Section 7.1; provided, that prior to such termination, the Company becomes aware that any

Person has made or intends to make a proposal relating to a Third-Party Acquisition and, within twelve months following the date of such termination, a Third-Party Acquisition is consummated or a definitive agreement with respect to a Third-Party Acquisition is executed by the Company;

(ii) the termination of this Agreement by Parent pursuant to Section 7.1(c)(ii);

(iii) the termination of this Agreement by the Company pursuant to Section 7.1(d)(iii); or

(iv) the termination of this Agreement by Parent pursuant to Section 7.1(b)(iii); provided, that a Third-Party Acquisition shall be publicly announced or otherwise made known to the public at or prior to the Stockholders Meeting and, within twelve months following the date of such termination, a Third- Party Acquisition is consummated or a definitive agreement with respect to a Third- Party Acquisition is executed by the Company.

(c) "Parent Expenses" means all out-of-pocket expenses and fees (including fees and expenses payable to all banks, investment banking agents and counsel for arranging, committing to provide or providing any financing for the Transactions contemplated hereby or structuring the Transactions contemplated hereby and all fees of counsel, accountants, experts and consultants to Parent, PHH and Merger Sub and all printing and advertising expenses) actually incurred or accrued by either of them or on their behalf in connection with the Transactions, including the financing thereof, and actually incurred or accrued by banks, investment banking firms, other financial institutions and other Persons and incurred by Parent, PHH and Merger Sub in connection with the negotiation, preparation, execution and performance of this Agreement, the structuring and financing of the Transactions and any financing commitments or agreements relating thereto; provided, however, that in no event shall the amount of Parent Expenses exceed $2,500,000.

(d) The Fee and Parent Expenses shall be paid by wire transfer of same day funds to an account designated by Parent within two Business Days after a demand for payment following the first to occur of any of the events described in Section 7.3(b); provided that, in the event of a termination of this Agreement under Section 7.1(d)(iii), the Fee and Parent Expenses shall be paid as therein provided as a condition to the effectiveness of such termination.

(e) The agreements contained in this Section 7.3 are an integral part of the Transactions and do not constitute a penalty. In the event of any dispute between the Company and Parent as to whether the Fee and Parent Expenses under this Section 7.3 are due and payable, the prevailing party shall be entitled to receive from the other party the reasonable costs and expenses (including reasonable legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, relating to such dispute. Interest shall be paid on the amount of any unpaid Fee or Parent Expenses at the publicly announced prime rate of Citibank, N.A. from the date such Fee or Parent Expenses was required to be paid.

ARTICLE VIII
GENERAL PROVISIONS

8.1 NONSURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. The representations, warranties and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall not survive the Effective Time of the Merger; provided, that the agreements contained in Article I, Article II, Sections 5.5 and 5.6 and this Article VIII shall survive the Effective Time.

8.2 NOTICES. Any notice required to be given hereunder shall be sufficient if in writing, and sent by facsimile transmission (provided that any notice received by facsimile transmission or otherwise at the addressee's location on any Business Day after 5:00 p.m. (addressee's local time) shall be deemed to have been received at 9:00 a.m. (addressee's local time) on the next Business Day), by reliable overnight delivery service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), addressed as follows:

If to Parent, PHH or Merger Sub:

Cendant Corporation
6 Sylvan Way
Parsippany, New Jersey 07054
Attention: General Counsel
Telecopier No.: 973-496-5335

with copies to:

Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
Wilmington, Delaware 19801
Attention: Patricia Moran Chuff, Esq.
Telecopier No.: 302-651-3001

If to the Company:

Avis Group Holdings, Inc.
World Headquarters
900 Old Country Road
Garden City, New York 11530
Attention: General Counsel
Telecopier No.: 516-222-6922

with copies to:

White & Case LLP
1155 Avenue of the Americas
New York, New York 10036
Attention: John M. Reiss, Esq.
Telecopier No.: 212-354-8113

and to the Special Committee at:

JER Partners
1650 Tysons Blvd.
Suite 1600
McLean, VA 22102
Attention: Deborah Harmon
Telecopier: (703) 714-8124

with copies to:

Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005-1702
Attention: Richard E. Farley, Esq.
Telecopier No.: 212-269-5420

or to such other address as any party shall specify by written notice so given, and such notice shall be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed. Any party to this Agreement may notify any other party of any changes to the address or any of the other details specified in this paragraph; provided that such notification shall only be effective on the date specified in such notice or five (5) Business Days after the notice is given, whichever is later. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

8.3 ASSIGNMENT; BINDING EFFECT. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the parties (whether by operation of law or otherwise) without the prior written consent of the other parties, except that Merger Sub may assign any of its rights and obligations hereunder to a wholly owned Subsidiary of Parent which is a Delaware corporation; provided, however, that no such assignment shall relieve Merger Sub of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns. Notwithstanding anything contained in this Agreement to the contrary, except for the provisions of Sections 5.5 and 5.6, nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto or their respective heirs, successors, executors, administrators and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

8.4 ENTIRE AGREEMENT. This Agreement, the Company Disclosure Letter, the Parent Disclosure Letter and any documents delivered by the parties in connection herewith constitute the entire agreement among the parties with respect to the subject matter of this Agreement and supersede all prior representations, warranties, agreements and understandings among the parties, both written and oral, with respect thereto, except the Confidentiality Agreement which shall continue in full force and effect; provided that if there is any conflict between the Confidentiality Agreement and this Agreement, this Agreement shall prevail.

8.5 AMENDMENT. Subject to applicable law, this Agreement may be amended by the parties hereto, by action taken by their respective boards of directors and, with respect to the Company, by the Independent Committee, at any time before or after the Company Stockholder Approval, but after any such Company Stockholder Approval, no amendment shall be made which by law requires the further approval of stockholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.6 GOVERNING LAW; CONSENT TO JURISDICTION.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflicts of laws thereof.

(b) Each of the parties hereto (i) consents to submit itself to the exclusive personal jurisdiction of any Delaware state court or any federal court located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement and (ii) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court.

8.7 COUNTERPARTS. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies of this Agreement each signed by less than all, but together signed by all of the parties hereto. This Agreement shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

8.8 HEADINGS. Headings of the Articles and Sections of this Agreement are for the convenience of the parties only, and shall be given no substantive or interpretive effect whatsoever.

8.9 INTERPRETATION. When a reference is made in this Agreement to an Article or Section, such reference shall be to an Article or Section of this Agreement unless otherwise indicated. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement instrument or statute as from time to time amended, modified or supplemented,

including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns. Each of the parties has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any of the provisions of this Agreement. The inclusion of any matters in the Company Disclosure Letter or the Parent Disclosure Letter in connection with any representation, warranty, covenant or agreement that is qualified as to materiality or "Material Adverse Effect" shall not be an admission by the Company that such matters is material or would have a Material Adverse Effect.

8.10 WAIVERS. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. Any term, covenant or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof, but only by a written notice signed by such party expressly waiving such term or condition. The waiver by any party hereto of a breach of any provision hereunder shall not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

8.11 INCORPORATION OF ANNEX AND DISCLOSURE LETTERS. The Company Disclosure Letter and the Parent Disclosure Letter are hereby incorporated in this Agreement and made a part of this Agreement for all purposes as if fully set forth in this Agreement.

8.12 SEVERABILITY. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent (and only to the extent) of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

8.13 ENFORCEMENT OF AGREEMENT. The parties hereto agree that irreparable damage would occur if any of the provisions of this Agreement was not performed in accordance with its specific terms or as otherwise breached and that money damages would not be an adequate remedy for any breach of this Agreement. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court referred to in Section 8.6(b), this being in addition to any other remedy to which they are entitled at law or in equity or pursuant to this Agreement. In any such action for specific performance, each of the parties shall waive (i) the defense of adequacy of a remedy at law and (ii) any requirement for the securing and posting of any bond.

8.14 WAIVER OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

8.15 EXECUTION. This Agreement may be executed by facsimile signatures by any party and such signature shall be deemed binding for all purposes hereof, without delivery of an original signature being thereafter required.

8.16 DATE FOR ANY ACTION. In the event that any date on which any action is required to be taken hereunder by any of the Parties hereto is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

8.17 PARTIES IN INTEREST. This Agreement shall be binding upon and inure solely to the benefit of each Party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, other than Section 5.5 (which is intended to be for the benefit of the Persons covered thereby and may be enforced by such Persons).

8.18 CERTAIN DEFINITIONS. As used in this Agreement:

(a) The term "Affiliate," as applied to any Person, shall mean any other Person directly or indirectly controlling, controlled by, or under common control with, that Person; for purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by," "under common control with"), as applied to any Person, means the possession, directly or indirectly,

of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

(b) The term "Associate" has the meaning set forth in Rule 12b-2 under the Exchange Act.

(c) A Person shall be deemed to "beneficially" own securities if such Person would be the beneficial owner of such securities under Rule 13d-3 under the Exchange Act, including securities which such Person has the right to acquire (whether such right is exercisable immediately or only after the passage of time).

(d) The term "Business Day" means any day on which commercial banks are open for business in New York, New York other than a Saturday, a Sunday or a day observed as a holiday in New York, New York under the laws of the State of New York or the federal laws of the United States.

(e) The term "Person" shall include individuals, corporations, partnerships, trusts, limited liability companies, associations, unincorporated organizations, joint ventures, other entities, groups (which term shall include a "group" as such term is defined in Section 13(d)(3) of the Exchange Act), labor unions or Governmental Entity.

(f) The term "Subsidiary," when used with respect to any party, means any corporation or other organization, whether incorporated or unincorporated, of which such party directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization, or any organization of which such party is a general partner.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement and caused the same to be duly delivered on their behalf on the day and year first written above.

CENDANT CORPORATION

By: /s/ Henry R. Silverman

Name: Henry R. Silverman
Title: Chairman, President and Chief Executive Officer

PHH CORPORATION

By: /s/ James E. Buckman

Name: James E. Buckman
Title: Executive Vice President and General Counsel

AVIS ACQUISITION CORP.

By: /s/ James E. Buckman

Name: James E. Buckman
Title: Executive Vice President and General Counsel

AVIS GROUP HOLDINGS, INC.

By: /s/ Kevin M. Sheehan

Name: Kevin M. Sheehan
Title: President, Corporate and Business Affairs, Chief Financial Officer

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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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G	Form of Settlement Letter of Credit
H	Form of Addendum

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 and ss. 657, together, in each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

"Environmental Liabilities" shall mean any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous

Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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

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

"Existing 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
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.

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

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

(A) with respect to drawings made under any Letter of Credit, interest, payable on demand, on the amount paid by such Issuing Lender in respect of each such drawing from the date of the drawing to, but excluding, the date such amount is reimbursed by the Borrower at a rate which is at all times equal to 2% per annum in excess of the Alternate Base Rate; provided that no such default interest shall be payable if such reimbursement is made from the proceeds of Revolving Credit Loans pursuant to Section 2.24(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 Letters of Credit outstanding, such Lender's pro rata share of a commission on the maximum amount available from time to time to be drawn under such outstanding Letters of Credit calculated at a rate per annum equal to the applicable LIBOR Spread from time to time in effect hereunder. Such commission shall be payable in arrears on and through the last day of each fiscal quarter of the Borrower and on the later of the Maturity Date and the expiration of the last outstanding Letter of Credit.

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

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

(A) any Issuing Lender or any Lender shall be subject to any tax, levy, charge or withholding of any nature (other than withholding tax imposed by the United States 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.

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

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

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

(k) Notwithstanding the termination of the Commitments and the payment of the Loans, the obligations of the Borrower under this Section 2.24 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.

(l) 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 December 31, 2000. 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: /s/ Duncan H. Cocroft

Name: Duncan H. Cocroft

Title: Senior Vice President

THE CHASE MANHATTAN BANK,
as Administrative Agent and as a
Lender

By: /s/ D. Reid Morgan

Name: D. Reid Morgan
Title: Managing Director

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.

EXHIBIT 12

CENDANT CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN MILLIONS)

	NINE MONTHS ENDED SEPTEMBER 30, 2000
EARNINGS BEFORE FIXED CHARGES:	
Income before income taxes and minority interest	$ 745
Plus: Fixed charges	348
Less: Equity income in unconsolidated affiliates	14
Minority interest	95
Earnings available to cover fixed charges	$ 984
FIXED CHARGES (1):	
Interest, including amortization of deferred financing costs	$ 211
Minority interest	95
Interest portion of rental payment	42
Total fixed charges	$ 348
RATIO OF EARNINGS TO FIXED CHARGES (2)	2.83

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(1) Fixed charges include interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

(2) Income before income taxes and minority interest includes other charges of $90 million. Excluding such charges, the ratio of earnings to fixed charges is 3.09x.

The schedule contains summary financial information extracted from the
consolidated balance sheet and statement of income of the Company as of and for
the nine months ended September 30, 2000 and is qualified in its entirety to be
referenced to such financial statements. Amounts are in millions.

1,000,000

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
1,215
0
804
53
0
3,905
1,653
411
14,586
4,418
2,074
2,056
0
9
2,681
14,586
0
2,962
0
2,042
90
0
85
745
234
450
65
(2)
(56)
457
0.64
0.62