

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1
TENDER OFFER STATEMENT PURSUANT TO SECTION 14(D)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

AMERICAN BANKERS INSURANCE GROUP, INC.
(NAME OF SUBJECT COMPANY)

SEASON ACQUISITION CORP.
CENDANT CORPORATION
(Bidders)
COMMON STOCK, PAR VALUE \$1.00 PER SHARE
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)
(Title of Class of Securities)
024456 10 5
(CUSIP Number of Class of Securities)

JAMES E. BUCKMAN, ESQ.
SENIOR EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL
CENDANT CORPORATION
6 SYLVAN WAY
PARSIPPANY, NEW JERSEY 07054
TELEPHONE: (973) 428-9700
(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidders)

WITH A COPY TO:
DAVID FOX, ESQ.
ERIC J. FRIEDMAN, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
TELEPHONE: (212) 735-3000

CALCULATION OF FILING FEE

TRANSACTION VALUATION* \$1,363,073,080 AMOUNT OF FILING FEE** \$272,615

* For purposes of calculating the filing fee only. This calculation assumes the purchase of 23,501,260 shares of common stock, par value \$1.00 per share (the "Common Shares"), of American Bankers Insurance Group, Inc. (the "Company") at \$58.00 net per share in cash.

** The amount of the filing fee, calculated in accordance with Rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the aggregate value of cash offered by Season Acquisition Corp. for such number of Common Shares.

[] Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
Amount Previously Paid: Not applicable
Filing Party: Not applicable
Form or Registration No.: Not applicable
Date Filed: Not applicable

1. NAMES OF REPORTING PERSONS

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Cendant Corporation (E.I.N.: 06-0918165)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) []
(b) [X]

3. SEC USE ONLY

4. SOURCE OF FUNDS

BK, WC

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(e) or 2(f) []

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

570,740 common shares

8. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES []

9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)

1.37%

10. TYPE OF REPORTING PERSON

CO

- 1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Season Acquisition Corp. (E.I.N.: Applied For)

- 2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(b) [X]

- 3. SEC USE ONLY

- 4. SOURCE OF FUNDS
AF

- 5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2(e) or 2(f) []

- 6. CITIZENSHIP OR PLACE OF ORGANIZATION
New Jersey

- 7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
570,740 Common Shares

- 8. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES []

- 9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)
1.37%

- 10. TYPE OF REPORTING PERSON
CO

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is American Bankers Insurance Group, Inc., a Florida corporation (the "Company"). The address of the Company's principal executive offices is 11222 Quail Roost Drive, Miami, Florida 33157.

(b) This Tender Offer Statement on Schedule 14D-1 relates to the offer by Season Acquisition Corp. ("Purchaser"), a New Jersey corporation and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Parent"), to purchase 23,501,260 shares of Common Stock, par value \$1.00 per share (the "Common Shares"), of the Company, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 27, 1998, and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") at a purchase price of \$58.00 per Common Share, net to the tendering shareholder in cash, without interest thereon. According to information included in the Agreement and Plan of Merger, dated as of December 21, 1997, as amended and restated as of January 7, 1998, among the Company, American International Group, Inc. and AIGF, Inc., and attached as an exhibit to the Current Report on Form 8-K, dated as of January 13, 1998 (the "Form 8-K"), of the Company as filed with the Securities and Exchange Commission, there were 41,535,807 Common Shares outstanding as of November 3, 1997. The information set forth under "Introduction" in the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

(c) The information set forth under "Price Range of Shares; Dividends" in the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d); (g) This Statement is being filed by Purchaser and Parent. The information set forth under "Introduction" and "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase and Schedule I thereto is incorporated herein by reference.

(e)-(f) During the last five years, neither Purchaser, Parent nor any persons controlling Purchaser, nor, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I to the Offer to Purchase (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which any such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a)-(b) The information set forth under "Introduction," "Background of the Offer; Contacts with the Company," "Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations," "Certain Information Concerning the Company" and "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(b) The information set forth under "Introduction" and "Source and Amount of Funds" in the Offer to Purchase is incorporated herein by reference.

(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a)-(e) The information set forth under "Introduction," "Background of the Offer; Contacts with the Company" and "Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations" in the Offer to Purchase is incorporated herein by reference.

(f)-(g) The information set forth under "Introduction" and "Effect of the Offer on the Market for the Common Shares; Exchange Listing and Exchange Act Registration; Margin Regulations" in the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a)-(b) The information set forth under "Introduction," and "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth under "Introduction," "Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations" and "Certain Legal Matters; Regulatory Approvals; Certain Litigation" in the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth under "Fees and Expenses" in the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth under "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

(1) Not applicable.

(b)-(c) The information set forth under "Introduction" and "Certain Legal Matters; Regulatory Approvals; Certain Litigation" in the Offer to Purchase is incorporated herein by reference.

(d) The information set forth under "Effect of the Offer on the Market for the Common Shares; Exchange Listing and Exchange Act Registration; Margin Regulations" in the Offer to Purchase is incorporated herein by reference.

(e) The information set forth under "Certain Legal Matters; Regulatory Approvals; Certain Litigation" in the Offer to Purchase is incorporated herein by reference.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, is incorporated herein by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

- (a)(1) Offer to Purchase, dated January 27, 1998.
- (a)(2) Letter of Transmittal.
- (a)(3) Notice of Guaranteed Delivery.
- (a)(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a)(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a)(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
- (a)(7) Text of Press Release issued by Cendant Corporation on January 27, 1998.

- (b)(1) \$750,000,000 Five Year Revolving Credit and Competitive Advance Facility Agreement, dated as of October 2, 1996, among Cendant Corporation, the several banks and other financial institutions from time to time parties thereto, and The Chase Manhattan Bank, as Administrative Agent and CAF Advance Agent.
- (b)(2) \$1,250,000,000 364-Day Revolving Credit and Competitive Advance Facility Agreement, dated as of October 2, 1996, among Cendant Corporation, the several banks and other financial institutions from time to time parties thereto, and The Chase Manhattan Bank, as Administrative Agent and CAF Advance Agent.
- (b)(3) Cendant Corporation Acquisition Revolving Credit Facility Commitment Letter, dated January 23, 1998, among Chase Securities Inc., The Chase Manhattan Bank and Cendant Corporation.
- (c) Not applicable.
- (d) Not applicable.
- (e) Not applicable.
- (f) Not applicable.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 27, 1998

CENDANT CORPORATION

By: /s/ James E. Buckman

Name: James E. Buckman
Title: Senior Executive
Vice President and
General Counsel

SEASON ACQUISITION CORP.

By: /s/ James E. Buckman

Name: James E. Buckman
Title: Executive Vice President

EXHIBIT INDEX

EXHIBIT
NUMBER

-
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 - (c) Not applicable.
 - (d) Not applicable.
 - (e) Not applicable.
 - (f) Not applicable.

OFFER TO PURCHASE FOR CASH
23,501,260 SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)

OF

AMERICAN BANKERS INSURANCE GROUP, INC.
at
\$58.00 Net Per Share
by

SEASON ACQUISITION CORP.
a wholly owned subsidiary of

CENDANT CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, FEBRUARY 25, 1998,
UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF COMMON SHARES WHICH, TOGETHER WITH SHARES OWNED BY CENDANT CORPORATION ("PARENT") AND SEASON ACQUISITION CORP., A WHOLLY OWNED SUBSIDIARY OF PARENT ("PURCHASER"), CONSTITUTE AT LEAST 51% OF THE COMMON SHARES OUTSTANDING ON A FULLY DILUTED BASIS, (2) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PROVISIONS OF SECTION 607.0901(2) OF THE FLORIDA BUSINESS CORPORATION ACT ARE INAPPLICABLE TO THE PROPOSED MERGER DESCRIBED HEREIN, (3) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PROVISIONS OF SECTION 607.0902 OF THE FLORIDA BUSINESS CORPORATION ACT CONTINUE TO BE INAPPLICABLE TO THE ACQUISITION OF COMMON SHARES PURSUANT TO THE OFFER, (4) THE PURCHASE OF COMMON SHARES PURSUANT TO THE OFFER HAVING BEEN APPROVED FOR PURPOSES OF RENDERING THE SUPERMAJORITY VOTE REQUIREMENT OF ARTICLE VIII OF AMERICAN BANKERS INSURANCE GROUP, INC.'S (THE "COMPANY") THIRD AMENDED AND RESTATED ARTICLES OF INCORPORATION INAPPLICABLE TO PARENT AND PURCHASER, (5) THE PREFERRED STOCK PURCHASE RIGHTS HAVING BEEN REDEEMED BY THE BOARD OF DIRECTORS OF THE COMPANY OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER, (6) THE LOCKUP OPTION HELD BY AMERICAN INTERNATIONAL GROUP, INC. TO PURCHASE UP TO 19.9% OF THE OUTSTANDING COMMON SHARES HAVING BEEN TERMINATED OR INVALIDATED WITHOUT ANY COMMON SHARES HAVING BEEN ISSUED THEREUNDER, AND (7) PARENT AND PURCHASER HAVING OBTAINED ALL INSURANCE REGULATORY APPROVALS NECESSARY FOR THEIR ACQUISITION OF CONTROL OVER THE COMPANY'S INSURANCE SUBSIDIARIES ON TERMS AND CONDITIONS SATISFACTORY TO PURCHASER, IN ITS SOLE DISCRETION. SEE SECTION 14.

THE OFFER IS NOT CONDITIONED UPON PURCHASER OBTAINING FINANCING.

IMPORTANT

PARENT INTENDS TO CONTINUE TO SEEK TO NEGOTIATE WITH THE COMPANY WITH RESPECT TO THE ACQUISITION OF THE COMPANY BY PARENT OR PURCHASER. PURCHASER RESERVES THE RIGHT TO AMEND THE OFFER (INCLUDING AMENDING THE NUMBER OF SHARES TO BE PURCHASED, THE PURCHASE PRICE AND THE PROPOSED MERGER CONSIDERATION) UPON ENTERING INTO A MERGER AGREEMENT WITH THE COMPANY OR TO NEGOTIATE A MERGER AGREEMENT WITH THE COMPANY NOT INVOLVING A TENDER OFFER PURSUANT TO WHICH PURCHASER WOULD TERMINATE THE OFFER AND THE COMMON SHARES (AS DEFINED HEREIN) WOULD, UPON CONSUMMATION OF SUCH MERGER, BE CONVERTED INTO CASH, COMMON STOCK OF PARENT AND/OR OTHER SECURITIES IN SUCH AMOUNTS AS ARE NEGOTIATED BY PARENT AND THE COMPANY.

Any shareholder desiring to tender all or any portion of such shareholder's Common Shares should either (i) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal, have such shareholder's signature thereon guaranteed if required by Instruction 1 to the Letter of Transmittal, mail or deliver the Letter of Transmittal (or such facsimile thereof) and any other required documents to the Depository (as defined herein) and either deliver the certificates for such Common Shares and, if separate, the certificates representing the associated Rights (as defined herein) to the Depository along with the Letter of Transmittal (or a facsimile thereof) or deliver such Common Shares (and Rights, if applicable) pursuant to the procedure for book-entry transfer set forth in Section 3 prior to the expiration of the Offer or (ii) request such shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such shareholder. A shareholder having Common Shares (and, if applicable, Rights) registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such shareholder desires to tender such Common Shares (and, if applicable, Rights). Unless and until Purchaser declares that the Rights Condition (as defined herein) is satisfied, shareholders will be required to tender one-half of one Right for each Common Share tendered in order to effect a valid tender of such Common Share.

Any shareholder who desires to tender Common Shares (and, if applicable, Rights) and whose certificates for such shares (and, if applicable, Rights)

are not immediately available, or who cannot comply with the procedures for book-entry transfer described in this Offer to Purchase on a timely basis, may tender such Common Shares (and, if applicable, Rights) by following the procedures for guaranteed delivery set forth in Section 3.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal or other tender offer materials may be obtained from the Information Agent.

The Dealer Managers for the Offer are:

LEHMAN BROTHERS

MERRILL LYNCH & CO.

January 27, 1998

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TO THE HOLDERS OF COMMON STOCK OF AMERICAN BANKERS INSURANCE GROUP, INC.:

INTRODUCTION

Season Acquisition Corp. ("Purchaser"), a New Jersey corporation and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Parent"), hereby offers to purchase 23,501,260 outstanding shares of common stock, par value \$1.00 per share (the "Common Shares"), of American Bankers Insurance Group, Inc., a Florida corporation (the "Company"), including the associated Series A Participating Preferred Stock Purchase Rights (including any successors thereto, the "Rights") issued pursuant to the Rights Agreement, dated as of February 24, 1988, as amended and restated as of November 14, 1990, between the Company and ChaseMellon Shareholder Services, L.L.C., as successor Rights Agent (as such agreement may be further amended and including any successor agreement, the "Rights Agreement"), at a price of \$58.00 per Common Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). Unless the context otherwise requires, all references to Common Shares shall include the associated Rights, and all references to the Rights shall include the benefits that may inure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Common Shares by Purchaser pursuant to the Offer. Purchaser will pay all charges and expenses of Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Dealer Managers (the "Dealer Managers"), Continental Stock Transfer & Trust Company, as Depositary (the "Depositary"), and Innisfree M&A Incorporated, as Information Agent (the "Information Agent"), incurred in connection with the Offer. See Section 16.

According to publicly available information, a certain number of outstanding Common Shares are owned of record by Barnett Banks Trust Co., as trustee (the "ESOP Trustee") under the Company's Leveraged Employee Stock Ownership Plan (the "ESOP") and, accordingly, only the ESOP Trustee can effect a valid tender of such Common Shares.

The purpose of the Offer and the proposed second-step merger is to enable Parent to acquire control of, and ultimately the entire equity interest in, the Company. The Offer, as the first step in the acquisition of the Company, is intended to facilitate the acquisition of a majority of the outstanding Common Shares. Parent intends to continue to seek to negotiate with the Company with respect to the acquisition of the Company by Parent or Purchaser. To date, Parent has been unable to so negotiate with the Company (see the discussion regarding the "Fiduciary Sabbatical Provision" below). Parent currently intends, as soon as practicable following consummation of the Offer, to seek to have the Company consummate a merger with and into a direct wholly owned subsidiary of Parent with such subsidiary continuing as the surviving corporation (the "Proposed Merger"), pursuant to which each then remaining Common Share outstanding (other than Common Shares owned by Parent or any of its wholly owned subsidiaries, Common Shares held in the treasury of the Company, and if shareholder appraisal rights are available with respect to Common Shares, Common Shares held by shareholders who perfect appraisal rights under the Florida Business Corporation Act (the "Florida Corporation Act")) would be converted into that number of shares of common stock, par value \$.01 per share, of Parent ("Parent Common Stock") having a value equal to the Offer Price (as determined as of the time of the Proposed Merger). In addition, pursuant to the Proposed Merger, each of the then outstanding shares of the \$3.125 Series B Cumulative Convertible Preferred Stock, no par value, of the Company (the "Preferred Shares" and, together with the Common Shares, the "Shares") would be converted into one share of a new series of convertible preferred stock of Parent having substantially similar terms, except that such shares would be convertible into shares of Parent Common Stock in accordance with the terms of the Preferred Shares. In general, in the event that the Proposed Merger is consummated as described above, (i) gain or loss will be recognized by a shareholder of the Company who receives solely cash in exchange for Common Shares pursuant to the Offer and who does not exchange any Common Shares pursuant to the Proposed Merger, (ii) no gain or

loss will be recognized by a shareholder of the Company who does not exchange any Common Shares pursuant to the Offer and who receives solely shares of Parent Common Stock in exchange for Common Shares pursuant to the Proposed Merger, and (iii) a shareholder of the Company who receives a combination of cash and Parent Common Stock in exchange for such shareholder's Common Shares pursuant to the Offer and the Proposed Merger will not recognize loss but will recognize (i.e., pay tax on) gain realized, if any, to the extent of the cash received. See Section 5.

Preferred Shares may not be tendered pursuant to the Offer. In the event that a holder of Preferred Shares wants to tender such shares pursuant to the Offer, such holder must first convert the Preferred Shares into Common Shares pursuant to the terms of the Preferred Shares and then tender such Common Shares pursuant to the Offer.

Over the past several years, representatives of Parent (formerly known as CUC International Inc. ("CUC")), including John H. Fullmer, Parent's Executive Vice President and Chief Marketing Officer, and representatives of the Company, including Gerald N. Gaston, the Company's Vice Chairman, President and Chief Executive Officer, met on various occasions to discuss possible strategic marketing alliances. At a meeting in May 1997, Mr. Fullmer and Mr. Gaston met and discussed CUC's interest in acquiring the Company and the existence of certain financial issues relating to a possible combination.

In the Summer of 1997, representatives of HFS Incorporated ("HFS") separately identified the Company as a possible acquisition candidate. HFS's interest in the Company increased as a result of its decision to acquire Providian Auto & Home Insurance Company and its property and casualty subsidiaries, which predominately market personal automobile insurance through direct marketing channels.

During the course of planning for the then-pending merger of CUC and HFS, their mutual interest in the Company was identified and scheduled to be pursued following completion of the merger.

On December 3, 1997, a significant shareholder of the Company indicated to the Senior Vice President -- Acquisitions of HFS that it believed the Company was considering a sale transaction. This information was conveyed to Mr. Fullmer, who attempted on several occasions to contact Mr. Gaston to inquire as to its validity.

Mr. Fullmer ultimately spoke with Mr. Gaston in mid-December 1997 and described the merger of CUC and HFS which created Parent and emphasized that the resulting size and scale of Parent had eliminated the financial issues relating to an acquisition of the Company which they had previously discussed. Mr. Fullmer inquired whether the Company was actively engaged in discussions relating to an acquisition, and indicated that, if the Company was so engaged, representatives of Parent would like to meet immediately with the Company's representatives to discuss Parent's strong interest in exploring such a transaction. In response to Mr. Gaston's assurances that the Company was not actively engaged in acquisition discussions, Mr. Fullmer agreed to forward to Mr. Gaston information regarding Parent and to contact Mr. Gaston to schedule a meeting in early January to discuss a possible acquisition transaction.

On December 22, 1997, the Company and American International Group, Inc., a Delaware corporation ("AIG"), announced that they had entered into a definitive merger agreement (including all amendments thereto, the "AIG Merger Agreement") pursuant to which the Company would be sold to AIG through the Proposed AIG Merger (as defined below), which would be consummated following the receipt of required regulatory and shareholder approvals and satisfaction of various other conditions.

Following a series of meetings among representatives of Parent and Parent's outside financial advisors and legal counsel and a meeting of Parent's Executive Committee, on January 26, 1998, Parent's Board of Directors (the "Parent Board") met to review its strategic options in light of the announcement of the Proposed AIG Merger. Because the Parent Board believes that a combination of Parent and the Company would offer compelling benefits to both companies, their shareholders and their other constituencies, it determined that Parent should make a competing offer for the Company.

On January 27, 1998, Parent submitted to the Company Board a written proposal for the acquisition of the Company by Purchaser pursuant to the Offer and the Proposed Merger and announced its intention to commence the Offer. In its proposal, Parent indicated that its strong preference would be to enter into

a merger agreement with the Company containing substantially the same terms and conditions as the AIG Merger Agreement but at the significantly higher value reflected in the Offer Price. However, the Fiduciary Sabbatical Provision (as defined below) purports to prohibit the Company from discussing Parent's proposal for 120 days from the date of the AIG Merger Agreement.

Also on January 27, 1998, Parent and Purchaser commenced litigation against the Company, substantially all of the members of the Company's Board of Directors (the "Company Board") and AIG in the United States District Court for the Southern District of Florida (the "Florida Litigation") seeking relief relating to various matters, including the Company Board's approval of the AIG Merger Agreement, actions taken by the Company Board in furtherance of the Proposed AIG Merger and AIG's failure to make certain disclosures required by Federal securities laws. See Section 15.

According to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission (the "SEC") on January 13, 1998 (the "Company January 13 Form 8-K"), the Company entered into the AIG Merger Agreement which provides that, following the satisfaction or waiver of certain conditions, the Company would be merged with and into a subsidiary of AIG, with the separate corporate existence of the Company ceasing and the AIG subsidiary continuing as the surviving corporation (the "Proposed AIG Merger"). Pursuant to the Proposed AIG Merger, each outstanding Common Share would be converted, based upon elections made by the respective holders and subject to certain limitations, into the right to receive (i) \$47.00 in cash, without interest, (ii) a portion of a share of common stock, par value \$2.50 per share, of AIG (the "AIG Common Stock") with a value equal to \$47.00 (as determined based on the average closing prices of the AIG Common Stock on the New York Stock Exchange for the ten trading days ending on the third trading day prior to the date that the Proposed AIG Merger is consummated) or (iii) in certain circumstances, a combination of cash and shares of AIG Common Stock with an aggregate value equal to \$47.00. In addition, pursuant to the Proposed AIG Merger, each of the then outstanding Preferred Shares would be converted into one share of AIG preferred stock having substantially similar terms, except that such shares would be convertible into shares of AIG Common Stock.

The obligations of AIG and the Company to effect the Proposed AIG Merger are subject to various conditions, including the approval of the Proposed AIG Merger by the holders of at least a majority of the outstanding Common Shares voting separately as a class (the "Common Shareholder Approval") and by the holders of at least a majority of the outstanding Preferred Shares voting separately as a class (the "Preferred Shareholder Approval") and the receipt of all required regulatory consents, registrations, approvals, permits and authorizations. In the event that the Preferred Shareholder Approval is not obtained or AIG reasonably determines that such approval is not likely to be obtained, the AIG Merger Agreement provides that the AIG Merger Agreement would be amended to change the structure of the Proposed AIG Merger such that a subsidiary of AIG would merge with and into the Company with the Company continuing as the surviving corporation. Upon consummation of such revised Proposed AIG Merger, the Preferred Shares would remain outstanding pursuant to their existing terms (except that they would be convertible into shares of AIG Common Stock). Unlike the Proposed AIG Merger initially contemplated in the AIG Merger Agreement, the revised Proposed AIG Merger would not require any approval of holders of Preferred Shares and would be a fully taxable transaction, with the result that holders of Common Shares would pay Federal income tax on all consideration, whether cash or shares of AIG Common Stock, that they received in the revised Proposed AIG Merger to the extent of any gain they may have on their Common Shares.

In connection with the execution of the AIG Merger Agreement, the Company and AIG entered into an option agreement (the "AIG Lockup Option Agreement") pursuant to which the Company granted to AIG an option (the "AIG Lockup Option"), exercisable in certain events, to purchase up to approximately 8,265,626 Common Shares (which represented 19.9% of the outstanding number of Common Shares at the time the AIG Lockup Option Agreement was entered into) at an exercise price of \$47.00 per Common Share, subject to adjustment as set forth therein. The AIG Lockup Option may not be exercised prior to AIG's receipt of applicable regulatory approvals, including insurance regulatory approvals.

In the AIG Merger Agreement, the Company has agreed to a provision (the "Fiduciary Sabbatical Provision") which provides that the Company and its subsidiaries, officers, directors, employees, agents

and representatives will not, directly or indirectly, (i) initiate, solicit, encourage, or otherwise facilitate any inquiries or the making of any proposal or offer with respect to a merger, reorganization, share exchange, consolidation or similar transaction involving, or any purchase of 15% or more of the assets or any equity securities of, the Company or any of its subsidiaries (an "Acquisition Proposal"), or (ii) engage in any negotiations concerning, provide any confidential information or data to, or have any discussions with, any person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal, except that, after 120 days have elapsed since the date of the AIG Merger Agreement and if the Proposed AIG Merger shall not have been approved by the requisite vote of the Company's shareholders by such date, the Company may, in certain limited circumstances, engage in negotiations or discussions with any person who has made an unsolicited bona fide superior Acquisition Proposal.

The AIG Merger Agreement provides that under certain circumstances in which the AIG Merger Agreement is terminated, the Company will have an obligation to pay a cash fee of \$66 million to AIG (the "AIG Termination Fee"). However, pursuant to the terms of the AIG Lockup Option Agreement, AIG's total profit under the AIG Lockup Option Agreement (including the amount of the AIG Termination Fee) is limited to \$66 million.

In connection with the execution of the AIG Merger Agreement, AIG entered into a Voting Agreement (the "AIG Voting Agreement") with R. Kirk Landon, Chairman of the Board of the Company, and Gerald N. Gaston, Vice Chairman, President and Chief Executive Officer of the Company, pursuant to which Messrs. Landon and Gaston have agreed (i) to vote the approximately 8.2% of the outstanding Company Shares beneficially owned by them (A) in favor of adopting the AIG Merger Agreement and approving the Proposed AIG Merger and (B) against any action or proposal that would compete with or could serve to materially interfere with, delay, discourage, adversely affect or inhibit the timely consummation of the Proposed AIG Merger, and (ii) upon request, to grant to AIG an irrevocable proxy with respect to such Common Shares.

The foregoing description of the AIG Merger Agreement, the AIG Lockup Option Agreement and the AIG Voting Agreement is qualified in its entirety by reference to the full text of the AIG Merger Agreement, the AIG Lockup Option Agreement and the AIG Voting Agreement, copies of which have been included by the Company as exhibits to the Company January 13 Form 8-K and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

As indicated in Parent's proposal, Parent intends to continue to seek to negotiate with the Company with respect to the acquisition of the Company by Parent or Purchaser, whether pursuant to the Offer and the Proposed Merger, or otherwise. If such negotiations result in a definitive merger agreement between the Company and Parent or Purchaser, the consideration to be received by holders of Common Shares could include or consist of consideration other than cash. Accordingly, such negotiations could result in, among other things, amendment or termination of the Offer and submission of a different acquisition proposal to the Company's shareholders for their approval. See Section 12 and Section 14.

In connection with the Offer and during its pendency, or in the event the Offer is terminated or not consummated, or after the expiration of the Offer and pending the consummation of the Proposed Merger, in accordance with applicable law and subject to the terms of any merger agreement that it may enter into with the Company, Parent (alone or through affiliates) may explore any and all options which may be available to it. In this regard, Parent intends to solicit proxies against the adoption of the Proposed AIG Merger at any meeting of the holders of Common Shares and/or Preferred Shares called for such purpose and intends to promptly file preliminary proxy materials with the SEC concerning such solicitation. Parent may also determine, whether or not the Offer is then pending, to conduct a proxy contest in connection with the Company's 1998 annual meeting of shareholders seeking to remove the current members of the Company Board and elect a new slate of directors designated by Parent. See Section 15. In addition, Parent may seek to acquire Preferred Shares through a tender offer or exchange offer, upon such terms and at such prices as it may determine, and after expiration or termination of the Offer, Parent may seek to acquire Preferred Shares and additional Common Shares, through open market

purchases, privately negotiated transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as it may determine, which, in the case of Common Shares, may be more or less than the price to be paid per Common Share pursuant to the Offer and could be for cash or other consideration.

The Offer does not constitute a solicitation of proxies for any meeting of the Company's shareholders. Any such solicitation which Parent or Purchaser might make would be made only pursuant to separate proxy materials complying with the requirements of Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, the Offer does not constitute an offer to sell or solicitation of an offer to buy any securities of Parent. Such an offer may be made only pursuant to a prospectus pursuant to the Securities Act of 1933, as amended.

CERTAIN CONDITIONS TO THE OFFER

THE MINIMUM CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF COMMON SHARES WHICH, TOGETHER WITH SHARES OWNED BY PARENT AND PURCHASER, CONSTITUTE AT LEAST 51% OF THE COMMON SHARES OUTSTANDING ON A FULLY DILUTED BASIS (I.E., AS THOUGH ALL OPTIONS OR OTHER SECURITIES CONVERTIBLE INTO OR EXERCISABLE OR EXCHANGEABLE FOR COMMON SHARES HAD BEEN SO CONVERTED, EXERCISED OR EXCHANGED) (THE "MINIMUM CONDITION").

According to the AIG Merger Agreement, as of the close of business on November 3, 1997, (i) 41,535,807 Common Shares were issued and outstanding and (ii) approximately 5,630,610 (but no more than 5,664,193) Common Shares were subject to issuance pursuant to various stock option and incentive plans of the Company (the "Incentive Shares") and pursuant to the conversion of up to 2,300,000 issued and outstanding Preferred Shares and the Company's convertible debenture bonds due May 24, 1999 (collectively with the Preferred Shares, the "Company Convertible Securities"). Although, according to the AIG Lockup Option Agreement, 8,265,626 Common Shares have been reserved for issuance in the event AIG exercises, in whole or in part, the AIG Lockup Option, the Offer is conditioned upon the AIG Lockup Option having been terminated or invalidated without any Common Shares having been issued thereunder.

Based on the foregoing and disregarding for such purposes the 8,265,626 Common Shares purportedly issuable pursuant to the AIG Lockup Option Agreement, Purchaser believes there are approximately 47,200,000 Common Shares outstanding on a fully diluted basis. Parent currently owns an aggregate of 371,200 Common Shares and an aggregate of 99,900 Preferred Shares (which are convertible in 199,540 Common Shares), which were recently acquired in open-market transactions. See Schedule II hereto. Accordingly, Purchaser believes that the Minimum Condition would be satisfied if an aggregate of 23,501,260 Common Shares (equal to the number of Common Shares that Purchaser is seeking in the Offer) are either validly tendered pursuant to the Offer or owned by Parent, if the AIG Lockup Option is terminated or invalidated without any Common Shares having been issued thereunder. For purposes of the Offer, "fully diluted basis" assumes (i) no dilution due to Rights, (ii) no Common Shares are issued or validly issuable under the AIG Lockup Option, (iii) the issuance of all of the Incentive Shares, (iv) the conversion of all Company Convertible Securities into Common Shares, (v) no Common Shares were issued or acquired by the Company after November 3, 1997 (other than Common Shares issued pursuant to clauses (iii) and (iv) above) and no options, warrants, rights or other securities convertible into or exercisable or exchangeable for Common Shares were issued or granted after December 21, 1997 other than the AIG Lockup Option Agreement, and (vi) as of the date of purchase the Company has no other obligations to issue Common Shares or other securities convertible into or exercisable for Common Shares.

In the Florida Litigation, Parent and Purchaser are requesting that the court invalidate and/or enjoin the AIG Lockup Option in the event that it is not revoked, waived or otherwise rendered unexercisable by the Company and AIG.

THE AFFILIATED TRANSACTION CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PROVISIONS OF THE SECTION 607.0901(2) OF THE FLORIDA CORPORATION ACT (THE "AFFILIATED TRANSACTION STATUTE") ARE INAPPLICABLE TO THE PROPOSED MERGER (THE "AFFILIATED TRANSACTION CONDITION").

The Proposed Merger, including the timing and details thereof, is subject to, among other things, the provisions of the Florida Corporation Act, including the Affiliated Transaction Statute. In general, the Affiliated Transaction Statute provides that the approval of the holders of two-thirds of the voting shares of a corporation, other than the shares owned by an "Interested Shareholder" (defined generally as a person beneficially owning 10% or more of a corporation's outstanding voting shares), would be required in order to effectuate a "Business Combination" (defined to include a variety of transactions including mergers) with an Interested Shareholder. However, the foregoing special voting requirement does not apply in certain circumstances, including if the Business Combination is approved by a majority of the corporation's disinterested directors. See Section 15.

Accordingly, the Affiliated Transaction Condition would be satisfied if (i) the Company Board approves the Proposed Merger, or (ii) Purchaser is satisfied, in its sole discretion, that the Affiliated Transaction Condition is otherwise inapplicable to the Proposed Merger for any reason, including, without limitation, those specified in the Affiliated Transaction Statute.

In the Florida Litigation, Parent and Purchaser are requesting that the court enjoin the Proposed AIG Merger unless and until a majority of the Company's "disinterested directors" approve the Proposed Merger in accordance with the Affiliated Transaction Statute.

THE CONTROL SHARE CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PROVISIONS OF SECTION 607.0902 OF THE FLORIDA CORPORATION ACT (THE "CONTROL SHARE STATUTE") CONTINUE TO BE INAPPLICABLE TO THE ACQUISITION OF COMMON SHARES PURSUANT TO THE OFFER.

The Control Share Statute provides, in general, that shares of an "issuing public corporation," such as the Company, acquired in a "control share acquisition" will not have voting rights unless that issuing public corporation's board of directors approves the acquisition of such shares or voting rights for such shares are authorized at an annual or special meeting of the shareholders of the issuing public corporation by each class or series entitled to vote separately on the proposal by a majority of all the votes entitled to be cast by the class or series, excluding all "interested shares" (generally, those shares held by the acquiring person). See Section 15.

However, the Control Share Statute permits a corporation's by-laws to provide that the Control Share Statute does not apply to control share acquisitions of the shares of such corporation. Section 4 of Article V of the Company's Amended and Restated By-Laws (the "Company By-Laws"), provides that the Control Share Statute, and any amendments thereto, does not apply to control share acquisitions of shares of stock of the Company occurring on or after November 14, 1990. Accordingly, unless such Company By-Law is repealed or amended, Purchaser believes that the Control Share Statute will continue to be inapplicable to Purchaser's acquisition of Common Shares pursuant to the Offer.

The foregoing description of the Company By-Laws is qualified in its entirety by reference to the full text of the Company By-Laws, a copy of which has been filed by the Company as an exhibit to documents filed with the SEC and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

THE SUPERMAJORITY VOTE CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THE PURCHASE OF COMMON SHARES PURSUANT TO THE OFFER HAVING BEEN APPROVED FOR PURPOSES OF RENDERING THE SUPERMAJORITY VOTE REQUIREMENT OF PARAGRAPH A OF ARTICLE VIII OF THE COMPANY'S THIRD AMENDED AND RESTATED ARTICLES OF INCORPORATION (THE "COMPANY ARTICLES") INAPPLICABLE TO PARENT AND PURCHASER (THE "SUPERMAJORITY VOTE CONDITION").

Paragraph A of Article VIII of the Company Articles provides, among other things, that in addition to any affirmative vote required by law, the affirmative vote of the holders of at least 85% of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors ("voting shares"), including the affirmative vote of at least 50% of the voting shares held by shareholders other than any 30% Shareholder (as defined below), shall be required to effectuate certain business combination transactions, including, among others, a merger, sale of assets, sale of shares and reclassification of securities involving the corporation with any other person owning beneficially, directly

or indirectly, 30% or more of the voting shares (a "30% Shareholder"). However, this supermajority vote requirement does not apply in certain circumstances, including if the Company Board has, by at least a 75% vote of the directors then in office, (i) given prior approval to the 30% Shareholder's acquisition of 30% or more of the outstanding Common Shares or (ii) approved the business combination prior to the 30% Shareholder having attained its 30% holding.

Accordingly, the Supermajority Vote Condition would be satisfied if the Company Board, by at least a 75% vote of the directors then in office, approves either Purchaser's acquisition of Common Shares pursuant to the Offer or the Proposed Merger prior to the consummation of the Offer.

The foregoing description of the Company Articles is qualified in its entirety by reference to the full text of the Company Articles, a copy of which has been filed by the Company as an exhibit to documents filed with the SEC and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

In the Florida Litigation, Parent and Purchaser are requesting that the court enjoin the Proposed AIG Merger unless and until the Company Board, by at least a 75% vote of the directors then in office, has given approval to the Offer and/or the Proposed Merger.

THE RIGHTS CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THE RIGHTS HAVING BEEN REDEEMED BY THE COMPANY BOARD OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER (THE "RIGHTS CONDITION").

Pursuant to the terms of the Rights Agreement, the Rights will expire at the close of business on March 10, 1998 unless earlier redeemed by the Company as described below. Pursuant to the terms of the AIG Merger Agreement, the Company has agreed that, upon the request of AIG, it will take all actions necessary to extend the term of the Rights Agreement or to enter into a new Rights Agreement. In the event either such action is taken by the Company, the Rights Condition shall be deemed applicable to the Rights Agreement as so extended or to such new Rights Agreement and the related new Rights, as the case may be. In the event that the Company adopts a new Rights Agreement prior to the expiration or consummation of the Offer, all references to the Rights Agreement and the Rights in this Offer to Purchase, the related Letter of Transmittal and in the other tender offer materials shall be deemed to be references to such new Rights Agreement and the related Rights issued thereunder.

The following is based upon the Form 8-K, dated November 14, 1990 (the "Company November 14 Form 8-K"), and the Form 8-A, dated as of June 19, 1997 (the "Company Form 8-A"), filed by the Company with the SEC:

On February 24, 1988, the Company Board declared a dividend distribution of one Right for each Common Share and executed the Rights Agreement. On November 14, 1990, the Company adopted certain amendments to the Rights Agreement. In addition, as a result of the two-for-one split in the Common Shares paid on September 12, 1997 (the "Stock Split"), the aggregate number of Rights associated with the Common Shares then outstanding, or issued or delivered after such date but prior to the Distribution Date, was adjusted so that one-half of one Right is associated with each Common Share. Under the Rights Agreement, subject to the terms and conditions thereof, each Right entitles the holder to purchase one share of Series A Participating Preferred Stock, no par value, of the Company ("Series A Preferred Stock") at an exercise price of \$31.00, subject to adjustment.

Under the Rights Agreement, until the close of business on the Distribution Date (which is defined as the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (the "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding Common Shares and (ii) 10 business days following the commencement of a tender offer or exchange offer which would result in a person or group beneficially owning 15% or more of the outstanding Common Shares), the Rights will be evidenced by the certificates evidencing Common Shares (the "Common Share Certificates") and will be transferred with and only with Common Share Certificates. As soon as practicable after the Distribution Date, certificates evidencing the Rights (the "Rights Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date, and thereafter the separate Rights Certificates alone will evidence the Rights. The Rights are not exercisable until the Distribution Date.

At any time until 10 days following the Distribution Date, the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). The redemption period may be extended by the Company at any time prior to the expiration of such period. After the redemption period has expired, the Company's right of redemption may be reinstated if an Acquiring Person reduces its beneficial ownership to 10% or less of the outstanding Common Shares in one or more transactions not involving the Company and there are no other persons who are Acquiring Persons. Immediately upon the action of the Company Board ordering redemption of the Rights, the Rights will terminate, and the only right to which the holders of Rights will be entitled will be the right to receive the Redemption Price.

Pursuant to the AIG Merger Agreement, the Company has amended the Rights Agreement to render the Rights Agreement inapplicable to the Proposed AIG Merger and the other transactions contemplated by the AIG Merger Agreement, the AIG Lockup Option Agreement and the AIG Voting Agreement and to ensure, among other things, that AIG is not deemed to be an Acquiring Person and that a Distribution Date does not occur by reason of such agreements or transactions. However, pursuant to the AIG Merger Agreement the Company has also agreed that it may not facilitate any effort or attempt to make or implement an Acquisition Proposal, which would include the Offer, including by means of an amendment to the Rights Agreement.

Based on publicly available information, Purchaser believes that, as of the date of this Offer to Purchase, the Rights were not exercisable, Rights Certificates had not been issued and the Rights were evidenced by the Common Share Certificates. Purchaser believes that, as a result of Purchaser's public announcement of the Offer, the Distribution Date will be no later than February 10, 1998 unless prior to such date the Company Board redeems the Rights or amends the Rights Agreement to delay the Distribution Date.

Purchaser believes that, under applicable law and under the circumstances of the Offer, including the Company Board's approval of the AIG Merger Agreement and the transactions contemplated thereby, the Company Board is obligated by its fiduciary responsibilities not to redeem the Rights or render the Rights Agreement inapplicable to any business combination transaction with AIG without, at the same time, taking the same action as to Purchaser, the Offer and the Proposed Merger, and that the Company Board's failure to do so would be a violation of law. In the Florida Litigation, Parent and Purchaser are seeking, among other things, to enjoin the Company Board from treating AIG and Purchaser differently under the Rights Agreement. See Section 15.

THE LOCKUP TERMINATION CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THE AIG LOCKUP OPTION HAVING BEEN TERMINATED OR INVALIDATED WITHOUT ANY COMMON SHARES HAVING BEEN ISSUED THEREUNDER (THE "LOCKUP TERMINATION CONDITION").

In the Florida Litigation, Parent and Purchaser are seeking, among other things, to invalidate the AIG Lockup Option.

THE INSURANCE REGULATORY APPROVAL CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON PARENT AND PURCHASER HAVING OBTAINED ALL INSURANCE REGULATORY APPROVALS NECESSARY FOR THEIR ACQUISITION OF CONTROL OF THE COMPANY'S INSURANCE SUBSIDIARIES ON TERMS AND CONDITIONS SATISFACTORY TO PURCHASER, IN ITS SOLE DISCRETION (THE "INSURANCE REGULATORY APPROVAL CONDITION").

According to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (the "Company 1996 Form 10-K") and other publicly available documents, the Company, directly or through its subsidiaries, (i) owns United States and foreign life insurance companies, (ii) owns United States and foreign property and casualty insurance companies, and (iii) as attorney-in-fact, manages and controls a reciprocal insurance exchange. Accordingly, the acquisition of Common Shares satisfying the Minimum Condition pursuant to the Offer will require filings with, and approvals of, (i) state insurance regulatory authorities (the "Insurance Commissions") under the respective insurance codes (the "Insurance Codes") of Arizona, Florida, Georgia, New York, South Carolina, Texas and Puerto Rico, and (ii) foreign insurance regulatory authorities under the laws of the United Kingdom, Turks & Caicos, Mexico, Argentina, the Dominican Republic and the Cayman Islands, which are the respective United States and foreign jurisdictions in which the insurance companies owned or otherwise controlled by the Company are domiciled.

United States Regulatory Approvals

The Insurance Codes of the United States domiciliary states (and Puerto Rico) and the rules that have been promulgated thereunder each contain provisions applicable to the acquisition of "control" of a domestic insurer, including a presumption of control that arises from the ownership of 10% or more of the voting securities of a domestic insurer or of a person that controls a domestic insurer (under Florida law, 5% or more of the outstanding voting securities unless the acquiror acquires less than 10% of the outstanding voting securities and affirmatively disclaims control). Generally, any person seeking to acquire voting securities, such as the Common Shares, in an amount that would result in such person controlling, directly or indirectly, a domestic insurer must, together with any person ultimately controlling such person, file with the relevant Insurance Commission an application for approval of acquisition of control (generally known as a "Form A") containing certain information and send a copy of each Form A to the domestic insurer. On the date of this Offer to Purchase, Parent and Purchaser made Form A filings, including a copy of this Offer to Purchase and other related information with respect to the Offer, with the relevant Insurance Commissions and sent copies thereof to the relevant domestic insurer.

In certain jurisdictions, the Form A filings trigger public hearing requirements and/or commence statutory periods within which decisions must be rendered approving or disapproving the acquisition of control of the Company by Parent and Purchaser. In other jurisdictions, public hearings are discretionary and/or there are not periods within which such decisions must be rendered. The periods within which hearings must be commenced or decisions rendered generally does not begin until the relevant Insurance Commission has deemed the Form A filing complete. The Insurance Commission has discretion to request that additional information be furnished before it deems the Form A filing complete. The Insurance Codes provide certain statutory standards for the approval or the disapproval of the acquisition of control of the Company. The Insurance Codes, however, permit the Insurance Commissions discretion in determining whether such standards have been met.

International Insurance Regulatory Approvals

The Company's non-U.S. insurance subsidiaries are organized under the laws of the United Kingdom, Turks & Caicos, Mexico, Argentina, the Dominican Republic and the Cayman Islands, which laws generally require notice to and/or prior approval from the insurance regulatory authority prior to the acquisition of control. Parent and the Purchaser intend to give promptly the required notices to and/or seek the required approvals from such foreign insurance regulatory authorities.

Certain other conditions to consummation of the Offer are described in Section 14. Purchaser expressly reserves the right in its sole discretion to waive any one or more of the conditions to the Offer. See Section 14.

THIS OFFER TO PURCHASE AND THE LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

1. TERMS OF THE OFFER; EXPIRATION DATE.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), Purchaser will accept for payment and pay for all Common Shares which are validly tendered prior to the Expiration Date (as hereinafter defined) and not properly withdrawn in accordance with Section 4. The term "Expiration Date" means 12:00 Midnight, New York City time, on Wednesday, February 25, 1998, unless and until Purchaser, in its sole discretion, shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by Purchaser, shall expire.

The Offer is conditioned upon, among other things, satisfaction of the Minimum Condition, the Affiliated Transaction Condition, the Control Share Condition, the Supermajority Vote Condition, the Rights Condition, the Lockup Termination Condition and the Insurance Regulatory Approval Condition. If any or all of such conditions are not satisfied or if any or all of the other events set forth in Section 14

shall have occurred prior to the Expiration Date, Purchaser reserves the right (but shall not be obligated) to (i) decline to purchase any of the Common Shares tendered in the Offer and to terminate the Offer and return all tendered Common Shares to the tendering shareholders, (ii) waive or reduce the Minimum Condition or waive or amend any or all other conditions to the Offer to the extent permitted by applicable law, and, subject to complying with applicable rules and regulations of the SEC, purchase all Common Shares validly tendered, or (iii) extend the Offer and, subject to the right of shareholders to withdraw Common Shares until the Expiration Date, retain the Common Shares which have been tendered during the period or periods for which the Offer is extended.

Purchaser expressly reserves the right, in its sole discretion, at any time and from time to time, to extend for any reason the period of time during which the Offer is open, including the occurrence of any of the events specified in Section 14, by giving oral or written notice of such extension to the Depository. During any such extension, all Common Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw its Common Shares in accordance with the procedures set forth in Section 4.

Subject to the applicable regulations of the SEC, Purchaser also expressly reserves the right, in its sole discretion, at any time and from time to time, (i) to delay acceptance for payment of, or, regardless of whether such Common Shares were theretofore accepted for payment, payment for, any Common Shares pending receipt of any regulatory approval specified in Section 15 or in order to comply in whole or in part with any other applicable law, (ii) to terminate the Offer and not accept for payment any Common Shares if any of the conditions referred to in Section 14 has not been satisfied or upon the occurrence of any of the events specified in Section 14 and (iii) to waive any condition or otherwise amend the Offer in any respect by giving oral or written notice of such delay, termination, waiver or amendment to the Depository and by making a public announcement thereof.

Purchaser acknowledges that (i) Rule 14e-1(c) under the Exchange Act requires Purchaser to pay the consideration offered or return the Common Shares tendered promptly after the termination or withdrawal of the Offer, and (ii) Purchaser may not delay acceptance for payment of, or payment for (except as provided in clause (i) of the first sentence of the preceding paragraph), any Common Shares upon the occurrence of any of the conditions specified in Section 14 without extending the period of time during which the Offer is open.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, with such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Subject to applicable law (including Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act, which require that material changes be promptly disseminated to shareholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances, including the relative materiality of the changed terms or information. In the SEC's view, an offer generally should remain open for a minimum of five business days from the date a material change is first published, sent or given to shareholders. With respect to a change in price or a change in percentage of securities sought, a minimum ten business day period is required to allow for adequate dissemination to shareholders and investor response. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1 under the Exchange Act. Accordingly, if, prior to the Expiration Date, Purchaser decreases the number of Common Shares being sought, or increases or decreases the consideration offered pursuant to the Offer,

and if the Offer is scheduled to expire at any time earlier than the period ending on the tenth business day from the date that notice of such increase or decrease is first published, sent or given to holders of Common Shares, the Offer will be extended at least until the expiration of such 10 business day period.

As of the date of this Offer to Purchase, the Rights are evidenced by the Common Share Certificates and do not trade separately. Accordingly, by tendering a Common Share Certificate, a shareholder is automatically tendering the associated Rights. If, however, pursuant to the Rights Agreement or for any other reason, the Rights detach and separate Rights Certificates are issued, shareholders will be required to tender one-half of one Right for each Common Share tendered in order to effect a valid tender of such Common Share.

A request is being made to the Company for the use of the Company's shareholder list and security position listing for the purpose of disseminating the Offer to shareholders. Upon compliance by the Company with such request, this Offer to Purchase and the Letter of Transmittal will be mailed to record holders of Common Shares and Rights and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list and list of holders of Rights, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Common Shares or Rights.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES; PRORATION.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will purchase, by accepting for payment, and will pay for, all Common Shares which are validly tendered prior to the Expiration Date (and not properly withdrawn in accordance with Section 4) promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the regulatory conditions set forth in Section 14. Purchaser expressly reserves the right, in its discretion, to delay acceptance for payment of, or, subject to applicable rules of the SEC, payment for, Common Shares in order to comply in whole or in part with any applicable law. Purchaser understands that, in accordance with the applicable rules of the SEC, any delay in accepting Common Shares, regardless of cause, may not exceed an unreasonable length of time. Accordingly, if it appears at the time that the Offer is scheduled to expire that any regulatory approvals specified in Section 14 hereof are not likely to be obtained within a reasonable length of time thereafter, Purchaser will either extend or terminate the Offer.

In all cases, payment for Common Shares purchased pursuant to the Offer will be made only after timely receipt by the Depository of (i) the Common Share Certificates and Rights Certificates, if the Rights are at such time separately traded, or timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Common Shares (and Rights, if applicable), if such procedure is available, into the Depository's account at The Depository Trust Company or the Philadelphia Depository Trust Company (each a "Book-Entry Transfer Facility" and, collectively, the "Book-Entry Transfer Facilities") pursuant to the procedures set forth in Section 3, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or, in the case of a book-entry transfer, an Agent's Message (as defined below) and (iii) any other documents required by the Letter of Transmittal.

The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depository and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Common Shares (and Rights, if applicable) that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against the participant.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Common Shares (including the associated Rights) validly tendered and not properly withdrawn if, as and when Purchaser gives oral or written notice to the Depository of Purchaser's acceptance of such Common Shares for payment. Payment for Common Shares (including the associated Rights) accepted pursuant to the Offer will be made by deposit of the purchase price therefor with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payments from

Purchaser and transmitting payments to such tendering shareholders. Under no circumstances will interest on the purchase price for Common Shares be paid by Purchaser, regardless of any delay in making such payment. Upon the deposit of funds with the Depository for the purpose of making payments to tendering shareholders, Purchaser's obligation to make such payment shall be satisfied and tendering shareholders must thereafter look solely to the Depository for payment of amounts owed to them by reason of the acceptance for payment of Common Shares pursuant to the Offer. Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Common Shares, except as otherwise provided in Instruction 6 of the Letter of Transmittal, as well as any charges and expenses of the Depository and the Information Agent.

If any tendered Common Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer or if Common Share Certificates are submitted evidencing more Common Shares than are tendered, Common Share Certificates evidencing unpurchased Common Shares will be returned, without expense to the tendering shareholder (or, in the case of Common Shares tendered by book-entry transfer into the Depository's account at a Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3, such Common Shares will be credited to an account maintained at such Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Offer.

If, prior to the Expiration Date, Purchaser increases the consideration to be paid per Common Share pursuant to the Offer, Purchaser will pay such increased consideration for all such Common Shares purchased pursuant to the Offer, whether or not such Common Shares were tendered prior to such increase in consideration.

Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to Parent or one or more direct or indirect wholly owned subsidiaries of Parent, the right to purchase all or any portion of the Common Shares tendered pursuant to the Offer, provided that any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Common Shares validly tendered and accepted for payment pursuant to the Offer.

If more than 23,501,260 Common Shares (the "Maximum Shares") are validly tendered prior to the Expiration Date and are not properly withdrawn, Purchaser will, upon the terms and subject to the conditions of the Offer, accept for payment and pay for only the Maximum Shares, on a pro rata basis, with adjustments to avoid purchases of fractional Common Shares, based upon the number of Common Shares validly tendered prior to the Expiration Date and not properly withdrawn. Because of the difficulty of determining precisely the number of Common Shares validly tendered and not withdrawn, if proration is required, Purchaser would not expect to be able to announce the final results of proration or pay for Common Shares until at least five New York Stock Exchange, Inc. ("NYSE") trading days after the Expiration Date. Preliminary results of proration will be announced by press release as promptly as practicable after the Expiration Date. Holders of Common Shares may obtain such preliminary information from the Information Agent and may also be able to obtain such preliminary information from their brokers.

3. PROCEDURES FOR TENDERING COMMON SHARES.

Valid Tender of Common Shares. In order for Common Shares to be validly tendered pursuant to the Offer, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (in the case of any book-entry transfer) and any other required documents, must be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date and either (i) the Common Share Certificates evidencing tendered Common Shares must be received by the Depository at one of such addresses or Common Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depository, in each case prior to the Expiration Date, or (ii) the tendering shareholder must comply with the guaranteed delivery procedures described below.

The method of delivery of Common Share Certificates and all other required documents, including delivery through any Book-Entry Transfer Facility, is at the sole option and risk of the tendering shareholder, and the delivery will be deemed made only when actually received by the Depository. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Book-Entry Transfer. The Depository will establish an account with respect to the Common Shares at each Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in either of the Book-Entry Transfer Facilities' systems may make book-entry delivery of Common Shares by causing a Book-Entry Transfer Facility to transfer such Common Shares into the Depository's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Common Shares may be effected through book-entry transfer at a Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Common Shares, and any other required documents must, in any case, be transmitted to and received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date or the tendering shareholder must comply with the guaranteed delivery procedures described below. Delivery of documents to a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures does not constitute delivery to the Depository.

Signature Guarantee. Signatures on all Letters of Transmittal must be guaranteed by a firm which is a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program (each, an "Eligible Institution"), unless the Common Shares are tendered (i) by a registered holder of Common Shares who has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. See Instruction 1 of the Letter of Transmittal.

If a Common Share Certificate is registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or a Common Share Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Common Share Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Common Share Certificate, with the signature(s) on such Common Share Certificate or stock powers guaranteed as described above. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a shareholder desires to tender Common Shares pursuant to the Offer and such shareholder's Common Share Certificates are not immediately available or time will not permit all required documents to reach the Depository prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Common Shares may nevertheless be tendered if all the following conditions are satisfied:

(i) the tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser herewith, is received by the Depository as provided below prior to the Expiration Date; and

(iii) in the case of a guarantee of Common Shares, the Common Share Certificates for all tendered Common Shares, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantee (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by such Letter of Transmittal, are received by the Depository within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

Any Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depository and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Common Shares purchased pursuant to the Offer will, in all cases, be made only after timely receipt by the Depository of (i) the Common Share Certificates evidencing such Common Shares, or a Book-Entry Confirmation of the delivery of such Common Shares, if available, (ii) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) (or in the case of a book-entry transfer, an Agent's Message) and (iii) any other documents required by the Letter of Transmittal.

Distribution of Rights. Holders of Common Shares will be required to tender one-half of one Right for each Common Share tendered to effect a valid tender of such Common Share. Unless and until the Distribution Date occurs, the Rights are represented by and transferred with the Common Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date of the Offer, a tender of Common Shares will constitute a tender of the associated Rights. If a Distribution Date has occurred, certificates representing a number of Rights equal to one-half the number of Common Shares being tendered must be delivered to the Depository in order for such Common Shares to be validly tendered. If a Distribution Date has occurred, a tender of Common Shares without Rights constitutes an agreement by the tendering shareholder to deliver certificates representing a number of Rights equal to one-half the number of Common Shares tendered pursuant to the Offer to the Depository within three NYSE trading days after the date such certificates are distributed. Purchaser reserves the right to require that it receive such certificates prior to accepting Common Shares for payment. Payment for Common Shares tendered and purchased pursuant to the Offer will be made only after timely receipt by the Depository of, among other things, such certificates, if such certificates have been distributed to holders of Common Shares. Purchaser will not pay any additional consideration for the Rights tendered pursuant to the Offer.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tendered Common Shares pursuant to any of the procedures described above will be determined by Purchaser in its sole discretion, whose determination will be final and binding on all parties. Purchaser reserves the absolute right to reject any or all tenders of any Common Shares determined by it not to be in proper form or if the acceptance for payment of, or payment for, such Shares may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right, in its sole discretion, to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to Common Shares of any particular shareholder, whether or not similar defects or irregularities are waived in the case of other shareholders. No tender of Common Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived.

Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding. None of Parent, Purchaser, the Dealer Managers, the Depository, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification.

Appointment as Proxy. By executing a Letter of Transmittal as set forth above, a tendering shareholder irrevocably appoints designees of Purchaser as such shareholder's proxies, each with full power of substitution, to the full extent of such shareholder's rights with respect to the Common Shares (including the associated Rights) tendered by such shareholder and accepted for payment by Purchaser (and any and all noncash dividends, distributions, rights, other Shares, or other securities issued or issuable in respect of such Common Shares on or after the date of this Offer to Purchase). All such proxies shall be considered coupled with an interest in the tendered Common Shares or Rights. This appointment will be effective if, when, and only to the extent that, Purchaser accepts such Common Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by such shareholder with respect to such Common Shares and other securities will, without further action, be revoked, and no subsequent proxies may be given. The designees of Purchaser will, with respect to the Common Shares and other securities for which the appointment is effective, be empowered to exercise all voting and other rights of such shareholder as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's shareholders, by written consent or otherwise, and Purchaser reserves the right to require that, in order for Common Shares or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Common Shares, Purchaser must be able to exercise full voting rights with respect to such Shares.

To prevent backup Federal income tax withholding with respect to payment to certain shareholders of the purchase price for Shares purchased pursuant to the Offer, each such shareholder must provide the Depositary with such shareholder's correct Taxpayer Identification Number and certify that such shareholder is not subject to backup Federal income tax withholding by completing the substitute Form W-9 in the Letter of Transmittal. If backup withholding applies with respect to a shareholder, the Depositary is required to withhold 31% of any payments made to such shareholder. See Instruction 9 of the Letter of Transmittal.

Common Shares Owned by ESOP. According to documents filed by the Company with the SEC, a certain number of outstanding Common Shares are owned of record by the ESOP Trustee and, accordingly, only the ESOP Trustee can effect a valid tender of such Common Shares. Pursuant to the organizational documents of the ESOP, the ESOP Trustee may tender Common Shares owned of record by the ESOP, regardless of whether or not such Common Shares have been allocated to participants' accounts.

Purchaser's acceptance for payment of Common Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering shareholder and Purchaser upon the terms and subject to the conditions of the Offer.

4. WITHDRAWAL RIGHTS.

Tenders of Common Shares made pursuant to the Offer are irrevocable except that such Common Shares may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to the Offer, may also be withdrawn at any time after March 30, 1998.

If Purchaser extends the Offer, is delayed in its acceptance for payment of Common Shares or is unable to accept Common Shares for payment pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Common Shares, and such Common Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as described in this Section 4. Any such delay will be by an extension of the Offer to the extent required by law.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Common Shares to be withdrawn, the number of Common Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Common Shares. If Common Share Certificates evidencing Common Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Common Share Certificates, the serial numbers shown on such Common Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Common Shares have been tendered for the account of an Eligible Institution. If Common Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Common Shares and otherwise comply with such Book-Entry Transfer Facility's procedures.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding. None of Parent, Purchaser, the Dealer Managers, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Any Common Shares properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, withdrawn Common Shares may be retendered at any time prior to the Expiration Date by following the procedures described in Section 3.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES.

The following discussion is a summary of the material Federal income tax consequences of the Offer and the Proposed Merger to holders of Common Shares who hold their Common Shares as capital assets. This summary is based upon laws, regulations, rulings and decisions in effect on the date hereof, all of which are subject to change, retroactively or prospectively, and to possibly differing interpretations. The discussion set forth below is for general information only and may not apply to certain categories of holders of Common Shares subject to special treatment under the Internal Revenue Code of 1986, as amended (the "Code"), including, but not limited to, banks, tax-exempt organizations, insurance companies, holders who are not United States persons (as defined in Section 7701(a)(30) of the Code) and holders who acquired such Common Shares pursuant to the exercise of employee stock options or otherwise as compensation. In addition, the discussion does not address the state, local or foreign tax consequences of the Offer and the Proposed Merger. Furthermore, this discussion does not address the Federal, state, local or foreign tax consequences of the Offer and the Proposed Merger to holders of Preferred Shares or to holders of Common Shares who also own Preferred Shares.

EACH HOLDER OF COMMON SHARES IS URGED TO CONSULT ITS TAX ADVISOR WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE OFFER AND THE PROPOSED MERGER.

General Tax Consequences of the Offer and the Proposed Merger. In its proposal to the Company, Parent has indicated that its strong preference would be to enter into a merger agreement with the Company containing substantially the same terms and conditions as the AIG Merger Agreement such that the Company would merge with and into a direct subsidiary of Parent, with the subsidiary of Parent continuing as the surviving corporation (the "Proposed Merger Agreement"). Under this structure, the Offer and the Proposed Merger should be treated as a single integrated transaction for Federal income tax purposes. Consequently, the Offer and the Proposed Merger should, in the aggregate, qualify as a reorganization pursuant to Section 368(a)(1)(A) and 368(a)(2)(D) of the Code. In such event, generally, (i) gain or loss will be recognized by a shareholder of the Company who receives solely cash in exchange for Common Shares pursuant to the Offer and who does not exchange any Common Shares pursuant to the Proposed Merger, (ii) no gain or loss will be recognized by a shareholder of the Company who does not exchange any Common Shares pursuant to the Offer and who receives solely shares of Parent Common Stock in exchange for Common Shares pursuant to the Proposed Merger, and (iii) a shareholder of the Company who receives a combination of cash and Parent Common Stock in exchange for such shareholder's Common Shares pursuant to the Offer and the Proposed Merger will not recognize loss but will recognize (i.e., pay tax on) gain realized, if any, to the extent of the cash received. If so integrated, the Federal income tax consequences to a shareholder may, depending on such shareholder's particular circumstances, be less favorable than the Federal income tax consequences to such shareholder if the Offer and the Proposed Merger are not treated as integrated, as discussed below. See "Tax Consequences if the Offer and the Proposed Merger are Treated as a Single Integrated Transaction."

If the Offer and the Proposed Merger were not treated as a single integrated transaction for Federal income tax purposes, the receipt of cash pursuant to the Offer would be a sale or exchange, while the Proposed Merger should still qualify as a reorganization pursuant to Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code. See "Tax Consequences if the Offer and the Proposed Merger are Treated as Separate Transactions."

General Tax Consequences if the Proposed Merger is Restructured. As described in this Offer to Purchase, if the approval of the Proposed Merger by holders of Preferred Shares is not obtained or Parent reasonably determines that such approval is not likely to be obtained, in such circumstances Parent would expect that the Proposed Parent Merger Agreement would provide for the change in structure provided for in the AIG Merger Agreement such that a direct subsidiary of Parent would merge with and into the Company with the Company continuing as the surviving corporation. If structured in this manner, in contrast to the Proposed Merger, the Offer and the revised Proposed Merger would be a fully taxable transaction with the result that holders of Common Shares would pay Federal income tax on all consideration (whether cash or stock) received in the Offer and the revised Proposed Merger. Thus, a

shareholder of the Company who, pursuant to the Offer and the revised Proposed Merger, exchanged all of the Common Shares owned by such shareholder for cash and shares of Parent Common Stock would recognize capital gain or loss equal to the difference between (a) the amount of cash received and the fair market value (as of the date of the exchange) of the shares of Parent Common Stock received and (b) such shareholder's adjusted tax basis in the Common Shares surrendered therefor. Such gain or loss would be long-term gain or loss if, as of the date of the exchange, the holder thereof has held such Common Shares for more than one year.

TAX CONSEQUENCES IF THE OFFER AND THE PROPOSED MERGER ARE TREATED AS A SINGLE INTEGRATED TRANSACTION

General. If the Offer and the Proposed Merger are treated as a single integrated transaction, the Federal income tax consequences of such transactions to a shareholder of the Company generally will depend on whether the shareholder exchanges Common Shares for cash pursuant to Offer, Parent Common Stock pursuant to the Proposed Merger or a combination of both, and may further depend on whether (i) the shareholder is deemed to constructively own Common Shares and (ii) the shareholder actually or constructively owns any shares of Parent Common Stock. For this purpose, Common Shares are constructively owned under the rules set forth in Section 318 of the Code which generally treat a person as owning stock owned by certain family members or related entities or that is the subject of an option or options owned or deemed owned by such person.

Exchange of Common Shares Solely for Cash Pursuant to the Offer. In general, a shareholder of the Company who, pursuant to the Offer, exchanges all of the Common Shares owned by such shareholder solely for cash will recognize capital gain or loss equal to the difference between the amount of cash received and such shareholder's adjusted tax basis in the Common Shares surrendered therefore. The gain or loss will be long-term capital gain or loss if, as of the date of the exchange, the holder thereof has held such Common Shares for more than one year. Gain or loss will be calculated separately for each identifiable block of Common Shares surrendered pursuant to the Offer. If, however, any such holder of Common Shares constructively owns shares of the Company that are exchanged for shares of Parent Common Stock in the Proposed Merger or owns shares of Parent Common Stock actually or constructively after the Proposed Merger, the consequences to such holder may be similar to the consequences described below under the heading "Exchange of Common Shares for Cash and Parent Common Stock Pursuant to the Offer and Proposed Merger," except that the amount of the consideration, if any, treated as a dividend may not be limited to the amount of such holder's gain.

Exchange of Common Shares Solely for Parent Common Stock Pursuant to the Proposed Merger. A shareholder of the Company who, pursuant to the Proposed Merger, exchanges all of the Common Shares actually owned by such shareholder solely for shares of Parent Common Stock will not recognize any gain or loss upon such exchange. Such shareholder may recognize gain or loss, however, to the extent cash is received in lieu of a fractional share of Parent Common Stock, as discussed below. The aggregate adjusted tax basis of the shares of Parent Common Stock received (including fractional shares) in such exchange will be equal to the aggregate adjusted tax basis of the Common Shares surrendered therefor, and the holding period of the shares of Parent Common Stock will include the period during which the Common Shares surrendered in exchange therefor were held. If a holder has a differing basis or holding period in respect of its Common Shares, the holder should consult its tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of Parent Common Stock that it receives in the exchange.

Exchange of Common Shares for Cash and Parent Common Stock Pursuant to the Offer and Proposed Merger. A shareholder of the Company who, pursuant to the Offer and the Proposed Merger, exchanges all of the Common Shares actually owned by such shareholder for a combination of cash and shares of Parent Common Stock will not recognize any loss on such exchange. Such shareholder will realize gain equal to the excess, if any, of the cash and the aggregate fair market value of the shares of Parent Common Stock received pursuant to the Offer and the Proposed Merger over such shareholder's adjusted tax basis in the Common Shares exchanged therefor, but will recognize (i.e., pay tax on) any realized gain only to the extent of the cash received.

Any gain recognized by a shareholder of the Company who receives a combination of cash and shares of Parent Common Stock pursuant to the Offer and the Proposed Merger will be treated as capital gain unless the receipt of the cash has the effect of the distribution of a dividend for Federal income tax purposes, in which case, such recognized gain will be treated as ordinary dividend income to the extent of such shareholder's ratable share of the Company's accumulated earnings and profits. See "--Possible Treatment of Cash as a Dividend."

The aggregate tax basis of the shares of Parent Common Stock received by a Company shareholder who, pursuant to the Offer and the Proposed Merger, exchanges such shareholder's Common Shares for a combination of cash and shares of Parent Common Stock will be the same as the aggregate tax basis of the Common Shares surrendered therefor, decreased by the cash received and increased by the amount of any gain recognized (whether capital gain or ordinary income). The holding period of shares of Parent Common Stock will include the holding period of the Common Shares surrendered therefor.

Possible Treatment of Cash as a Dividend. In general, the determination of whether the gain recognized in the Offer and the Proposed Merger will be treated as received pursuant to a sale or exchange (generating capital gain) or a dividend distribution (generating ordinary dividend income) will depend upon whether and to what extent the exchange reduces the Company shareholder's deemed percentage stock ownership interest in Parent. For purposes of this determination, a shareholder of the Company will be treated as if such shareholder first exchanged all of such shareholder's Common Shares solely for shares of Parent Common Stock and then Parent immediately redeemed a portion of such shares of Parent Common Stock in exchange for the cash such shareholder actually received. The gain recognized in the exchange followed by a deemed redemption will be treated as capital gain if the deemed redemption is (i) "substantially disproportionate" with respect to the Company shareholder or (ii) "not essentially equivalent to a dividend."

The deemed redemption, generally, will be "substantially disproportionate" with respect to a Company shareholder if the percentage described in (ii) below is less than 80% of the percentage described in (i) below. Whether the deemed redemption is "not essentially equivalent to a dividend" with respect to a shareholder will depend upon the shareholder's particular circumstances. At a minimum, however, in order for the deemed redemption to be "not essentially equivalent to a dividend," the deemed redemption must result in a "meaningful reduction" in such Company shareholder's deemed percentage stock ownership of Parent. In general, that determination requires a comparison of (i) the percentage of the outstanding voting stock of Parent that such Company shareholder is deemed actually and constructively to have owned immediately before the deemed redemption by Parent and (ii) the percentage of the outstanding voting stock of Parent actually and constructively owned by such shareholder immediately after the deemed redemption by Parent as a result of the Offer, the Proposed Merger or otherwise. In applying the foregoing tests, a shareholder is deemed to own stock owned, and, in some cases, constructively owned. As the constructive ownership rules are complex, each shareholder that may be subject to these rules should consult its tax advisor. The Internal Revenue Service has ruled that a minority shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a "meaningful reduction" if such shareholder has a reduction in such shareholder's percentage stock ownership. Accordingly, in most circumstances, gain recognized by a shareholder of the Company who exchanges such shareholder's Common Shares for a combination of cash and shares of Parent Common Stock generally will be capital gain, and will constitute long-term capital gain if the holding period for such Common Shares was greater than one year as of the date of the exchange.

Cash Received in Lieu of a Fractional Interest of Shares of Parent Common Stock. Cash received in lieu of a fractional share of Parent Common Stock will be treated as received in redemption of such fractional share interest and gain or loss will be recognized, measured by the difference between the amount of cash received and the portion of the basis of the Common Shares allocable to such fractional interest. Such gain or loss generally will constitute capital gain or loss, and will be long-term capital gain or loss if the holding period for such Common Shares was greater than one year as of the date of the exchange.

TAX CONSEQUENCES IF THE OFFER AND THE PROPOSED MERGER ARE TREATED AS SEPARATE TRANSACTIONS

Although counsel to Parent believes that such result is unlikely, if the Offer and the Proposed Merger were treated as separate transactions for Federal income tax purposes, the receipt of cash pursuant to the Offer would be a taxable transaction, while the Proposed Merger should still qualify as a reorganization pursuant to Sections 368(a)(1)(A) and Section 368(a)(2)(D) of the Code. Accordingly, a shareholder of the Company who received cash pursuant to the Offer would recognize gain or loss equal to the difference between the amount of cash received and the shareholder's adjusted tax basis in the Common Shares surrendered therefor. The gain or loss would be long-term capital gain or loss if, as of the date of the exchange, such shareholder had held such stock for more than one year.

A shareholder of the Company who received solely Parent Common Stock pursuant to the Proposed Merger would be subject to the Federal income tax rules concerning reorganizations discussed above under "Tax Consequences if the Offer and the Proposed Merger are Treated as a Single Integrated Transaction -- Exchange of Common Shares Solely for Parent Common Stock Pursuant to the Proposed Merger." Additionally, if applicable, a shareholder of the Company who received a combination of cash and shares of Parent Common Stock pursuant to the Proposed Merger would be subject to the Federal income tax rules concerning reorganizations discussed above under "Tax Consequences if the Offer and the Proposed Merger are Treated as a Single Integrated Transaction -- Exchange of Common Shares for Cash and Parent Common Stock Pursuant to Offer and Proposed Merger."

Backup Withholding. Unless a shareholder of the Company complies with certain reporting or certification procedures or is an "exempt recipient" (i.e., in general, corporations and certain other entities) under applicable provisions of the Code and Treasury Regulations promulgated thereunder, such shareholder may be subject to withholding tax of 31% with respect to any cash payments received pursuant to the Offer and/or the Proposed Merger. A foreign shareholder of the Company should consult its tax advisor with respect to the application of withholding rules to it with respect to any cash payments received pursuant to the Offer and/or the Proposed Merger.

6. PRICE RANGE OF SHARES; DIVIDENDS.

According to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997, prior to July 9, 1997, the Common Shares were listed and principally traded on the Nasdaq National Market ("Nasdaq NMS"). From and after such date, the Common Shares have been listed and principally traded on the NYSE, and quoted under the symbol "ABI," according to published financial sources. The following table sets forth, for the quarters indicated, the high and low sales prices per Common Share on the Nasdaq NMS or the NYSE, as the case may be, and the amount of cash dividends paid per Common Share, as reported in the Company 1996 Form 10-K for periods in 1996, and as reported by published financial sources with respect to periods in 1997 and 1998:

	HIGH	LOW	CASH DIVIDENDS
Year Ended December 31, 1996:			
First Quarter.....	\$ 19-15/16	\$ 16-5/8	\$0.095
Second Quarter	22-1/8	16-1/4	0.100
Third Quarter	25-3/16	19-3/4	0.100
Fourth Quarter	26-3/16	22-7/8	0.100
Year Ended December 31, 1997:			
First Quarter	29-3/4	24-3/8	0.100
Second Quarter	34-9/16	24-3/8	0.105
Third Quarter	39	31-5/8	0.110
Fourth Quarter	46-3/16	35-7/8	0.110
Year Ending December 31, 1998:			
First Quarter (through January 26, 1998)	46-1/4	45-9/16	

The above prices have been adjusted to reflect the Stock Split.

On January 26, 1998, the most recent practicable trading day prior to the announcement date of the Offer, the reported closing sales price of the Common Shares on the NYSE Composite Tape was \$46.25 per Common Share. Shareholders are urged to obtain a current market quotation for the Common Shares.

7. EFFECT OF THE OFFER ON THE MARKET FOR THE COMMON SHARES; EXCHANGE LISTING AND EXCHANGE ACT REGISTRATION; MARGIN REGULATIONS.

The purchase of Common Shares pursuant to the Offer will reduce the number of Common Shares that might otherwise trade publicly and could reduce the number of holders of Common Shares, which could adversely affect the liquidity and market value of the remaining Common Shares held by the public. Following consummation of the Offer, a large percentage of the outstanding Common Shares will be owned by Purchaser.

According to the NYSE's published guidelines, the NYSE would consider delisting the Common Shares if, among other things, the number of record holders of at least 100 Common Shares should fall below 1,200, the number of publicly held Common Shares (exclusive of holdings of officers, directors and their families and other concentrated holdings of 10% or more (the "NYSE Excluded Holdings")) should fall below 600,000 or the aggregate market value of publicly held Common Shares (exclusive of NYSE Excluded Holdings) should fall below \$5,000,000. If, as a result of the purchase of Common Shares pursuant to the Offer or otherwise, the Common Shares no longer meet the requirements of the NYSE for continued listing and the listing of the Common Shares is discontinued, the market for the Common Shares could be adversely affected.

If the NYSE were to delist the Common Shares, it is possible that the Common Shares would continue to trade on another securities exchange or in the over-the-counter market and that price or other quotations would be reported by such exchange or through the Nasdaq or other sources. The extent of the public market therefor and the availability of such quotations would depend, however, upon such factors as the number of shareholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in the Common Shares on the part of securities firms, the possible termination of registration under the Exchange Act as described below and other factors. Purchaser cannot predict whether the reduction in the number of Common Shares that might otherwise trade publicly have an adverse or beneficial effect on the market price for or marketability of the Common Shares or whether it would cause future market prices to be higher or lower than the Offer Price.

The Common Shares are currently registered under the Exchange Act. Such registration may be terminated upon application by the Company to the SEC if the Common Shares are not listed on a national securities exchange and there are fewer than 300 record holders of the Common Shares. The termination of registration of the Common Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Common Shares and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with shareholders' meetings pursuant to Section 14(a), and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Common Shares. In addition, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act").

If registration of the Common Shares under the Exchange Act were terminated, the Common Shares would no longer be eligible for Nasdaq reporting.

Based upon publicly available information, Purchaser believes that, as of the date of this Offer to Purchase, the Rights are registered under the Exchange Act and are listed on the NYSE, but are attached to the Common Shares and are not separately transferable. Purchaser believes that, as a result of Purchaser's public announcement of the Offer, the Distribution Date will be no later than February 10, 1998 unless prior to such date the Company Board redeems the Rights or amends the Rights Agreement to delay the Distribution Date. According to the Company Form 8-A, as soon as practicable after the Distribution Date, the Rights Certificates will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date, and thereafter the separate Rights Certificates alone will evidence the Rights and the foregoing discussion with respect to the effect of the Offer on the market for the Common Shares, stock exchange listing and Exchange Act registration would apply to the Rights in a similar manner.

8. CERTAIN INFORMATION CONCERNING THE COMPANY.

The information concerning the Company contained in this Offer to Purchase, including financial information, has been taken from or based upon the Company 1996 Form 10-K and other publicly available documents and records on file with the SEC and other public sources. None of Parent, Purchaser, the Dealer Managers, the Depository or the Information Agent assumes any responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent, Purchaser, the Dealer Managers, the Depository or the Information Agent.

According to information filed by the Company with the SEC, the Company is a Florida corporation whose principal executive offices are located at 11222 Quail Roost Drive, Miami, Florida 33157.

The Company, through its subsidiaries, provides primarily credit-related insurance products in the United States and Canada, as well as in Latin America, the Caribbean and the United Kingdom. The Company also provides to its clients comprehensive administrative support in claims, accounting, tax, data processing and actuarial matters, as well as a full range of marketing materials, direct mail and telemarketing services and personnel training programs.

Financial Information. Set forth below is certain selected consolidated financial information relating to the Company and its subsidiaries which has been excerpted or derived from the financial statements contained in the Company 1996 Form 10-K, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1997 (the "Company Form 10-Q") and other documents filed by the Company with the SEC. More comprehensive financial information is included in, and the financial information that follows is qualified in its entirety by reference to, the Company 1996 Form 10-K, the Company Form 10-Q and such other documents filed by the Company with the SEC. The Company Form 10-K, the Company Form 10-Q and such other documents may be examined at and copies may be obtained from the offices of the SEC or the NYSE in the manner set forth below.

AMERICAN BANKERS INSURANCE GROUP, INC.
SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER COMMON SHARE AMOUNTS)

FOR THE YEAR ENDED DECEMBER 31,

	1992	1993	1994	1995	1996
INCOME STATEMENT DATA:					
Total revenues	\$812,078	\$973,324	\$1,186,835	\$1,360,848	\$1,529,035
Net income	42,275	52,295	56,544	72,260	94,503
Net income per share (fully diluted)(1)	1.20	1.37	1.37	1.74	2.16
Dividends per Common Share(1)	0.30	0.34	0.36	0.38	0.40

(RESTUBBED TABLE CONTINUED FROM ABOVE)

NINE MONTHS ENDED
SEPTEMBER 30,

	1996	1997
(UNAUDITED)		
INCOME STATEMENT DATA:		
Total revenues	\$1,161,304	\$1,219,083
Net income	68,333	84,876
Net income per share (fully diluted)(1)	1.59	1.81
Dividends per Common Share(1)	0.30	0.32

AT DECEMBER 31,

	1992	1993	1994	1995	1996
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BALANCE SHEET

DATA: (2)

Investments	\$ 982,135	\$1,110,934	\$1,264,870	\$1,688,410	\$1,968,403
Total assets	1,404,291	2,160,475	2,432,499	2,987,734	3,469,503
Policy and claim liabilities	802,790	1,395,915	1,502,613	1,858,862	2,070,494
Total liabilities .	1,135,877	1,761,220	2,026,624	2,474,737	2,759,296
Total stockholders' equity	268,414	399,255	405,875	513,997	710,207

(RESTUBBED TABLE CONTINUED FROM ABOVE)

AT SEPTEMBER 30,

-----	-----
1996	1997
-----	-----

(UNAUDITED)

BALANCE SHEET

DATA: (2)

Investments	\$1,939,215	\$2,127,147
Total assets	3,355,983	3,678,961
Policy and claim liabilities	2,015,891	2,225,005
Total liabilities .	2,677,671	2,882,676
Total stockholders' equity	678,312	796,285

(1) Adjusted to reflect the Stock Split.

(2) The amounts for 1993 and forward are reported in accordance with FASB Statement 113.

The Company is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be disclosed in proxy statements distributed to the Company's shareholders and filed with the SEC. These reports, proxy statements and other information should be available for inspection at the public reference facilities of the SEC located in Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection and copying at prescribed rates at the following regional offices of the SEC: Seven World Trade Center, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of this material may also be obtained by mail, upon payment of the SEC's customary fees, from the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains an Internet web site at <http://www.sec.gov> that contains reports, proxy statements and other information. Reports, proxy statements and other information concerning the Company should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

9. CERTAIN INFORMATION CONCERNING PURCHASER AND PARENT.

Purchaser. Purchaser is a newly incorporated New Jersey corporation organized in connection with the Offer and the Proposed Merger and has not carried on any activities other than in connection with the Offer and the Proposed Merger. The principal offices of Purchaser are located at 6 Sylvan Way, Parsippany, New Jersey 07054. The Purchaser is a wholly owned subsidiary of Parent. Until immediately prior to the time that Purchaser will purchase Common Shares pursuant to the Offer, it is not expected that Purchaser will have any significant assets or liabilities or engage in activities other than those incident to its formation and capitalization and the transactions contemplated by the Offer and the Proposed Merger. Because Purchaser is newly formed and has minimal assets and capitalization, no meaningful financial information regarding Purchaser is available.

Parent. Parent is a Delaware corporation with its principal executive offices located at 6 Sylvan Way, Parsippany, New Jersey 07054. Parent is one of the foremost consumer and business services companies in the world. The Company was created through the merger of CUC and HFS in December 1997 and provides all of the services formerly provided by each of CUC and HFS, including technology-driven, membership-based consumer services, travel services, real estate services, residential mortgage services, tax preparation services and multimedia software products. Parent also administers insurance package programs in connection with certain discount shopping and travel programs.

Parent is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning Parent's directors and officers, their remuneration, stock options granted to them, the principal holders of Parent's securities, any material interests of such persons in transactions with Parent and other matters is required to be disclosed in proxy statements distributed to Parent's shareholders and filed with the SEC. These reports, proxy statements and other information should be available for inspection and copies may be obtained in the same manner as set forth for the Company in Section 8. Parent's common stock is listed on the NYSE, and reports, proxy statements and other information concerning Parent should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

Set forth below are certain supplemental financial highlights relating to Parent and its subsidiaries. Additional financial information is included in other documents filed by Parent with the SEC. The financial information summary set forth below is qualified in its entirety by reference to such other documents which have been filed with the SEC, including the financial information and related notes contained therein, which are incorporated herein by reference. These documents may be inspected at and copies may be obtained from the offices of the SEC or the NYSE in the manner set forth below.

CENDANT CORPORATION
 SUPPLEMENTAL CONSOLIDATED FINANCIAL HIGHLIGHTS
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

FOR THE YEAR ENDED DECEMBER 31,

	HISTORICAL				
	1992	1993	1994	1995	1996
INCOME STATEMENT HIGHLIGHTS:(1)(2)					
Net revenues.....	\$1,835,471	\$2,136,426	\$2,446,731	\$2,992,122	\$3,908,780
Net income before extraordinary loss ...	154,780	222,054(7)	284,590(6)	302,825(5)	423,611(4)
Net income before extraordinary loss per share (fully diluted).....	0.30(7)	0.37(7)	0.41(6)	0.41(5)	0.52(4)

(RESTUBBED TABLE CONTINUED FROM ABOVE)

	NINE MONTHS ENDED SEPTEMBER 30,	
	PRO FORMA 1996(3)	HISTORICAL 1997(9)
INCOME STATEMENT HIGHLIGHTS:(1)(2)		
Net revenues.....	\$4,475,262	\$3,890,015
Net income before extraordinary loss ...	473,359	400,694(8)
Net income before extraordinary loss per share (fully diluted).....	0.56(4)	0.47(8)

	AT DECEMBER 31,					AT SEPTEMBER 30, 1997(9)
	1992	1993	1994	1995	1996	
BALANCE SHEET HIGHLIGHTS:(1)(2)						
Total assets	\$6,027,223	\$6,698,832	\$7,437,042	\$8,994,384	\$13,588,368	\$14,997,006
Long-term debt	303,474	394,123	419,968	353,977	1,004,584	2,422,524
Shareholders' equity.....	1,054,123	1,319,253	1,629,762	2,148,646	4,423,599	4,608,893
Assets under management and mortgage programs ..	3,805,748	4,058,764	4,115,360	4,955,609	5,729,234	5,602,175
Debt under management and mortgage programs ..	3,273,080	3,629,701	3,791,562	4,427,872	5,089,943	4,952,083

- (1) Includes the merger of HFS with and into CUC, which was renamed Candant Corporation, accounted for as a pooling of interests. Also includes acquisitions by CUC and HFS accounted for as pooling of interests and other acquisitions accounted for using the purchase method of accounting.
- (2) On January 31, 1992, HFS purchased substantially all of the assets comprising the franchise system of Days Inn of America, Inc. and certain of its subsidiaries. On April 29, 1993, HFS purchased the outstanding stock of the company which owns the Super 8 Motel franchise system. On May 11, 1995, HFS acquired by merger Central Credit Inc., a gambling patron credit information business. On August 1, 1995, a majority owned subsidiary of HFS acquired the CENTURY 21 real estate brokerage franchise system. On January 23, 1996, HFS purchased the assets comprising the Travelodge hotel franchise system in North America. On February 12, 1996, HFS purchased substantially all the assets comprising Electronic Realty Associates (ERA) real estate brokerage franchise system. During the second quarter of 1996, HFS purchased the six previously non-owned CENTURY 21 U.S. regions. On May 31, 1996, HFS acquired by merger Coldwell Banker Corporation. Consolidated results of Parent include the operating results of the aforementioned acquisitions since the respective dates of acquisition.

- (3) Pro forma results of operations include the following acquisitions by HFS, as if they occurred on January 1, 1996: (i) the acquisition and related financing of Coldwell Banker Corporation on May 31, 1996; (ii) the acquisition and related financing of Avis, Inc. on October 16, 1996; (iii) the acquisition and related financing of Resorts Condominiums International, Inc. on November 12, 1996.
- (4) Includes provisions for costs incurred principally in connection with the acquisitions of Davidson & Associates, Inc. ("Davidson"), Sierra On-Line, Inc. ("Sierra") and Ideon Group Inc. ("Ideon"). The charges aggregated \$179.9 million (\$118.7 million or \$0.15 per share after-tax effect). Such costs in connection with CUC's acquisitions of Davidson and Sierra are non-recurring and are comprised primarily of transaction costs and other professional fees. Such costs associated with CUC's acquisition of Ideon are non-recurring and include transaction costs as well as a provision relating to certain litigation matters. On June 13, 1997, CUC entered into an agreement which provides for the settlement of certain Ideon litigation matters. Such agreement calls for the payment of \$70.5 million over a six-year period which was provided for during the year ended December 31, 1996.
- (5) Includes provision for costs related to the abandonment of certain Ideon development efforts and the restructuring of CUC's SafeCard division and CUC's corporate infrastructure. The charges aggregated \$97.0 million (\$62.1 million or \$0.08 per share after-tax effect).

- (6) Includes net gain of \$9.8 million (\$6.2 million or \$0.01 per share after-tax effect) related to the sale of The ImagiNation Network, Inc. offset by costs related to Ideon's products abandoned and restructuring.
- (7) Excludes extraordinary loss, net of tax of \$12.8 million or \$0.02 per share for the year ended December 31, 1993, related to the early extinguishment of debt.
- (8) Includes a one-time pre-tax merger and restructuring charge of \$303 million (\$227 million, or \$0.25 per share, after tax) during the second quarter of 1997 in connection with the merger of HFS with PHH Corporation for merger-related costs, including severance, facility and system consolidations and terminations, costs associated with exiting certain activities and merger-related professional fees.
- (9) In the opinion of management, all adjustments necessary for a fair presentation of the interim supplemental consolidated financial highlights as of and for the nine months ended September 30, 1997 are included. Such adjustments consist only of normal recurring items. These interim results are not necessarily indicative of results of a full year.

The name, citizenship, business address, principal occupation or employment and five-year employment history for each of the directors and executive officers of Purchaser and Parent are set forth in Schedule I hereto.

During the past 60 days, Parent effected transactions in the equity securities of the Company as set forth in Schedule II hereto. Except as set forth in this Offer to Purchase, none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto, or any associate or majority-owned subsidiary of such persons, beneficially owns any equity security of the Company, and none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the other persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing, has effected any transaction in any equity security of the Company during the past 60 days.

Except as set forth in this Offer to Purchase, none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, without limitation, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as set forth in this Offer to Purchase, none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto has had any transactions with the Company, or any of its executive officers, directors or affiliates that would require reporting under the rules of the SEC.

Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between Parent or Purchaser, or their respective subsidiaries, or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and the Company or its executive officers, directors or affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors, or a sale or other transfer of a material amount of assets.

10. SOURCE AND AMOUNT OF FUNDS.

Purchaser estimates that the total amount of funds required to purchase Common Shares pursuant to the Offer and to pay all related costs and expenses, will be approximately \$1.38 billion. See also Section 16. Purchaser plans to obtain all funds needed for the Offer through a capital contribution from Parent. Parent plans to obtain such funds from cash accounts, available lines of credit (the "Existing Credit Facilities") and a new \$1.5 billion 364-day Revolving Credit Facility (the "New Credit Facility" and, together with the Existing Credit Facilities, the "Credit Facilities") pursuant to a commitment letter (the "Financing Commitment"), dated January 23, 1998, among Parent, The Chase Manhattan Bank ("Chase") and Chase Securities Inc. The Existing Credit Facilities consist of (i) a \$750 million Five Year Competitive Advance and Revolving Credit Agreement dated as of October 2, 1996, as amended, among Parent, the lenders referred to therein (the "Lenders") and Chase, as Administrative Agent (the "Five Year Credit Facility") and (ii) a \$1.25 billion 364-Day Competitive Advance and Revolving Credit

Agreement, dated as of October 2, 1996, as amended, among Parent, the lenders referred to therein and Chase, as Administrative Agent (the "Existing 364-Day Credit Facility"). At January 26, 1998, Parent had approximately \$858 million of available borrowings under the Existing Credit Facilities.

Chase's obligations under the Financing Commitment are subject to the following conditions, among others: (i) the execution and delivery of satisfactory documentation with respect to the New Credit Facility and (ii) the absence of a material adverse change with respect to Parent or financial, bank syndication or capital market conditions.

The Existing 364-Day Credit Facility will mature on September 30, 1998, provided that Parent is entitled to annually request a 364-day extension of such maturity date. The Five Year Credit Facility will mature on October 1, 2001. The New Credit Facility will mature 364 days after the execution of the definitive documentation relating thereto.

The Existing Credit Facilities provide, and the New Credit Facility will provide, for revolving loans which bear interest, at the option of Parent, at rates based on competitive bids of Lenders participating in such facilities, at a prime rate or at LIBOR plus an applicable variable margin based on Parent's senior unsecured long-term debt rating.

The Existing Credit Facilities contain, and the New Credit Facility will contain, certain financial covenants as well as certain restrictions on, among other things, (i) indebtedness of material subsidiaries, (ii) liens, (iii) mergers, consolidations, liquidations, dissolutions and sales of substantially all assets, (iv) sale and leasebacks, (v) changes in fiscal year and accounting treatment and (vi) certain changes in the character of business. The financial covenants require Parent to maintain specified (i) maximum leverage ratios and (ii) minimum interest coverage ratios.

In connection with the Existing Credit Facilities and the Financing Commitment, Parent has agreed to pay Chase, with respect to the Financing Commitment, and the lenders and Chase, with respect to the Existing Credit Facilities, certain fees, and to reimburse them for certain expenses and to provide them certain indemnities, as is customary for commitments of the type described herein.

It is anticipated that any indebtedness incurred by Parent under the Credit Facilities will be repaid from funds generated internally by Parent and its subsidiaries, through additional borrowings, or through a combination of such sources. The New Credit Facility will, however, require that, subject to certain exceptions, Parent use the proceeds of any offering of Parent's debt or equity to repay outstanding indebtedness under such facility. No final decisions have been made concerning the method Parent will employ to repay such indebtedness. Such decisions when made will be based on Parent's review from time to time of the advisability of particular actions, as well as on prevailing interest rates and financial and other economic conditions.

The foregoing description of the Financing Commitment and the Existing Credit Facilities is qualified in its entirety by reference to the full text of such Financing Commitment and Existing Credit Facilities, copies of which have been filed with the Commission as exhibits to Parent's and the Purchaser's Tender Offer Statement on Schedule 14D-1 (the "Schedule 14D-1") and are incorporated by reference herein.

11. BACKGROUND OF THE OFFER; CONTACTS WITH THE COMPANY.

Over the past several years, representatives of Parent (formerly known as CUC), including John H. Fullmer, Parent's Executive Vice President and Chief Marketing Officer, and representatives of the Company, including Gerald N. Gaston, the Company's Vice Chairman, President and Chief Executive Officer, met on various occasions to discuss possible strategic marketing alliances. At a meeting in May 1997, Mr. Fullmer and Mr. Gaston met and discussed CUC's interest in acquiring the Company and the existence of certain financial issues relating to a possible combination.

In the Summer of 1997, representatives of HFS separately identified the Company as a possible acquisition candidate. HFS's interest in the Company increased as a result of its decision to acquire Providian Auto & Home Insurance Company and its property and casualty subsidiaries, which predominately market personal automobile insurance through direct marketing channels.

During the course of planning for the then-pending merger of CUC and HFS, their mutual interest in the Company was identified and scheduled to be pursued following completion of the merger.

On December 3, 1997, a significant shareholder of the Company indicated to the Senior Vice President -- Acquisitions of HFS that it believed the Company was considering a sale transaction. This information was conveyed to Mr. Fullmer, who attempted on several occasions to contact Mr. Gaston to inquire as to its validity.

Mr. Fullmer ultimately spoke with Mr. Gaston in mid-December 1997 and described the merger of CUC and HFS which created Parent and emphasized that the resulting size and scale of Parent had eliminated the financial issues relating to an acquisition of the Company which they had previously discussed. Mr. Fullmer inquired whether the Company was actively engaged in discussions relating to an acquisition, and indicated that, if the Company was so engaged, representatives of Parent would like to meet immediately with the Company's representatives to discuss Parent's strong interest in exploring such a transaction. In response to Mr. Gaston's assurances that the Company was not actively engaged in acquisition discussions, Mr. Fullmer agreed to forward to Mr. Gaston information regarding Parent and to contact Mr. Gaston to schedule a meeting in early January to discuss a possible acquisition transaction.

On December 22, 1997, the Company and AIG announced that they had entered into the AIG Merger Agreement contemplating the Proposed AIG Merger and the AIG Lockup Option Agreement and that certain stockholders of the Company had entered into the Voting Agreement with AIG.

Following a series of meetings among representatives of Parent and Parent's outside financial advisors and legal counsel and a meeting of Parent's Executive Committee, on January 26, 1998 the Parent Board met to review its strategic options in light of the announcement of the Proposed AIG Merger. Because the Parent Board believes that a combination of Parent and the Company would offer compelling benefits to both companies, their shareholders and their other constituencies, it determined that Parent should make a competing offer for the Company. On January 27, 1998, Parent announced its intention to commence the Offer, to be followed by the Proposed Merger. On the same day, Parent sent the following letter to the Company Board:

January 27, 1998

Board of Directors
American Bankers Insurance Group, Inc.
11222 Quail Roost Drive
Miami, Florida 33157

Attention: Mr. R. Kirk Landon, Chairman

Dear Members of the Board:

On behalf of Cendant Corporation we are pleased to submit a proposal to acquire American Bankers Insurance Group, Inc. for \$58 per common share payable in cash and stock. Our proposal, representing a premium of \$11 (in excess of 23%) over the value of American International Group's proposal, is demonstrably superior to the AIG proposed transaction.

Several months ago one of our senior executives had discussed with Mr. Gaston our interest in pursuing a business combination with American Bankers. As recently as December, in response to our inquiry as to whether American Bankers was engaged in discussions relating to an acquisition and to our expression of Cendant's strong interest in exploring such a transaction with American Bankers, Mr. Gaston said that American Bankers was not pursuing any acquisition transaction, and suggested that he meet with our senior executive in early January to discuss the matter further. In view of this, it is particularly disappointing that we were not made aware that American Bankers was interested in pursuing acquisition proposals and, accordingly, we did not have the opportunity to submit an offer prior to the announcement of your proposed transaction with AIG.

We would have liked to discuss our proposal directly with you. However, the terms of Section 6.2 of your agreement with AIG purport to prohibit discussions with us or any other party until 120 days

following the date of such agreement, at which time, as both you and AIG have publicly stated, the acquisition of American Bankers by AIG likely will have been completed, making any discussions between us irrelevant. We believe this is an extraordinary measure and raises questions about whether it is in the best interests of American Bankers' shareholders.

Accordingly, we will be commencing promptly a cash tender offer directly to American Bankers' shareholders for 51% of American Bankers' shares at a price of \$58 per common share to be followed by a second step merger in which shares of Cendant common stock with a fixed value of \$58 per share will be exchanged on a tax-free basis for the balance of American Bankers' common stock and each share of American Bankers' preferred stock will be converted into one share of Cendant preferred stock having substantially similar terms, except that such shares will be convertible into shares of Cendant common stock calculated in accordance with the terms of the American Bankers' preferred stock.

The provisions in your agreement with AIG include highly unusual and restrictive conditions which, in fact, represent a virtual forfeiture of the Board's fundamental mandate of protecting the interests of shareholders. Accordingly, we have today commenced litigation in federal court in Miami to ensure that your shareholders will have the opportunity to consider our offer and to assist your board in fulfilling its fiduciary obligations and to resolve certain other issues.

Although we have determined that it is both necessary and appropriate, under the circumstances, to commence our cash tender offer and litigation, our strong preference would be to enter into a merger agreement with you containing substantially the same terms and conditions (other than price and inappropriate terms) as your proposed transaction with AIG.

In addition to its significant economic superiority, the merits and the strategic value of the combination of Cendant and American Bankers are compelling. Cendant (NYSE:CD) is the product of the recent combination of CUC International Inc. and HFS Incorporated, creating the world's largest consumer and business services company. Cendant interacts with approximately 170 million customers and members around the world, several times each year. Cendant is investment grade rated and has a market value of approximately \$30 billion. Cendant's 1997 revenues and net income are estimated by Wall Street analysts at approximately \$5.1 billion and \$900 million, respectively. Cendant has recently announced its acquisition of Provident Direct, a direct marketer of automobile insurance. Under separate cover, we have sent a copy of the proxy statement for the merger that created Cendant.

Cendant's vision for American Bankers is one of exceptional growth and opportunity, which involves utilizing Cendant's distribution channels and customer base as an outlet for American Bankers' products and capitalizing on American Bankers' existing relationships with financial institutions and retailers to increase penetration of Cendant's products. Consistent with this vision, and Cendant's past strategic acquisition practices, Cendant would expect American Bankers' management to continue with the company, would not expect significant employment reductions and would expect American Bankers to continue to maintain its headquarters in Miami.

The price we are offering in our proposal clearly provides significantly greater value to your shareholders than the proposed transaction with AIG. It would also benefit Cendant's shareholders and be accretive to earnings within the first year. Our proposal is not subject to any due diligence or financing condition and the funds for the cash portion of our offer are available from existing cash resources and under our credit facilities. In addition, Cendant, having acquired control of insurers in the past, is extremely familiar with the insurance regulatory process, has obtained approvals of the type required to implement this proposal and will be able to complete our proposed transaction on a timely basis.

Accordingly, we strongly believe that you are obligated by principles of fiduciary duty to consider and accept our proposal. Consistent with your clear fiduciary duties, we expect you will provide us with at least the same information you furnished to AIG in the course of your discussions and negotiations with them and that you will discuss and negotiate with us the details of our proposal. In addition, you should take whatever other actions are reasonably necessary or appropriate so that we may operate on a level playing field with AIG and any other companies which may be interested in acquiring American Bankers.

Our Board of Directors is fully supportive of our proposal and has unanimously authorized and approved it and no other Cendant approval is required for this transaction. Consistent with our Board of Directors' action, we and our advisors stand ready to meet with you and your advisors at your earliest convenience. We want to stress that we are flexible as to all aspects of our proposal and are anxious to proceed to discuss and negotiate it with you as soon as possible.

Should you find it helpful to do so in connection with reviewing and considering our proposal, you and your advisors should feel free to contact our outside advisors: Steven B. Woltizer of Lehman Brothers and Jack Levy of Merrill Lynch & Co., our financial advisors, and David Fox of Skadden, Arps, Slate, Meagher & Flom LLP, our legal counsel.

Personally and on behalf of our colleagues at Cendant, we look forward to hearing from you soon and working with you on our proposal.

Sincerely,	
/s/ Henry R. Silverman	/s/Walter A. Forbes
Henry R. Silverman	Walter A. Forbes
President and	Chairman
Chief Executive	
Officer	

cc: All Directors

In the AIG Merger Agreement, the Company has agreed to the Fiduciary Sabbatical Provision which provides that the Company and its subsidiaries, officers, directors, employees, agents and representatives will not, directly or indirectly, initiate, solicit, encourage or otherwise facilitate any inquiries or the making of any Acquisition Proposal. The Fiduciary Sabbatical Provision also provides that the Company and its subsidiaries, officers, directors, employees, agents or representatives will not engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person regarding any Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal (including, without limitation, by means of an amendment to the Rights Agreement). However, the Fiduciary Sabbatical Provision does not prevent the Company or the Company Board from (i) complying with Rule 14e-2 of the Exchange Act (requiring the Company Board to disclose to the Company's shareholders its position or lack thereof regarding the Offer) or (ii) at any time after 120 days from the date of the AIG Merger Agreement if the Proposed AIG Merger shall not have been approved by the requisite vote of the Company's shareholders by such date, (A) providing information in response to a request therefor by a person who has made an unsolicited bona fide written Acquisition Proposal if the Company Board receives from the requesting person an executed confidentiality agreement on substantially equivalent terms to that entered into between the Company and AIG; (B) engaging in any negotiations or discussions with any person who has made an unsolicited bona fide written Acquisition Proposal; or (C) recommending such Acquisition Proposal to the shareholders of the Company, if and only to the extent that, (i) in each such case referred to in clause (A), (B) or (C) above, the Company Board determines in good faith after consultation with outside legal counsel that such action is necessary in order for the Company's directors to comply with their respective fiduciary duties under applicable law and (ii) in each case referred to in clause (B) or (C) above, the Company Board determines in good faith (after consultation with its financial advisor) that such Acquisition Proposal, if accepted, is reasonably likely to be consummated, taking into account all legal, financial and regulatory aspects of the proposal and the person making the proposal, and would, if consummated, result in a more favorable transaction than the Proposed AIG Merger, taking into account the long-term prospects and interests of the Company (any such more favorable Acquisition Proposal, a "Superior Proposal").

Pursuant to the AIG Merger Agreement, the Company has also agreed to take all actions necessary to convene the respective meetings of the holders of Common Shares and Preferred Shares (collectively, the "Shareholders Meetings") as promptly as practicable (but in no case more than 45 days) after AIG's Registration Statement on Form S-4 (registering shares of AIG Common Stock and AIG preferred stock

to be issued in the Proposed AIG Merger) is declared effective by the SEC, in order that such shareholders may consider and vote upon the approval of the Proposed AIG Merger. In addition, the AIG Merger Agreement provides that, subject to fiduciary obligations under applicable law, the Company Board will recommend approval of the Proposed AIG Merger, will not withdraw or modify such recommendation and will take all lawful action to solicit such approval. However, in the event that the Company Board withdraws or modifies its recommendation, the AIG Merger Agreement requires that the Company nonetheless must still cause the Shareholders Meetings to be convened and a vote taken with respect to the Proposed AIG Merger and the Company Board will communicate to the Company's shareholders its basis for withdrawing or modifying its recommendation in accordance with the Florida Corporation Act.

The AIG Merger Agreement may only be terminated in connection with an Acquisition Proposal by the Company (i) at any time after 180 days from the date of the AIG Merger Agreement, if the Common Shareholder Approval shall not have been obtained at the meeting duly convened therefor or any adjournment or postponement thereof, and prior to or at the time of such meeting, any person shall have made or publicly announced an intention to make an Acquisition Proposal, or (ii) (A) if the Company has not materially breached the AIG Merger Agreement, (B) the Common Shareholder Approval and the Preferred Shareholder Approval (collectively, the "Company Shareholder Approval") shall not have been obtained, (C) the Company Board authorizes the Company to enter into a binding agreement concerning a transaction that constitutes a Superior Proposal and the Company notifies AIG that it intends to enter into such an agreement, attaching the most current version of such agreement to such notice, and (D) AIG does not make, prior to the later of (x) five business days after receipt of the Company's notification of its intention to enter into a binding agreement for a Superior Proposal or (y) at least 180 days from the date of the AIG Merger Agreement, an offer that the Company Board determines, in good faith after consultation with its financial advisors, is at least as favorable as the Superior Proposal, taking into account the long-term prospects and interests of the Company and its shareholders. In addition, the Merger Agreement may be terminated by AIG, among other circumstances, (i) if the Common Shareholder Approval shall not have been obtained at a meeting duly convened therefor at any adjournment or postponement thereof, or (ii) if the Company enters into a binding agreement with respect to a Superior Proposal or the Company Board withdraws or adversely modifies its approval or recommendation of the Proposed AIG Merger, or after the mailing of the proxy statement/prospectus regarding the Proposed AIG Merger, the Company Board fails to reconfirm its recommendation of the AIG Merger Agreement within 10 business days after a reasonable written request by AIG to do so. In the event the AIG Merger Agreement is terminated pursuant to the provisions described in either of the two immediately preceding sentences and (in the case of AIG's termination of the AIG Merger Agreement pursuant to the provisions described in clause (i) above) prior to, or at the time of the meeting referred to therein, any person shall have made an Acquisition Proposal to the Company or any of its subsidiaries or any of its stockholders or shall have publicly announced an intention to make an Acquisition Proposal, then the Company is obligated to pay to AIG (within certain time periods) the AIG Termination Fee.

In addition, the AIG Merger Agreement provides that, in the event that either the Company or AIG terminates the AIG Merger Agreement as a result of the failure to obtain the Common Shareholder Approval at a meeting duly convened therefor or at any adjournment or postponement thereof and prior to or at the time of such meeting no person shall have made or publicly announced an intention to make an Acquisition Proposal, the Company will promptly reimburse AIG for its aggregate expenses in connection with the Proposed AIG Merger up to \$5 million, and if within 18 months after such termination, the Company enters into an agreement concerning a transaction that constitutes an Acquisition Proposal, the Company will pay AIG the AIG Termination Fee.

The foregoing description of the AIG Merger Agreement is qualified in its entirety by reference to the full text of the AIG Merger Agreement, a copy of which has been included by the Company as an exhibit to the Company January 13 Form 8-K and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

12. PURPOSE OF THE OFFER AND THE MERGER; PLANS FOR THE COMPANY; CERTAIN CONSIDERATIONS.

General. The purpose of the Offer and the Proposed Merger is to enable Parent to acquire control of, and ultimately the entire equity interest in, the Company. The Offer, as the first step in the acquisition of the Company, is intended to facilitate the acquisition of a majority of the outstanding Common Shares. The purpose of the Proposed Merger is to acquire all Shares not beneficially owned by the Purchaser following consummation of the Offer.

Pursuant to the Proposed Merger, each then outstanding Common Share (other than Common Shares owned by Parent or any of its wholly owned subsidiaries, Common Shares held in the treasury of the Company, and if shareholder appraisal rights are available with respect to Common Shares, Common Shares held by shareholders who perfect appraisal rights under the Florida Corporation Act) would be converted into that number of shares of Parent Common Stock having a value equal to the Offer Price (as determined as of the time of the Proposed Merger). In addition, each then outstanding Preferred Share would be converted into one share of a new series of convertible preferred stock of Parent having substantially similar terms, except that such shares would be convertible into shares of Parent Common Stock in accordance with the terms of the Preferred Shares.

Except in the case of a "short-form" merger as described below, under the Florida Corporation Act, the approval of the Company Board and the affirmative vote of the holders of a majority of the outstanding Common Shares (including any Common Shares owned by Purchaser) and the outstanding Preferred Shares (including any Preferred Shares owned by Purchaser), each voting separately as a class, would be required to approve the Proposed Merger. If Purchaser acquires through the Offer at least a majority of the outstanding Common Shares (which would be the case if the Minimum Tender Condition and the Lockup Termination Condition were satisfied and Purchaser were to accept for payment Common Shares tendered pursuant to the Offer) and the Affiliated Transaction Condition, the Control Share Condition, the Supermajority Vote Condition and the Insurance Regulatory Approval Condition were each satisfied, Purchaser would have sufficient voting power to ensure approval of the Proposed Merger by holders of the Common Shares. In its proposal letter to the Company, Parent indicated that its strong preference would be to enter into a merger agreement with the Company containing substantially the same terms and conditions as the AIG Merger Agreement but at the significantly higher value reflected in the Offer Price. Accordingly, if the approval of the Proposed Merger by holders of Preferred Shares is not obtained or Parent reasonably determines that such approval is not likely to be obtained, in such circumstance Parent would expect that the Proposed Parent Merger Agreement would provide for the change in structure provided for in the AIG Merger Agreement such that a subsidiary of Parent would merge with and into the Company with the Company continuing as the surviving corporation. Upon consummation of such revised Proposed Merger, the Preferred Shares would remain outstanding pursuant to their existing terms (except that they would be convertible into Parent common stock). As would be the case under the AIG Merger Agreement, the revised Proposed Merger would not require any approval of holders of Preferred Shares and would cause holders of Common Shares to pay Federal income tax on all consideration, whether cash or Parent Common Stock, that they receive in the revised Proposed Merger to the extent of any gain they may have on their Common Shares.

The Florida Corporation Act also provides that if a parent corporation owns at least 80% of the outstanding shares of each class of stock of a subsidiary, the parent company can effect a "short-form" merger with that subsidiary without a shareholder vote. Accordingly, if, Purchaser were to acquire at least 80% of the outstanding Common Shares and Preferred Shares, respectively, and if the Affiliated Transaction Condition, the Control Share Condition and the Supermajority Vote Condition were each satisfied, then Purchaser could, and intends to, effect the Proposed Merger without any action by any other shareholder of the Company.

Although Parent has sought to enter into negotiations with the Company with respect to the Proposed Merger and continues to pursue such negotiations, there can be no assurance, particularly in light of the Fiduciary Sabbatical Provision, that such negotiations will occur, or, if such negotiations occur, as to the outcome thereof. Purchaser reserves the right to amend the Offer (including amending the number of Common Shares to be purchased, the purchase price and the Proposed Merger consideration)

in connection with entering into the Proposed Merger Agreement or otherwise or to negotiate a merger agreement with the Company not involving a tender offer pursuant to which Purchaser would terminate the Offer and the Common Shares would, upon consummation of such merger, be converted into cash, Parent Common Stock and/or other securities in such amounts as are negotiated by Parent and the Company.

In connection with the Offer and during its pendency, or in the event the Offer is terminated or not consummated, or after the expiration of the Offer and pending consummation of the Proposed Merger, in accordance with applicable law and subject to the terms of any merger agreement that it may enter into with the Company, Parent may explore any and all options which may be available to it. In this regard, Parent intends to solicit proxies against the adoption of the Proposed AIG Merger at any meeting of holders of Common Shares and/or Preferred Shares called for such purpose and intends to promptly file preliminary proxy materials with the SEC concerning such solicitation. Parent may also determine, whether or not the Offer is then pending, to conduct a proxy contest in connection with the Company's 1998 annual meeting of shareholders seeking to remove the current members of the Company Board and elect a new slate of directors designated by Parent. In addition, Parent may seek to acquire Preferred Shares through a tender offer or exchange offer and upon such terms and at such prices as it may determine, and after expiration or termination of the Offer, Parent may seek to acquire Preferred Shares and additional Common Shares, through open market purchases, privately negotiated transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as it may determine, which may be higher or lower than the Offer Price and could be for cash or other consideration.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY ANNUAL OR OTHER MEETING OF THE COMPANY'S SHAREHOLDERS. ANY SUCH SOLICITATION WHICH PARENT OR PURCHASER MIGHT MAKE WOULD BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 14(A) OF THE EXCHANGE ACT. IN ADDITION, THE OFFER DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF PARENT. SUCH AN OFFER MAY BE MADE ONLY PURSUANT TO A PROSPECTUS PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED.

Whether or not the Offer is consummated, Purchaser reserves the right, subject to applicable legal restrictions, to sell or otherwise dispose of any or all Shares acquired pursuant to the Offer or otherwise. Such transactions may be effected on terms and at prices as it shall determine, which may be higher or lower than the Offer Price and could be for cash or other consideration.

Plans for the Company. In connection with the Offer, Parent and Purchaser have reviewed, and will continue to review, on the basis of publicly available information, various possible business strategies that they might consider in the event that the Parent acquires control of the Company, whether pursuant to the Proposed Merger or otherwise. In addition, if and to the extent that Parent acquires control of the Company or otherwise obtains access to the books and records of the Company, Parent and Purchaser intend to conduct a detailed review of the Company and its assets, corporate structure, dividend policy, capitalization, operations, properties, policies, management and personnel and, subject to applicable state insurance regulatory rules and regulations, to consider and determine what, if any, changes would be desirable in light of the circumstances which then exist. However, except as indicated in this Offer to Purchase, neither Parent nor Purchaser has any present plans or proposals which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, a sale or transfer of a material amount of assets of the Company or any of its subsidiaries or any material change in the Company's capitalization or dividend policy or any other material changes in the Company's corporate structure or business, or the composition of the Company Board or management.

Dissenters' Rights and Other Matters. Pursuant to Section 607.1302 of the Florida Corporation Act, holders of Common Shares do not have dissenters' rights as a result of the Offer. In addition, unless the Shares are no longer registered on the NYSE at the time the Proposed Merger is consummated, holders of Shares will not be entitled to dissenters' rights in connection with the Proposed Merger. If, however, the Shares are no longer registered on the NYSE at the time the Proposed Merger is consummated, holders of the Common Shares and, to the extent that the Proposed Merger requires the approval of the

holders of Preferred Shares, holders of Preferred Shares at the effective time of the Proposed Merger will have certain rights pursuant to the provisions of Section 607.1320 of the Florida Corporation Act to dissent and demand appraisal of their Shares. Under Section 607.1320 of the Florida Corporation Act, shareholders who have dissenters' rights, if any, and who comply with the applicable statutory procedures (and who have not otherwise agreed with the Company as to the value of their shares) will be entitled to receive a judicial determination of the fair value of their Shares and to receive payment of such fair value in cash, together, in the discretion of the court, with a fair rate of interest, as determined by the court. Any such judicial determination of the fair value of Common Shares could be based upon factors other than, or in addition to, the value of the consideration to be paid per share in the Proposed Merger or the market value of the Shares. The value so determined could be more or less than the value of the consideration to be paid per Common Share in the Proposed Merger.

The foregoing summary of Sections 607.1302 and 607.1320 of the Florida Corporation Act does not purport to be complete and is qualified in its entirety by reference to such statutory sections.

The Proposed Merger would have to comply with any applicable Federal law operative at the time of its consummation. The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Proposed Merger. However, Rule 13e-3 would be inapplicable if (i) the Shares are deregistered under the Exchange Act prior to the Proposed Merger or (ii) the Proposed Merger is consummated within one year after the purchase of the Common Shares pursuant to the Offer and the amount paid per Common Share in the Proposed Merger is at least equal to the amount paid per Common Share in the Offer. If applicable, Rule 13e-3 requires, among other things, that certain financial information concerning the fairness of the proposed transaction and the consideration offered to minority shareholders in such transaction be filed with the SEC and disclosed to shareholders prior to consummation of the transaction.

The Company Articles and the Company By-Laws. The Company Articles and the Company By-Laws contain several provisions that may delay a change in control of the Company following the purchase of Common Shares by Purchaser pursuant to the Offer, including, among others, (i) a provision that the Company Board shall be classified, with each class elected for a term of three years and one class elected each year at the Company's annual meeting of shareholders, (ii) a provision requiring advance notice to the Company of any shareholder nominations for directors at an annual meeting of shareholders, (iii) a provision that directors may only be removed for cause, and only by the affirmative vote of holders of 75% or more of the voting shares, and (iv) a provision that special meetings of shareholders may be called only by the Chief Executive Officer of the Company, the Company Board, the Executive Committee of the Company Board or holders of at least 75% of the Common Shares.

Pursuant to Section 2 of Article V of the Company Articles, the Company Board is divided into three classes, each of which consists of five members, with each class elected for a term of three years and one class elected at the Company's annual meeting of shareholders each year. The number of the Company's directors is currently limited to between 12 and 18 pursuant to Section 1 of Article V of the Company Articles, and there are currently 15 directors. Pursuant to Section 3 of Article V of the Company Articles, members of the Company Board may be removed only for cause, and only by the affirmative vote of the holders of 75% or more of the outstanding voting shares.

Paragraph A of Article VIII of the Company Articles provides that in addition to any affirmative vote required by law, the affirmative vote of the holders of at least 85% of the outstanding voting shares, including the affirmative vote of least 50% of the voting shares held by shareholders other than any 30% Shareholder, shall be required to effectuate certain business combination transactions, including, among others, a merger, sale of assets, sale of shares and reclassification of securities involving the corporation with any 30% Shareholder. However, this supermajority vote requirement does not apply in certain circumstances, including if the Company Board has, by at least a 75% vote of the directors then in office, (i) given prior approval to the 30% Shareholder's acquisition of 30% or more of the outstanding Common Shares or (ii) approved the business combination prior to the 30% Shareholder having attained its 30% holding.

Amendment of the foregoing provisions of the Company Articles requires the affirmative vote of the holders of at least 85% of the Company's outstanding voting shares, including the affirmative vote of at least 50% of the voting shares other than any 30% Shareholders, unless such amendment is recommended to shareholders by at least a majority of the entire Company Board and by at least two-thirds of the continuing directors (as defined in the Company Articles). Amendment of the foregoing provisions of the Company By-Laws requires a majority vote of the full Company Board or a majority vote of all shareholders entitled to vote at any meeting of the shareholders of record.

If, following consummation of the Offer, the members of the Company Board in office at such time were to refuse to approve the Proposed Merger (or any other transaction or corporate action proposed by Purchaser that required approval of the Company Board), Purchaser, in order to consummate the Proposed Merger (or any such other transaction or corporate action), would first have to replace at least a majority of the Company Board with its own designees. As a result of the classified board provision contained in the Company Articles, at least two annual meetings of the Company's shareholders could be required to enable nominees of Purchaser to comprise a majority of the Company Board. If the current Company Board opposes the Offer or the Proposed Merger, Parent may determine, whether or not the Offer is then pending, to take action necessary to place a majority of its designees on the Company Board, including without limitation, seeking to amend the Company Articles and Company By-Laws to remove the provisions described above or to increase the number of seats available on the Company Board for its nominees and to solicit proxies from the shareholders of the Company for use at the Company's 1998 annual meeting shareholders for the purpose of electing new directors designated by Purchaser.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF SUCH PROXIES AT ANY MEETING OF THE COMPANY'S SHAREHOLDERS. ANY SUCH SOLICITATION WHICH PARENT OR PURCHASER MAY MAKE WILL BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 14(A) OF THE EXCHANGE ACT.

The foregoing description of the Company Articles and the Company By-Laws is qualified in its entirety by reference to the full text of the Company Articles and the Company By-Laws, copies of which have been filed by the Company as exhibits to documents filed with the SEC and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

The Rights. The following is based upon the Company November 14 Form 8-K and the Company Form 8-A, filed with the SEC:

On February 24, 1988, the Company Board declared a dividend distribution of one Right for each Common Share and executed the Rights Agreement. On November 14, 1990, the Company adopted certain amendments to the Rights Agreement. In addition, as a result of the Stock Split, the aggregate number of Rights associated with the Common Shares then outstanding, or issued or delivered after the date of the Stock Split but prior to the Distribution Date, was adjusted so that one-half of one Right is associated with each Common Share. Under the Rights Agreement, each Right entitles the holder to purchase one share of the Series A Preferred Stock at an exercise price of \$31.00, subject to adjustment.

Under the Rights Agreement, until the close of business on the Distribution Date (which is defined as the earlier of (i) 10 days following a public announcement that an Acquiring Person has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding Common Shares and (ii) 10 business days following the commencement of a tender offer or exchange offer which would result in a person or group beneficially owning 15% or more of the outstanding Common Shares), the Rights will be evidenced by the Common Share Certificates and will be transferred with and only with Common Share Certificates. As soon as practicable after the Distribution Date, the Rights Certificates will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date, and thereafter the separate Rights Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire at the close of business on March 10, 1998 unless earlier redeemed by the Company as described below. Pursuant to the terms of the AIG Merger Agreement, the Company has agreed that, upon the request of AIG, it will take all actions necessary to extend the term of the Rights Agreement or to enter into a new Rights Agreement.

In the event that the Company is acquired in a merger or consolidation in which the Company is not the surviving corporation (or is the surviving corporation but the Common Shares are changed or exchanged) or 50% or more of the Company's consolidated assets or earning power is sold or transferred, each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a value equal to two times the exercise price of the Right.

In the event that an Acquiring Person becomes the beneficial owner of 15% or more of the outstanding Shares, each holder of a Right will thereafter have the right to receive, upon exercise, Common Shares (or, in certain circumstances, cash, property or other securities of the Company), having a value equal to two times the exercise price of the Right.

At any time until 10 days following the Distribution Date, the Company may redeem the Rights in whole, but not in part, at the Redemption Price. The redemption period may be extended by the Company at any time prior to the expiration of such period. After the redemption period has expired, the Company's right of redemption may be reinstated if an Acquiring Person reduces its beneficial ownership to 10% or less of the outstanding Common Shares in one or more transactions not involving the Company and there are no other persons who are Acquiring Persons. Immediately upon the action of the Company Board ordering redemption of the Rights, the Rights will terminate, and the only right to which the holders of Rights will be entitled will be the right to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including without limitation, the right to vote or to receive dividends.

Other than those provisions relating to the principal economic terms of the Rights, any of the provisions of the Rights Agreement may be amended by the Company Board prior to the Distribution Date. On and after the Distribution Date, the provisions of the Rights Agreement may be amended by a majority of the disinterested directors, with the concurrence of a majority of the Continuing Directors (as defined below) voting separately, in order to cure any ambiguity, to make changes in any manner which the disinterested directors and Continuing Directors may deem necessary or desirable and which does not adversely affect the interests of the holders of the Rights (excluding the interests of any Acquiring Person), or to shorten or lengthen any time period under the Rights Agreement. In addition, no amendment to adjust the time period governing redemption of the Rights shall be made at any time the Rights are not redeemable.

Pursuant to the AIG Merger Agreement, the Company has amended the Rights Agreement to render the Rights Agreement inapplicable to the Proposed AIG Merger and the other transactions contemplated by the AIG Merger Agreement, the AIG Lockup Option Agreement and the AIG Voting Agreement and to ensure, among other things, that AIG is not deemed to be an Acquiring Person and that a Distribution Date does not occur by reason of such agreements or transactions. However, pursuant to the AIG Merger Agreement the Company has also agreed that it may not facilitate any effort or attempt to make or implement an Acquisition Proposal, which would include the Offer, including by means of an amendment to the Rights Agreement.

Based on publicly available information, Purchaser believes that, as of the date of this Offer to Purchase, the Rights were not exercisable, Rights Certificates had not been issued and the Rights were evidenced by the Common Share Certificates. Purchaser believes that, as a result of Purchaser's public announcement of the Offer, the Distribution Date will be no later than February 10, 1998, unless prior to such date the Company Board redeems the Rights or amends the Rights Agreement to delay the Distribution Date.

Purchaser believes that, under applicable law and under the circumstances of the Offer, including the Company Board's approval of the AIG Merger Agreement and the transactions contemplated thereby, the Company Board is obligated by its fiduciary responsibilities not to redeem the Rights or render the Rights Agreement inapplicable to any business combination transaction by AIG without, at the same time, taking the same action as to Purchaser, the Offer and the Proposed Merger, and that the Company Board's failure to do so would be a violation of law. In the Florida Litigation, Purchaser is seeking, among other things, to enjoin the Company Board from treating AIG and Purchaser differently under the Rights Agreement. See Section 15.

The foregoing summary of the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Company November 14 Form 8-K, the Company Form 8-A and the full text of the Rights Agreement as an exhibit thereto filed with the SEC, and subsequent amendments to the Rights Agreement as filed with the SEC. Copies of these documents may be obtained in the manner set forth above.

If the Rights Condition is not satisfied and Purchaser elects, in its sole discretion, to waive such condition and consummate the Offer, and if there are outstanding Rights which have not been acquired by Purchaser, Purchaser will evaluate its alternatives. Such alternatives could include purchasing additional Rights in the open market, in privately negotiated transactions, in another tender or exchange offer or otherwise. Any such additional purchase of Rights could be for cash or other consideration. Under such circumstances, the Proposed Merger might be delayed or abandoned as impracticable. The form and amount of consideration to be received by the holders of Common Shares in the Proposed Merger, if consummated, might be subject to adjustment to compensate Purchaser for, among other things, the costs of acquiring Rights and a portion of the potential dilution cost of Rights not owned by Purchaser and its affiliates at the time of Proposed Merger. In such event, the value of the consideration to be exchanged for Common Shares in Proposed Merger could be substantially less than the consideration paid in the Offer. In addition, Purchaser may elect under such circumstances not to consummate the Proposed Merger.

Unless the Rights are redeemed, shareholders will be required to tender one-half of one Right for each Common Share tendered in order to effect a valid tender of such Common Shares in accordance with the procedures set forth in Section 3. If separate certificates for the Rights are not issued, a tender of Common Shares will also constitute a tender of the associated Rights. See Sections 1 and 3.

Consummation of the Offer is conditioned upon the Rights having been redeemed by the Company Board or Purchaser being satisfied, in its sole discretion, that the Rights are invalid or otherwise inapplicable to the Offer and to the Proposed Merger.

13. DIVIDENDS AND DISTRIBUTIONS.

If, on or after the date of this Offer to Purchase, the Company should (i) split, combine or otherwise change the Common Shares or its capitalization, (ii) issue or sell any additional securities of the Company or otherwise cause an increase in the number of outstanding securities of the Company or (iii) acquire currently outstanding Common Shares or otherwise cause a reduction in the number of outstanding Common Shares, then, without prejudice to Purchaser's rights under Sections 1 and 14, Purchaser, in its sole discretion, may make such adjustments as it deems appropriate in the purchase price and other terms of the Offer, including, without limitation, the amount and type of securities offered to be purchased.

If, on or after the date of this Offer to Purchase, the Company should declare or pay any dividend on the Common Shares, other than regular quarterly dividends, or make any distribution (including, without limitation, the issuance of additional Common Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to the Common Shares that is payable or distributable to shareholders of record on a date prior to the transfer to the name of Purchaser or its nominee or transferee on the Company's stock transfer records of the Common Shares purchased pursuant to the Offer, then, without prejudice to Purchaser's rights under Sections 1 and 14, (i) the purchase price per Common Share payable by Purchaser pursuant to the Offer will be reduced by the amount of any such cash dividend or cash distribution and (ii) any such non-cash dividend, distribution or right to be received by the tendering shareholders will be received and held by such tendering shareholders for the account of Purchaser and will be required to be promptly remitted and transferred by each such tendering shareholder to the Depository for the account of Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount of value thereof, as determined by Purchaser in its sole discretion.

14. CONDITIONS OF THE OFFER.

Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) Purchaser's rights to extend and amend the Offer at any time in its sole discretion, Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Common Shares promptly after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Common Shares, and may terminate the Offer as to any Common Shares not then paid for, if, in the sole judgment of Purchaser (1) at or prior to the expiration of the Offer any one or more of the Minimum Condition, the Affiliated Transaction Condition, the Control Share Condition, the Supermajority Vote Condition, the Rights Condition, the Lockup Termination Condition or the Insurance Regulatory Approval Condition has not been satisfied, (2) the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), applicable to the purchase of Common Shares pursuant to the Offer shall not have expired or been terminated, or (3) at any time on or after January 27, 1998 and prior to the acceptance for payment of Shares, any of the following events shall occur:

(a) there shall have been threatened, instituted or pending any action, proceeding, application or counterclaim before any court, governmental regulatory or administrative agency or commission, authority or tribunal, domestic, foreign or supranational, by any government, governmental authority or other regulatory or administrative agency or commission, domestic, foreign or supranational, or by any other person, domestic or foreign (whether brought by the Company, an affiliate of the Company or any other person), which (i) challenges or seeks to challenge the acquisition by Parent or Purchaser or any affiliate of either of them of the Common Shares, restrains, delays or prohibits or seeks to restrain, delay or prohibit the making of the Offer or the Proposed Merger, consummation of the transactions contemplated by the Offer or any other subsequent business combination, restrains or prohibits or seeks to restrain or prohibit the performance of any of the contracts or other arrangements entered into by Purchaser or any of its affiliates in connection with the acquisition of the Company or obtains or seeks to obtain any material damages or otherwise directly or indirectly relating to the transactions contemplated by the Offer, the Proposed Merger or any other subsequent business combination, (ii) prohibits or limits or seeks to prohibit or limit Parent's or Purchaser's ownership or operation of all or any portion of their or the Company's business or assets (including without limitation the business or assets of their respective affiliates and subsidiaries (which term as used in this Offer to Purchase shall include, without limitation, the insurance exchange managed by the Company)) or to compel or seeks to compel Parent or Purchaser to dispose of or hold separate all or any portion of their own or the Company's business or assets (including without limitation the business or assets of their respective affiliates and subsidiaries) or imposes or seeks to impose any limitation on the ability of Parent, Purchaser or any affiliate of either of them to conduct its own business or own such assets as a result of the transactions contemplated by the Offer, Proposed Merger or any other subsequent business combination, (iii) makes or seeks to make the acceptance for payment, purchase of, or payment for, some or all of the Common Shares pursuant to the Offer or the Proposed Merger illegal or results in a delay in, or restricts, the ability of Parent or Purchaser, or renders Parent or Purchaser unable, to accept for payment, purchase or pay for some or all of the Common Shares or to consummate the Proposed Merger, (iv) imposes or seeks to impose limitations on the ability of Parent or Purchaser or any affiliate of either of them effectively to acquire or hold or to exercise full rights of ownership of the Common Shares, including, without limitation, the right to vote the Common Shares purchased by them on an equal basis with all other Common Shares on all matters properly presented to the shareholders of the Company, (v) in the sole judgment of Parent or Purchaser, might adversely affect the Company or any of its subsidiaries or affiliates or Parent, Purchaser, or any of their respective affiliates or subsidiaries, (vi) in the sole judgment of Parent or Purchaser, might result in a diminution in the value of the Common Shares or the benefits expected to be derived by Parent or Purchaser as a result of the transactions contemplated by the Offer, (vii) in the sole judgment of Parent or Purchaser, imposes or seeks to impose any material condition to the Offer unacceptable to Parent or Purchaser or (viii) otherwise directly or indirectly relates to the Offer, the Proposed Merger or any other business combination with the Company;

(b) there shall be any action taken, or any statute, rule, regulation or order or injunction shall be sought, proposed, enacted, promulgated, entered, enforced or deemed or become applicable to the Offer, the Proposed Merger or other subsequent business combination between Purchaser or any affiliate of Purchaser and the Company or any affiliate of the Company or any other action shall have been taken, proposed or threatened, by any government, governmental authority or other regulatory or administrative agency or commission or court, domestic, foreign or supranational, other than the routine application of the waiting period provisions of the HSR Act to the Offer, that, in the sole judgment of Parent or Purchaser, might, directly or indirectly, result in any of the consequences referred to in clauses (i) through (vii) of paragraph (a) above;

(c) any change (or any condition, event or development involving a prospective change) shall have occurred or been threatened in the business, properties, assets, liabilities, capitalization, shareholders' equity, condition (financial or otherwise), operations, licenses, franchises, permits, permit applications, results of operations or prospects of the Company or any of its subsidiaries or affiliates which, in the sole judgment of Parent or Purchaser, is or may be materially adverse to the Company or any of its subsidiaries or affiliates, or Parent or Purchaser shall have become aware of any fact which, in the sole judgment of Parent or Purchaser, has or may have material adverse significance with respect to either the value of the Company or any of its subsidiaries or the value of the Common Shares to Parent or Purchaser;

(d) there shall have occurred (i) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (ii) any limitation (whether or not mandatory) by any governmental authority or agency on, or other event which, in the sole judgment of Parent or Purchaser, might affect the extension of credit by banks or other lending institutions, (iii) a commencement of a war, armed hostilities or other national or international crisis directly or indirectly involving the United States, (iv) any significant change in United States or any other currency exchange rates or any suspension of, or limitation on, the markets therefor (whether or not mandatory), (v) any significant adverse change in the market price of the Common Shares or in the securities or financial markets of the United States, or (vi) in the case of any of the foregoing existing at the time of the commencement of the Offer, in the sole judgment of Parent or Purchaser, a material acceleration or worsening thereof;

(e) other than the redemption of the Rights at the Redemption Price, the Company or any subsidiary of the Company shall have, at any time after January 27, 1998 (i) issued, distributed, pledged, sold or authorized, proposed or announced the issuance of or sale, distribution or pledge to any person of (A) any shares of its capital stock (other than sales or issuances pursuant to options outstanding on January 27, 1998 in accordance with their terms as disclosed on such date or conversions of the Company Convertible Securities in accordance with their terms) of any class (including without limitation the Common Shares) or securities convertible into any such shares of capital stock, or any rights, warrants or options to acquire any such shares or convertible securities or any other securities of the Company, or (B) any other securities in respect of, in lieu of, or in substitution for, Common Shares outstanding on January 27, 1998, (ii) purchased, acquired or otherwise caused a reduction in the number of, or proposed or offered to purchase, acquire or otherwise reduce the number of, any outstanding Common Shares, or other securities, (iii) declared, paid or proposed to declare or pay any dividend or distribution on any Common Shares (other than the regular quarterly dividend on the Common Shares not in excess of the amount per share, and with record and payment dates, in accordance with recent practice) or on any Preferred Shares (other than the regular quarterly dividend on the Preferred Shares not in excess of the amount per share payable in accordance with the terms of the Preferred Shares) or on any other security or issued, authorized, recommended or proposed the issuance or payment of any other distribution in respect of the Common Shares or the Preferred Shares, whether payable in cash, securities or other property, (iv) altered or proposed to alter any material term of any outstanding security, (v) incurred any debt other than in the ordinary course of business and consistent with past practice or any debt containing burdensome covenants, (vi) issued, sold or authorized or announced or proposed the issuance of or sale to any person of any debt securities or any securities convertible into or exchangeable for debt

securities or any rights, warrants or options entitling the holder thereof to purchase or otherwise acquire any debt securities or incurred or announced its intention to incur any debt other than in the ordinary course of business and consistent with past practice, (vii) split, combined or otherwise changed, or authorized or proposed the split, combination or other change of the Common Shares, the Preferred Shares or its capitalization, (viii) authorized, recommended, proposed or entered into or publicly announced its intent to enter into any merger, consolidation, liquidation, dissolution, business combination, acquisition or disposition of a material amount of assets or securities, any material change in its capitalization, any waiver, release or relinquishment of any material contract rights or comparable right of the Company or any of its subsidiaries or any agreement contemplating any of the foregoing or any comparable event not in the ordinary course of business, or taken any action to implement any such transaction previously authorized, recommended, proposed or publicly announced, (ix) transferred into escrow any amounts required to fund any existing benefit, employment or severance agreements with any of its employees or entered into any employment, severance or similar agreement, arrangement or plan with any of its employees other than in the ordinary course of business and consistent with past practice or entered into or amended any agreements, arrangements or plans so as to provide for increased benefits to the employees as a result of or in connection with the transactions contemplated by the Offer or any other change in control of the Company, (x) except as may be required by law, taken any action to terminate or amend any employee benefit plan (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended) of the Company or any of its subsidiaries, or Parent or Purchaser shall have become aware of any such action which was not previously disclosed in publicly available filings, (xi) amended or proposed or authorized any amendment to the Company Articles or the Company By-Laws or similar organizational documents, (xii) authorized, recommended, proposed or entered into any other transaction that in the sole judgment of Parent or Purchaser could, individually or in the aggregate, adversely affect the value of the Common Shares to Parent or Purchaser or (xiii) agreed in writing or otherwise to take any of the foregoing actions or Parent or Purchaser shall have learned about any such action which has not previously been publicly disclosed by the Company and also set forth in filings with the SEC;

(f) the Company and Parent or Purchaser shall have reached an agreement or understanding that the Offer be terminated or amended or Parent or Purchaser (or one of their respective affiliates) shall have entered into a definitive agreement or an agreement in principle to acquire the Company by merger or similar business combination, or purchase of Shares or assets of the Company;

(g) Parent or Purchaser shall become aware (i) that any material contractual right of the Company or any of its subsidiaries or affiliates shall be impaired or otherwise adversely affected or that any material amount of indebtedness of the Company or any of its subsidiaries shall become accelerated or otherwise become due prior to its stated due date, in either case with or without notice or the lapse of time or both, as a result of the transactions contemplated by the Offer or the Proposed Merger, or (ii) of any covenant, term or condition in any of the Company's or any of its subsidiaries' instruments or agreements that are or may be materially adverse to the value of the Common Shares in the hands of Purchaser or any other affiliate of Parent (including, but not limited to, any event of default that may ensue as a result of the consummation of the Offer, consummation of the Proposed Merger or any other business combination or the acquisition of control of the Company); or

(h) Parent or Purchaser shall not have obtained any waiver, consent, extension, approval, action or non-action from any governmental authority or agency which in its judgment is necessary to consummate the Offer;

which, in the sole judgment of Parent or Purchaser in any such case, and regardless of the circumstances (including any action or inaction by Parent or Purchaser or any of their affiliates), giving rise to any such condition, makes it inadvisable to proceed with the Offer and/or with such acceptance for payment or payment. Parent and Purchaser have the right to rely on any condition set forth in the immediately preceding sentence being satisfied in determining whether to consummate the Offer; however, if Parent or Purchaser asserts the failure of any such condition without relying

on the exercise of its reasonable judgment or some other objective criteria, Parent and Purchaser shall promptly disclose such assertion and the Expiration Date will be (and, if necessary, will be extended to be) at least five business days after the date of such disclosure.

The foregoing conditions are for the sole benefit of Parent and Purchaser and may be asserted by Parent or Purchaser in their sole discretion regardless of the circumstances (including any action or omission by Parent or Purchaser) giving rise to any such conditions or may be waived by Parent or Purchaser in their sole discretion in whole or in part at any time and from time to time. The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Parent or Purchaser concerning any condition or event described in this Section 14 shall be final and binding upon all parties.

15. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS; CERTAIN LITIGATION.

General. Except as otherwise disclosed herein, based on a review of publicly available information by the Company with the SEC, neither Purchaser nor Parent is aware of (i) any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Common Shares and the indirect acquisition of the capital stock of the Company's insurance subsidiaries by Parent or Purchaser pursuant to the Offer or the Proposed Merger, or (ii) any approval or other action by any governmental, administrative or regulatory agency or authority, domestic, foreign or supranational, that would be required for the acquisition or ownership of Common Shares, or the indirect acquisition of the capital stock of the Company's insurance subsidiaries by Parent or Purchaser as contemplated herein. Should any such approval or other action be required, Parent and Purchaser currently contemplate that such approval or action would be sought. While Purchaser does not currently intend to delay the acceptance for payment of Common Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or action, if needed, would be obtained or would be obtained without substantial conditions or that adverse consequences might not result to the business of the Company, Purchaser or Parent or that certain parts of the businesses of the Company, Purchaser or Parent might not have to be disposed of in the event that such approvals were not obtained or any other actions were not taken. Purchaser's obligation under the Offer to accept for payment and pay for Common Shares is subject to certain conditions. See Section 14.

State Insurance Approvals. The acquisition of Common Shares pursuant to the Offer will require filings with, and approvals of, the Insurance Commissions under the Insurance Codes of Arizona, Florida, Georgia, New York, South Carolina, Texas and Puerto Rico, which are the United States jurisdictions in which the insurance companies owned or otherwise controlled by the Company are domiciled. The Insurance Codes each contain similar provisions (subject to certain variations noted below) applicable to the acquisition of control of a domestic insurer, including a presumption of control that arises from the ownership of 10% or more of the voting securities of a domestic insurer or of any person that controls a domestic insurer (under Florida law, 5% or more of the outstanding voting securities unless the acquiror acquires less than 10% of the outstanding voting securities and affirmatively disclaims control).

Generally, a person seeking to acquire voting securities, such as the Common Shares, in an amount that would result in such person controlling, directly or indirectly, a domestic insurer must, together with any person ultimately controlling such person, file a Form A with the relevant Insurance Commission and send a copy of such Form A to the domestic insurer. Parent and Purchaser made Form A filings with the relevant Insurance Commissions and sent copies thereof to the relevant domestic insurers on the date of this Offer to Purchase.

In certain jurisdictions, the Form A filings trigger public hearing requirements and/or statutory periods within which decisions must be rendered approving or disapproving the acquisition of control. In other states, public hearings are discretionary and/or there are no periods within which such decisions must be rendered. The periods within which hearings must be commenced or decisions rendered may not begin until the relevant Insurance Commission has deemed the Form A filing complete, and the Insurance Commission has discretion to request that Parent and Purchaser furnish additional information before it

deems the Form A filing complete. The Arizona Insurance Code provides that a public hearing must be commenced within thirty days after the Form A is filed and the Arizona Insurance Commission must make its determination within thirty days after the conclusion of such hearing. The Georgia, New York, South Carolina and Texas Insurance Codes require a public hearing if the Insurance Commissioner intends to disapprove the acquisition because the Form A does not demonstrate compliance with the statutory standards for approval. The Georgia and South Carolina Insurance Commissions, however, have generally been conducting public hearings on all Form A filings. The Florida Insurance Code provides that the acquisition shall be deemed approved unless the Insurance Commission disapproves the acquisition within ninety days after the Form A has been filed. The Florida Insurance Commission may on its own initiative, or if requested to do so by a substantially affected party shall, conduct a hearing to consider whether the acquisition should be approved. The ninety day time period shall be tolled during the pendency of the proceeding. If a request for a proceeding is filed, the proceeding shall be conducted within sixty days after the date the written request for a proceeding is received by the Florida Insurance Commission. A recommended order shall be issued within twenty days of the date of the close of the proceedings. A final order shall be issued within twenty days of the date of the recommended order or, if exceptions to the recommended order are filed, within twenty days of the date the exceptions are filed. Although the New York Insurance Code does not require a public hearing prior to the approval of an acquisition of control of a domestic insurer, the Insurance Commission must give the applicant notice and an opportunity to be heard in the event it intends to disapprove the acquisition of control. The Puerto Rico Insurance Code provides that the Insurance Commission must make its determination within thirty days from the date on which the Form A is received, unless during that period the Insurance Department requests additional information, in which case the Commission shall make its determination thirty days after receiving such information. Although the Puerto Rico Insurance Code does not require a public hearing prior to the approval of an acquisition of control of a domestic insurer, the Insurance Commission has generally been conducting public hearings on all Form A filings.

The Insurance Codes generally require the relevant Insurance Commissions to approve the application for the acquisition of control unless the Insurance Commission determines (in certain states, after a public hearing) that such application should be disapproved on one or more prescribed regulatory grounds. The Insurance Codes contain provisions providing generally for judicial review of an Insurance Commission order.

International Insurance Regulatory Approvals. The Company's non-United States insurance subsidiaries are organized under the laws of the United Kingdom, Turks & Caicos, Mexico, Argentina, the Dominican Republic and the Cayman Islands, which laws generally require notice to and/or prior approval from the insurance regulatory authority prior to the acquisition of control. Parent and the Purchaser intend to give promptly the required notices to and/or seek the required approvals from such foreign insurance regulatory authorities.

Antitrust. Under the HSR Act and the rules that have been promulgated thereunder by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and to the FTC and certain waiting period requirements have been satisfied. Parent expects to file such information on the date hereof. Under the provisions of the HSR Act applicable to the Offer, the purchase of Common Shares pursuant to the Offer may not be consummated until the expiration of a 15-calendar day waiting period following the filing by Parent, unless the Antitrust Division and the FTC terminate the waiting period prior thereto. If, within such 15-day period, either the Antitrust Division or the FTC requests additional information or material from Parent concerning such Offer, the waiting period will be extended and would expire at 11:59 p.m., New York City time, on the tenth calendar day after the date of substantial compliance by Parent with such request. Only one extension of the waiting period pursuant to a request for additional information is authorized by the HSR Act. Thereafter, such waiting period may be extended only by court order or with the consent of Parent. Purchaser will not accept for payment Common Shares tendered pursuant to the Offer unless and until the waiting period requirements imposed by the HSR Act with respect to the Offer have been satisfied. See Section 14.

The Proposed Merger would not require an additional filing under the HSR Act if Purchaser owns 50% or more of the outstanding Common Shares at the time of the Proposed Merger.

The FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as Purchaser's acquisition of Common Shares pursuant to the Offer. At any time before or after Purchaser's acquisition of Common Shares, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition of Common Shares pursuant to the Offer or otherwise or seeking divestiture of Common Shares acquired by Purchaser or divestiture of substantial assets of Parent or its subsidiaries. Private parties and state attorneys general may also bring legal action under the antitrust laws under certain circumstances. Based upon an examination of publicly available information relating to the businesses in which Parent and the Company are engaged, Parent and Purchaser believe that the acquisition of Common Shares by Purchaser will not violate the antitrust laws. Nevertheless, there can be no assurance that a challenge to the Offer or other acquisition of Common Shares by Purchaser on antitrust grounds will not be made or, if such a challenge is made, of the result. See Section 14 for certain conditions to the Offer, including conditions with respect to litigation and certain governmental actions.

State Takeover Statutes. Various states throughout the United States have enacted takeover statutes that purport, in varying degrees, to be applicable to attempts to acquire securities of corporations that are incorporated or have assets, shareholders, executive offices or places of business in such states. In *Edgar v. Mite Corp.*, the Supreme Court of the United States held that the Illinois Business Takeover Act, which involved state securities laws that made the takeover of certain corporations more difficult, imposed a substantial burden on interstate commerce and therefore was unconstitutional. In *CTS Corp. v. Dynamics Corp. of America*, however, the Supreme Court of the United States held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify a potential acquirer from voting on the affairs of a target corporation without prior approval of the remaining shareholders, provided that such laws were applicable only under certain conditions.

Except as described in this Offer to Purchase, neither Purchaser nor Parent has currently complied with any state takeover statute or regulation. Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer or the Proposed Merger and nothing in this Offer to Purchase or any action taken in connection with the Offer or the Proposed Merger is intended as a waiver of such right. If it is asserted that any state takeover statute is applicable to the Offer or the Proposed Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Proposed Merger, Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and Purchaser might be unable to accept for payment or pay for Common Shares tendered pursuant to the Offer, or be delayed in consummating the Offer or the Proposed Merger. In such case, Purchaser may not be obliged to accept for payment or pay for any Common Shares tendered pursuant to the Offer.

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, shareholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. Purchaser does not know whether any of these laws will, by their terms, apply to the Offer and has not complied with any such laws. Should any person seek to apply any state takeover law, Purchaser will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws are applicable, and an appropriate court does not determine that such law is, or such laws are inapplicable or invalid as applied to the Offer, Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Purchaser might be unable to accept for payment any Common Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer. In such case, Purchaser may not be obligated to accept for payment any Common Shares tendered. See Section 14.

The Affiliated Transaction Statute. Consummation of the Offer is conditioned upon Purchaser being satisfied, in its sole discretion, that the provisions of the Affiliated Transaction Statute are inapplicable to the acquisition of Common Shares pursuant to the Offer.

The Affiliated Transaction Statute, in general, provides that any "Affiliated Transaction" (defined to include a variety of transactions, including a merger, as discussed below) between a Florida corporation (such as the Company) and an "Interested Shareholder" (defined generally as a beneficial owner of more than 10% of the outstanding voting shares of such corporation) requires, in addition to any other vote required by law or the corporation's articles of incorporation, approval by the holders of at least two-thirds of the voting shares of the corporation, excluding the shares beneficially owned by the Interested Shareholder, unless (a) the Affiliated Transaction has been approved by a majority of the "Disinterested Directors" (as defined below), (b) the Interested Shareholder is the beneficial owner of at least 90% of the outstanding voting shares of the corporation (exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the Disinterested Directors) or (c) in the Affiliated Transaction, the per share consideration to be received by the holders of voting shares of the corporation is generally at least equal to the highest of (i) the highest per share price paid by the Interested Shareholder for the corporation's shares during the two-year period immediately preceding the announcement date of the Affiliated Transaction or in the transaction in which the Interested Shareholder become an Interested Shareholder, (ii) the higher of the fair market value of the corporation's shares on such announcement date or such determination date or (iii) a price based upon a combination of the foregoing. Under the Affiliated Transaction Statute, the requirements described above do not apply in certain circumstances which Parent and Purchaser do not believe are applicable to the Company.

As used in the Affiliate Transaction Statute, unless otherwise specified in the corporation's original articles of incorporation, a "Disinterested Director" means as to any particular Interested Shareholder (1) any member of the board of directors of the corporation who was a member of the board of directors before the later of January 1, 1987 or the date on which the Interested Shareholder became such and (2) any member of the board of directors of the corporation who was recommended for election by, or was elected to fill a vacancy and received the affirmative vote of, a majority of the Disinterested Directors then on the board of directors.

The Affiliated Transaction Statute provides, except as described above, that the corporation may not merge or consolidate with an Interested Shareholder or any affiliate or associate thereof, and also may not engage in certain other transactions with an Interested Shareholder or any affiliate or associate thereof, including, without limitation, (a) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) of assets of the corporation or any subsidiary of the corporation (i) having an aggregate fair market value equal to 5% or more of the aggregate fair market value of (A) all the assets of the corporation determined on a consolidated basis or (B) all the outstanding shares of the corporation or (ii) representing 5% or more of the earning power or net income, determined on a consolidated basis, of the corporation; (b) the issuance or transfer by the corporation or by any subsidiary of the corporation (in one transaction or a series of transactions) of any shares of the corporation or any subsidiary of the corporation which have an aggregate fair market value equal to 5% or more of the aggregate fair market value of all the outstanding shares of the corporation to the Interested Shareholder or any affiliate or associate of the Interested Shareholder, except pursuant to a transaction which effects a pro rata distribution to all shareholders of the corporation; (c) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by, or pursuant to any agreement, arrangement, or understanding (whether or not in writing) with, the Interested Shareholder or any affiliate or associate of the Interested Shareholder; (d) any reclassification of securities or recapitalization of the corporation, or any merger or consolidation of the corporation with any subsidiary of the corporation, or any other transaction (whether or not with or into or otherwise involving the Interested Shareholder), with the Interested Shareholder or any affiliate or associate of the Interested Shareholder, which has the effect, directly or indirectly (in one transaction or a series of which transactions during any 12-month period), of increasing by more than 5% of the percentage of the outstanding voting shares of the corporation or any subsidiary of the corporation beneficially owned by the Interested Shareholder; or (e) any receipt by the Interested Shareholder or any affiliate or associate of the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of such corporation), of any loans, advances, guaranties, pledges or other financial assistance or any tax credits or other tax advantages provided by or through the corporation.

The foregoing summary of the Affiliated Transaction Statute does not purport to be complete and is qualified in its entirety by reference to the provisions of the Affiliated Transaction Statute.

Parent and Purchaser are hereby requesting that the Company Board adopt a resolution approving the Proposed Merger for purposes of the Affiliated Transaction Statute. However, there can be no assurance that the Company Board will do so.

In the Florida Litigation, Parent and Purchaser are requesting that the court enjoin the Proposed AIG Merger unless and until a majority of the Company's "disinterested directors" approve the Proposed Merger in accordance with Affiliated Transaction Statute.

The Control Share Statute. Consummation of the Offer is conditioned on Purchaser being satisfied, in its sole discretion, that the provisions of the Control Share Statute continue to be inapplicable to the acquisition of Common Shares pursuant to the Offer.

The Control Share Statute provides, in general, that shares of an "issuing public corporation," such as the Company, acquired in a "control share acquisition" will not have voting rights unless that issuing public corporation's board of directors approves the acquisition of such shares or voting rights for such shares are authorized at an annual or special meeting of the shareholders of the issuing public corporation by each class or series entitled to vote separately on the proposal by a majority of all the votes entitled to be cast by the class or series, excluding all "interested shares" (generally, those shares held by the acquiring person).

However, Section 5 of the Control Share Statute permits a corporation's bylaws to provide that the Control Share Statute does not apply to control share acquisitions of the shares of such corporation. Section 4 of Article V of the Company By-Laws provides that the Control Share Statute, and any amendments thereto, does not apply to control share acquisitions of shares of stock of the Company occurring on or after November 14, 1990. Accordingly, unless such By-Law is repealed or amended by either (i) the majority vote of the full Company Board or (ii) by a majority vote of the outstanding Common Shares at any meeting of the Company's shareholders, Purchaser believes that the Control Share Statute shall continue to be inapplicable to Purchaser's acquisition of Common Shares pursuant to the Offer.

As used in the Control Share Statute, a "control share acquisition" means, in general, the acquisition (other than pursuant to a merger agreement to which the issuing public corporation is a party or pursuant to an acquisition approved by the board of directors of such issuing public corporation), directly or indirectly, of beneficial ownership of shares of an issuing public corporation, and all acquisitions of such shares within 90 days before or after the date of the acquisition of beneficial ownership of shares that results in a control share acquisition, which (but for the provisions of the statute) would have voting rights and which, when added to all other shares of such issuing public corporation beneficially owned by such person, would entitle such person, upon acquisition of such shares, to vote or direct the voting of shares of such issuing public corporation having voting power in the election of directors within any of the following ranges of such voting power: (i) one-fifth or more but less than one-third of all voting power; (ii) one-third or more but less than a majority of all voting power; or (iii) a majority or more of all voting power.

Any person who proposes to make or has made a control share acquisition may at the person's election deliver a statement (an "Acquiring Person Statement") to the issuing public corporation at the issuing public corporation's principal office. The Acquiring Person Statement must set forth (1) the identity of the acquiring person and each other member of any group of which the person is a part for purposes of determining shares acquired in a control share acquisition, (2) a statement that the Acquiring Person Statement is given pursuant to Section 607.0902, (3) the number of shares of the issuing public corporation owned, directly or indirectly, by the acquiring person and each other member of the group and (4) the range of voting power under which the control share acquisition falls or would, if consummated, fall.

If the control share acquisition has not taken place, the acquiring person must also set forth (1) a description in reasonable detail of the terms of the proposed control-share acquisition and (2)

representations of the acquiring person, together with a statement, in reasonable detail of the facts upon which they are based, that the proposed control share acquisition, if consummated, will not be contrary to law and that the acquiring person has the financial capacity to make the proposed control share acquisition.

If the acquiring person so requests at the time of delivery of an Acquiring Person Statement and gives an undertaking to pay the corporation's expenses of a special meeting, within ten days thereafter, the board of directors of the issuing public corporation, or others authorized to call such a meeting under the issuing public corporation's articles of incorporation or by-laws, shall call a special meeting of shareholders of the issuing public corporation for the purpose of considering the voting rights to be accorded to shares acquired or to be acquired in the control share acquisition. Such special meeting must be called within 10 days after the issuing public corporation receives the request and must be held within 50 days after the request was received. If the acquiring person so requests, the special meeting may not be held sooner than 30 days after receipt of the Acquiring Person Statement. If no request is made, the voting rights to be accorded the shares acquired in the control share acquisition shall be presented to the next special or annual meeting of the shareholders.

In addition, the Control Share Statute provides that, if authorized in a corporation's certificate of incorporation or bylaws before a control share acquisition has occurred, the issuing public corporation may, if no Acquiring Person Statement has been filed with the issuing public corporation, at any time during the 60-day period after the last acquisition of shares by the acquiring person, redeem the shares acquired in a control share acquisition at fair value thereof pursuant to procedures adopted by the corporation. The shares acquired in a control share acquisition are not subject to redemption after an Acquiring Person Statement has been filed unless such shares are not accorded full voting rights by the required shareholder vote.

Unless otherwise provided in the certificate of incorporation or bylaws, before a control share acquisition has occurred, in the event shares acquired in a control share acquisition are accorded full voting rights and the acquiring person has acquired shares with a majority or more of all the voting power, all shareholders of the subject corporation have dissenters' rights to receive the "fair value" (as defined below) of their shares. "Fair Value" for this purpose means a value not less than the highest price paid per share by the acquiring person in the control share acquisition.

The foregoing summary of the Control Share Statute does not purport to be complete and is qualified in its entirety by reference to the provisions of the Control Share Statute.

Florida Litigation. On January 27, 1998, in connection with the Florida Litigation, Parent and Purchaser filed a complaint in the United States District Court for the Southern District of Florida against the Company, substantially all of the directors of the Company, AIG and AIGF, Inc., a wholly owned subsidiary of AIG ("AIGF"), alleging that the directors and the Company, in a civil conspiracy with AIG and AIGF, have breached the fiduciary obligations owed to the shareholders of the Company by, among other things, entering into the AIG Merger Agreement and deterring the Offer through a number of unlawful takeover defenses, including the AIG Lockup Option Agreement, the Fiduciary Sabbatical Provision in the AIG Merger Agreement, the AIG Termination Fee and the Rights Agreement. The complaint also alleges that AIG filed materially false and misleading public disclosures on Schedule 13D regarding the AIG Voting Agreement in violation of Section 13(d) of the Exchange Act. Specifically, it is alleged that AIG failed to disclose that AIG's Chairman of the Board, Maurice R. Greenberg, is a person controlling AIG.

In the complaint, Parent and Purchaser ask the Court to enter judgment against the defendant: (a) declaring the AIG Lockup Option Agreement, Fiduciary Sabbatical Provision and AIG Termination Fee to be unlawful and in breach of the fiduciary duties of the Company and the Company Board; (b) enjoining, temporarily, preliminarily and permanently, (i) any exercise or payment of the AIG Lockup Option Agreement, (ii) enforcement of the Fiduciary Sabbatical Provision, (iii) payment of the AIG Termination Fee, and (iv) any steps to implement the Rights Agreement or to extend its terms; (c) declaring the AIG Merger Agreement to be unlawful and in breach of the fiduciary duties of the Company and the Company Board, and enjoining, temporarily, preliminarily and permanently, any steps to effectuate it unless and until the takeover defenses discussed above are invalidated, enjoined or otherwise rendered inapplicable

to Parent and Purchaser and any actions contemplated by Parent and Purchaser, including the Offer and the Proposed Merger; (d) enjoining, temporarily, preliminarily and permanently, AIG from acquiring any shares of the Company, voting any shares of the Company or soliciting any proxies with respect to the shares of the Company stock unless and until AIG files a full and complete Schedule 13D with respect to the Company and (e) requiring the Company and its directors to provide Purchaser with a fair and equal opportunity to acquire the Company, including furnishing to Purchaser the same information and access to information that was provided to AIG. On January 27, 1998, Parent and Purchaser also filed an application for expedited discovery in the action in anticipation of making a motion for the preliminary injunctive relief sought in the complaint.

16. FEES AND EXPENSES.

Except as set forth below, neither Parent nor Purchaser will pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Common Shares pursuant to the Offer. The Dealer Managers are acting in such capacity in connection with the Offer and are acting as financial advisors to Parent in connection with its effort to acquire the Company. Parent has agreed to pay each of the Dealer Managers (in their capacities as Dealer Managers and financial advisors) upon the commencement of the Offer a fee of \$250,000 and (a) in the case of Lehman Brothers Inc., an additional fee of \$1,750,000 contingent upon the execution of a definitive agreement providing for the acquisition of the Company by Parent and a further fee of \$6,000,000 upon the consummation of an acquisition of the Company by Parent within 2 years of the retention of Lehman Brothers Inc. and (b) in the case of Merrill Lynch, Pierce, Fenner & Smith Incorporated, an additional fee of \$1,750,000 contingent upon the execution of a definitive agreement providing for the acquisition of a 35% or greater interest in or a substantial portion of the business of the Company by Parent or an affiliate of Parent, and a further additional fee of \$6,000,000 if Parent or an affiliate of Parent acquires a 35% or greater interest in or a substantial portion of the business of the Company within 2 years of the retention of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Parent has also agreed to reimburse the Dealer Managers (in their capacities as Dealer Managers and financial advisors) for their reasonable out-of-pocket expenses, including the reasonable fees and expenses of their legal counsel, incurred in connection with their engagement, and to indemnify such firms and certain related persons against certain liabilities and expenses in connection with their engagement, including certain liabilities under the Federal securities laws. The Dealer Managers have rendered various investment banking and other advisory services to Parent and its affiliates in the past and are expected to continue to render such services, for which they have received and will continue to receive customary compensation from Parent and its affiliates. In the ordinary course of business, the Dealer Managers and their respective affiliates may actively trade or hold the securities of the Company and Parent for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in such securities. As of the date of this Offer to Purchase, Lehman Brothers Inc. and its affiliates own 302,000 Common Shares and 94,800 Preferred Shares for their own account.

Purchaser has retained Innisfree M&A Incorporated to act as the Information Agent in connection with the Offer. The Information Agent may contact holders of Common Shares by mail, telephone, facsimile, telegraph and personal interviews and may request brokers, dealers and other nominee shareholders to forward materials relating to the Offer to beneficial owners of Common Shares. The Information Agent will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the Federal securities laws.

In addition, Continental Stock Transfer & Trust Company has been retained as the Depositary. The Depositary has not been retained to make solicitations or recommendations in its role as Depositary. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the Federal securities laws. Brokers, dealers, commercial banks and trust companies will be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding offering material to their customers.

17. MISCELLANEOUS.

Purchaser is not aware of any jurisdiction where the making of the Offer is prohibited by any administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Common Shares pursuant thereto, Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, Purchaser cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Common Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

No person has been authorized to give any information or make any representation on behalf of Parent or Purchaser not contained in this Offer to Purchase or in the Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

Parent and Purchaser have filed with the SEC the Schedule 14D-1, together with exhibits, pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, furnishing certain additional information with respect to the Offer. The Schedule 14D-1, and any amendments thereto, may be inspected at, and copies may be obtained from, the same places and in the same manner as set forth in Section 8 (except that they may not be available at the regional offices of the SEC).

SEASON ACQUISITION CORP.

January 27, 1998

DIRECTORS AND EXECUTIVE
OFFICERS OF PARENT AND THE PURCHASER

1. DIRECTORS AND EXECUTIVE OFFICERS OF PARENT. The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years of each director and executive officer of Parent. Except as noted, each such person is a citizen of the United States of America. The business address of each such person is c/o Cendant Corporation, 6 Sylvan Way, Parsippany, New Jersey 07054.

DIRECTORS

The following individuals serve as directors of Parent as of January 27, 1998.

Walter A. Forbes, Chairman
Henry R. Silverman
James E. Buckman
Bartlett Burnap
Leonard S. Coleman
T. Barnes Donnelley
Martin L. Edelman
Frederick D. Green
Stephen A. Greysen
Dr. Carole G. Hankin
Stephen P. Holmes
Robert D. Kunisch
Christopher K. McLeod
Michael P. Monaco

The Rt. Hon. Brian Mulroney, P.C., LL.D
Robert E. Nederlander
Burton C. Perfit
Anthony G. Petrello
Robert W. Pittman
E. John Rosenwald, Jr.
Robert P. Rittereiser
Stanley M. Rumbough, Jr.
Leonard Schutzman
E. Kirk Shelton
Robert F. Smith
John D. Snodgrass
Craig R. Stapleton
Robert T. Tucker

Walter A. Forbes, age 55, Director, Chairman of the Board of Parent since 1983, having also served as Chief Executive Officer of Parent from 1976 until December 1997. Mr. Forbes was the President of Parent between 1982 and May 1991. Mr. Forbes is also a director of NFO Research, Inc.

Henry R. Silverman, age 57, President, Chief Executive Officer and Director of Parent since December 1997. Mr. Silverman served as Director, Chairman of the Board, Chairman of the Executive Committee and Chief Executive Officer of HFS from May 1990 until December 1997. From November 1994 until February 1996, Mr. Silverman also served as Chairman of the Board and Chief Executive Officer of Chartwell Leisure Inc. ("Chartwell"), formerly known as National Gaming Corp. and National Lodging Corp., an independent publicly traded company and former wholly owned subsidiary of HFS.

James E. Buckman, age 53, Senior Executive Vice President, General Counsel and Director of Parent since December 1997. Mr. Buckman served as Senior Executive Vice President, General Counsel and Assistant Secretary of HFS from May 1997 until December 1997, as Executive Vice President, General Counsel and Assistant Secretary of HFS from February 1992 until May 1997, and as a Director of HFS from June 1994 until December 1997. Mr. Buckman also serves as a director and officer of several subsidiaries of Parent. From November 1994 to February 1996, Mr. Buckman served as Executive Vice President, General Counsel and Secretary of Chartwell and until August 1996 he served as a Director of Chartwell.

Bartlett Burnap, age 65, Director of Parent since 1976. Mr. Burnap is an independent investor. Since 1978, Mr. Burnap has been President of the Ralph J. Weiler Foundation, a charitable foundation. Since 1981, he has been President of CIB Associates, a venture capital firm. Mr. Burnap was Chairman of the Board of Directors of Parent between 1976 and 1983.

Leonard Coleman, age 48, Director of Parent since December 1997. Mr. Coleman served as a Director of HFS from April 1997 until December 1997. Mr. Coleman has served as President of The National League of Professional Baseball Clubs since 1994, having previously served since 1992 as

Executive Director, Market Development of Major League Baseball. Mr. Coleman is a director of Beneficial Corporation, Owens Corning, the Omnicom Group, New Jersey Resources and Avis Rent A Car, Inc.

T. Barnes Donnelley, age 64, Director of Parent since 1977. Mr. Donnelley is, and has been for at least the past five years, an independent investor.

Martin L. Edelman, age 56, Director of Parent since 1997. Mr. Edelman served as a Director of HFS from November 1993 until December 1997. Mr. Edelman also serves as President and a Director of Chartwell. He was a partner at Battle Fowler, a New York City law firm, from 1972 through 1993 and as of January 1, 1994 is Of Counsel to that firm. Battle Fowler has represented Parent in a number of transactions during the past fiscal year. Mr. Edelman is also a partner of Chartwell Hotels Associates, Chartwell Leisure Associates L.P., Chartwell Leisure Associates L.P. II, and of certain of their respective affiliates. Mr. Edelman also serves as a Director of Capital Trust and Avis Rent A Car, Inc.

Frederick D. Green, age 58, Director of Parent since December 1997. Mr. Green is President and Chairman of Golf Services, Inc. Since 1969, Golf Services and its affiliates have been engaged in the ownership and development of residential and commercial real estate projects as well as the creation and management of golf clubs.

Stephen A. Greyser, age 62, Director of Parent since 1984. Mr. Greyser is a professor of marketing/communications at the Harvard Business School, on whose faculty he has served for over 30 years. He also serves as a director of Edelman Worldwide (a public relations firm) and Opinion Research Corporation, and is a past Vice Chairman of the Public Broadcasting Service.

Dr. Carole G. Hankin, age 55, Director of Parent since December 1997. Dr. Hankin is Superintendent of Schools in Syosset, New York, a suburban K-12 school district; she has served in that district since 1990.

Stephen P. Holmes, age 40, Vice Chairman and Director of Parent since December 1997. Mr. Holmes served as a Vice Chairman of HFS from September 1996 until December 1997 and also served as a Director of HFS from June 1994 until December 1997. From July 1990 through September 1996 Mr. Holmes served as Executive Vice President, Treasurer and Chief Financial Officer of Parent. Mr. Holmes also serves as a director and officer of several subsidiaries of Parent. Mr. Holmes also serves as a Director and, from November 1994 to February 1996 was the Executive Vice President and Chief Financial Officer, of Chartwell. Mr. Holmes also serves as a Director of Avis Europe Ltd. and Avis Rent A Car, Inc.

Robert D. Kunisch, age 55, Vice Chairman and Director of Parent since December 1997. Mr. Kunisch served as Vice Chairman and Director of HFS from April 1997 until December 1997, having previously been Chairman of the Board (since 1989), Chief Executive Officer (since 1988) and President (since 1984) of PHH Corporation. He is a member of the board of directors of CSX Corporation, Mercantile Bankshares Corporation and GenCorp, Inc.

Christopher K. McLeod, age 42, Vice Chairman of Parent since December 1997 and a Director of Parent since 1995. Mr. McLeod served as Executive Vice President of Parent from 1986 until December 1997 and as a member of the Office of the President of Parent from 1988 until December 1997. Mr. McLeod was Chief Executive Officer of CUC Software from January 1997 until December 1997 and was President of Parent's Comp-U-Card Division between 1988 and August 1995.

Michael P. Monaco, age 50, Vice Chairman, Chief Financial Officer and Director of Parent since December 1997. Mr. Monaco served as Vice Chairman and Chief Financial Officer of HFS from October 1996 to December 1997 and as a Director of HFS from January 1997 to December 1997. Mr. Monaco also serves as a director and officer of several subsidiaries of Parent. Mr. Monaco served as Executive Vice President and Chief Financial Officer of the American Express Company from September 1990 to June 1996. Mr. Monaco also serves as a director of Avis Rent-A-Car, Inc.

The Rt. Hon. Brian Mulroney, P.C., LL.D., age 58, Director of Parent since December 1997. Mr. Mulroney served as a Director of HFS from April 1997 until December 1997. Mr. Mulroney served as Prime Minister of Canada from 1984 to 1993 and is currently Senior Partner in the Montreal-based law firm, Ogilvy Renault. He is a member of several corporate boards of directors, including Archer Daniels Midland Company Inc., Barrick Gold Corporation and Petrofina, S.A. Mr. Mulroney is a Canadian citizen.

Robert E. Nederlander, age 64, Director of Parent since December 1997. Mr. Nederlander served as a Director of HFS from July 1995 until December 1997. Mr. Nederlander has been President and Director since November 1981 of the Nederlander Organization, Inc., owner and operator of one of the world's largest chains of legitimate theaters. Mr. Nederlander has been Chairman of the Board of Ridell Sports Inc., ("Ridell") since April 1988 and was the Chief Executive Officer of such corporation from 1988 through April 1, 1993. From February until June 1992, Mr. Nederlander was also Ridell's interim President and Chief Operating Officer. He served as the Managing General Partner of the New York Yankees from August 1990 until December 1991, and has been a limited partner since 1973. Mr. Nederlander has been President since October 1985 of the Nederlander Television and Film Productions, Inc.; Chairman of the Board since January 1988 of Mego Financial Corp. ("Mego"); Mr. Nederlander also served as Vice Chairman of the Board since February 1988 to early 1993 of Vacation Spa Resorts, Inc., an affiliate of Mego; and Chairman of the Board of Allis-Chalmers Corp. from May 1989 to 1993 and as Vice Chairman from 1993 through October 1996. In October 1996, Mr. Nederlander became a director of News Communications, Inc., a publisher of community oriented free circulation newspapers.

Burton C. Perfit, age 68, Director of Parent since 1982. In 1986, Mr. Perfit retired from Jack Eckerd Corporation after fifteen years of service. Mr. Perfit became Senior Vice President of Eckerd in 1980 and served as such until 1986.

Anthony G. Petrello, age 42, Director of Parent since December 1997. Mr. Petrello has been President and Chief Operating Officer of Nabors Industries, Inc. (an international drilling contractor) since 1992 and a member of the Executive Committee of Nabors Industries Inc. since 1991. Mr. Petrello has also been a director of Danielson Holding Corporation, a financial services holding company, since 1996. From 1979 to 1991, Mr. Petrello was with Baker & McKenzie, a law firm, where he was Managing Partner of its New York office until 1991. Mr. Petrello continues as Of Counsel to Baker & McKenzie.

Robert W. Pittman, age 43, Director of Parent since December 1997. Mr. Pittman served as a Director of HFS from July 1994 until December 1997. Since October 1996 Mr. Pittman has been President and Chief Executive Officer of AOL Networks, a unit of America Online, Inc. From September 1995 through October 1996, Mr. Pittman served as the Chief Executive Officer and Managing Partner of Parent's wholly owned subsidiary, Century 21 Real Estate Corporation. From 1990 until September 1995, Mr. Pittman served as President and Chief Executive Officer of Time Warner Enterprises, a business development unit of Time Warner Inc. and, from 1991 to September 1995, additionally, as Chairman and Chief Executive Officer of Six Flags Entertainment Corporation, the parent of Six Flags Theme Parks Inc. Mr. Pittman serves as a director of America Online, Inc.

E. John Rosenwald, Jr., age 67, Director of Parent since December 1997. Mr. Rosenwald served as a Director of HFS from September 1996 to December 1997. Mr. Rosenwald has been, since 1988, Vice Chairman of The Bear Stearns Companies, Inc. Mr. Rosenwald also serves as a director of The Bear Stearns Companies, Inc., Hasbro, Inc. and Frequency Electronics, Inc.

Robert P. Rittreiser, age 59, Director of Parent since 1982. Mr. Rittreiser is Chairman and Chief Executive Officer of Gruntal Financial Corp., an investment services firm based in New York City. He is Chairman of Yorkville Associates Corp., a private investment and financial concern formed in April 1989. He served as a trustee of the DBL Liquidating Trust from April 1992 until April 1996. He served as a director in 1990, as Chairman in November 1992 and as President and Chief Executive Officer from March 1993 until February 1995 of Nationar, Inc., a banking services corporation. Mr. Rittreiser is also a director of Ferrofluidics Corporation, Interchange Financial Services Corp. and Wallace Computer Services, Inc.

Stanley M. Rumbough, Jr., age 77, Director of Parent since 1976. Mr. Rumbough is, and has been, for at least the last five years, an independent investor and is a director of International Flavors and Fragrances, Inc.

Leonard Schutzman, age 50, Director of Parent since December 1997. Mr. Schutzman was a Director of HFS from August 1993 until December 1997. Mr. Schutzman is currently Chairman of the Board and Chief Executive Officer of Triad Capital Corporation of New York, a small business investment company,

and is a professor at the William E. Simon Graduate School of Business at the University of Rochester in Rochester, New York. Mr. Schutzman was Senior Vice President of PepsiCo Inc. from February 1987 to April 1995. Mr. Schutzman also serves as a director of RCSB Finance, Inc., the bank holding company for Rochester Community Savings Bank.

E. Kirk Shelton, age 42, Vice Chairman of Parent since December 1997 and Director of Parent since 1995. Mr. Shelton served as President of Parent from May 1991 until December 1997 and as Chief Operating Officer of Parent from 1988 until December 1997. Mr. Shelton also served as Executive Vice President of Parent from 1984 to 1991.

Robert E. Smith, age 64, Director of Parent since December 1997. Mr. Smith served as a Director of HFS from February 1993 until December 1997. From November 1994 until August 1996, Mr. Smith also served as a Director of Chartwell. Mr. Smith is the retired Chairman and Chief Executive Officer of American Express Bank, Ltd. ("AEBL"). He joined AEBL's parent company, the American Express Company in 1981 as Corporate Treasurer before moving to AEBL and serving as Vice Chairman and Co-Chief Operating Officer and then President prior to becoming CEO. Mr. Smith is currently a Partner in Car Component Technologies, Inc., an automobile parts remanufacturer, located in Bedford, New Hampshire.

John D. Snodgrass, age 40, Director of Parent since December 1997. Mr. Snodgrass served as Director, President and Chief Operating Officer of HFS from February 1992 until December 1997 and as Vice Chairman of HFS from September 1996 until December 1997. Mr. Snodgrass also served as a Director, Chairman of the Board and Chief Executive Officer of several subsidiaries of HFS. From November 1994 through January 1996, Mr. Snodgrass served as Vice Chairman of the Board of Chartwell. Mr. Snodgrass is currently an independent investor and Chairman of the Board of Jackson Hewitt Inc., a subsidiary of Parent.

Craig R. Stapleton, age 52, Director of Parent since December 1997. Mr. Stapleton has been President of Marsh & McLennan Real Estate Advisors, Inc. since 1983. Mr. Stapleton is also a director of Allegheny Properties, Inc. (a real estate investment concern), T.B. Woods Inc. and Vacu Dry Co.

Robert T. Tucker, age 55, Vice Chairman and Director of Parent since December 1997 and Secretary of Parent since 1977. From 1972 through 1992, Mr. Tucker was a partner at Baker & McKenzie, a law firm. Since 1992, Mr. Tucker has been engaged in private legal practice.

EXECUTIVE OFFICERS

The following table sets forth certain information regarding the executive officers of Parent:

NAME	OFFICE OR POSITIONS HELD
Walter A. Forbes.....	Chairman of the Board
Henry R. Silverman.....	President and Chief Executive Officer
Michael P. Monaco.....	Vice Chairman and Chief Financial Officer
Stephen P. Holmes.....	Vice Chairman
Robert D. Kunisch.....	Vice Chairman
Christopher K. McLeod. ...	Vice Chairman
E. Kirk Shelton.....	Vice Chairman
Robert T. Tucker.....	Vice Chairman and Secretary
James E. Buckman.....	Senior Executive Vice President and General Counsel

For biographical information concerning Messrs. Forbes, Silverman, Monaco, Holmes, Kunisch, McLeod, Shelton, Tucker and Buckman, see "Directors" above.

2. DIRECTORS AND EXECUTIVE OFFICERS OF PURCHASER. The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years of each director and executive officer of Purchaser. Each such person is a citizen of the United States of America and the business address of each such person is c/o Cendant Corporation.

DIRECTORS

Michael P. Monaco
James E. Buckman
Stephen P. Holmes

EXECUTIVE OFFICERS

Michael P. Monaco.....President
James E. Buckman Executive Vice President
Stephen P. Holmes Executive Vice President

For biographical information concerning Messrs. Monaco, Buckman and
Holmes, see Section 1 above.

SCHEDULE II

The following table sets forth information concerning transactions in Common Shares during the past 60 days by Parent. All transactions involved open-market purchases of Common Shares.

TRANSACTION DATE	NUMBER OF COMMON SHARES	PRICE PER COMMON SHARE
January 16, 1998	25,000	\$45.9375
January 16, 1998	142,600	\$45.8750
January 16, 1998	10,000	\$45.8125
January 20, 1998	25,000	\$46.0000
January 20, 1998	3,600	\$45.9375
January 21, 1998	31,500	\$46.0000
January 21, 1998	50,000	\$46.1250
January 22, 1998	21,900	\$46.0000
January 22, 1998	48,100	\$46.0625
January 23, 1998	13,500	\$46.0625
Total:	371,200	

The following table sets forth information concerning transactions in Preferred Shares during the past 60 days by Parent. All transactions involved open-market purchases of Preferred Shares.

TRANSACTION DATE	NUMBER OF PREFERRED SHARES	PRICE PER PREFERRED SHARES
January 26, 1998	22,200	\$95.2500
January 26, 1998	6,000	\$95.5000
January 26, 1998	6,700	\$95.6875
January 26, 1998	40,000	\$95.7500
January 26, 1998	10,000	\$96.0000
January 26, 1998	15,000	\$96.1250
Total:	99,900	

Facsimile copies of the Letter of Transmittal, properly completed and duly signed, will be accepted. The Letter of Transmittal, certificates for the Common Shares and any other required documents should be sent by each shareholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depository as follows:

The Depository for the Offer is:

Continental Stock Transfer & Trust Company
2 Broadway
New York, New York 10004
By Facsimile Transmission:
(for Eligible Institutions Only)
(212) 509-5150
For Information Telephone:
(212) 509-4000 ext. 226
(800) 509-5586

Any questions or requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective telephone numbers and locations listed below. Additional copies of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent at its address and telephone numbers set forth below. Holders of Shares may also contact their broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

INNISFREE M&A INCORPORATED
501 Madison Avenue, 20th Floor
New York, New York 10022
CALL TOLL-FREE: (888) 750-5834
Banks and Brokers call collect:
212 750-5833

The Dealer Managers for the Offer are:

LEHMAN BROTHERS
3 WORLD FINANCIAL CENTER
NEW YORK, NEW YORK 10285
(212) 526-1849 (CALL COLLECT)

MERRILL LYNCH & CO.
WORLD FINANCIAL CENTER
NORTH TOWER
NEW YORK, NEW YORK 10281-1305
(212) 449-8971 (CALL COLLECT)

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)

OF

AMERICAN BANKERS INSURANCE GROUP, INC.

PURSUANT TO THE OFFER TO PURCHASE,
DATED JANUARY 27, 1998
BY

SEASON ACQUISITION CORP.

A WHOLLY OWNED SUBSIDIARY OF

CENDANT CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00
MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, FEBRUARY 25, 1998, UNLESS THE
OFFER IS EXTENDED.

THE DEPOSITARY FOR THE OFFER IS:

Continental Stock Transfer & Trust Company
2 Broadway
New York, New York 10004
By Facsimile Transmission:
(for Eligible Institutions Only)
(212) 509-5150
For Information Telephone:
(212) 509-4000 ext. 226
(800) 509-5586

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH
ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN
AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. YOU MUST SIGN THIS
LETTER OF TRANSMITTAL WHERE INDICATED BELOW AND COMPLETE THE SUBSTITUTE FORM
W-9 PROVIDED BELOW.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ
CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

THIS LETTER OF TRANSMITTAL IS TO BE COMPLETED BY SHAREHOLDERS OF AMERICAN
BANKERS INSURANCE GROUP, INC. EITHER IF CERTIFICATES EVIDENCING COMMON SHARES
AND/OR RIGHTS (EACH AS DEFINED BELOW) ARE TO BE FORWARDED HERewith, OR IF
DELIVERY OF COMMON SHARES AND/OR RIGHTS IS TO BE MADE BY BOOK-ENTRY TRANSFER
TO THE DEPOSITARY'S ACCOUNT AT THE DEPOSITARY TRUST COMPANY OR PHILADELPHIA
DEPOSITARY TRUST COMPANY (EACH, A "BOOK-ENTRY TRANSFER FACILITY" AND,
COLLECTIVELY, THE "BOOK-ENTRY TRANSFER FACILITIES") PURSUANT TO THE
BOOK-ENTRY TRANSFER PROCEDURE DESCRIBED IN "PROCEDURES FOR TENDERING COMMON
SHARES" OF THE OFFER TO PURCHASE (AS DEFINED BELOW). DELIVERY OF DOCUMENTS TO
A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH SUCH BOOK-ENTRY TRANSFER
FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Holders of Common Shares will be required to tender one-half Right for each Common Share tendered to effect a valid tender of such Common Share. Until the Distribution Date (as defined in the Offer to Purchase) occurs, the Rights are represented by and transferred with the Common Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date (as defined in the Offer to Purchase), a tender of Common Shares will constitute a tender of the associated Rights. If a Distribution Date has occurred and (i) Purchaser (as defined below) has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and (ii) separate certificates ("Rights Certificates") have been distributed by the Company (as defined below) to holders of Common Shares prior to the date of tender pursuant to the Offer to Purchase, Rights Certificates representing one-half of the number of Common Shares being tendered must be delivered to the Depositary in order for such Common Shares to be validly tendered. If a Distribution Date has occurred and (i) Purchaser has waived any portion of the Rights Condition and (ii) Rights Certificates have not been distributed prior to the time Common Shares are tendered pursuant to the Offer to Purchase, a tender of Common Shares without Rights constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing one-half of the number of Common Shares tendered pursuant to the Offer (as defined in the Offer to Purchase) to the Depositary within three business days after the date Rights Certificates are distributed. Purchaser reserves the right to require that it receive such Rights Certificates prior to accepting Common Shares for payment. Payment for Common Shares tendered and purchased pursuant to the Offer to Purchase will be made only after timely receipt by the Depositary of, among other things, Rights Certificates, if such certificates have been distributed to holders of Common Shares. Purchaser will not pay any additional consideration for the Rights tendered pursuant to the Offer to Purchase.

Shareholders whose certificates for Common Shares and, if applicable, Rights, are not immediately available or who cannot deliver such certificates and all other documents required hereby to the Depositary prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis and who wish to tender their Common Shares and Rights must do so pursuant to the guaranteed delivery procedure described in "Procedures for Tendering Common Shares" of the Offer to Purchase. See Instruction 2.

[] CHECK HERE IF TENDERED COMMON SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution:

Check Box of Applicable Book-Entry Transfer Facility:

- [] The Depositary Trust Company
- [] Philadelphia Depositary Trust Company

Account Number:

Transaction Code Number:

[] CHECK HERE IF TENDERED RIGHTS ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution:

Check Box of Applicable Book-Entry Transfer Facility:

- [] The Depositary Trust Company
- [] Philadelphia Depositary Trust Company

Account Number:

Transaction Code Number:

CHECK HERE IF TENDERED COMMON SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s):

Window Ticket Number (if any):

Date of Execution of Notice of Guaranteed Delivery:

Name of Institution which Guaranteed Delivery:

If Delivered by Book-Entry Transfer, Check Box of Book-Entry Transfer Facility:

- The Depository Trust Company
- Philadelphia Depository Trust Company

Account Number:

Transaction Code Number:

CHECK HERE IF TENDERED RIGHTS ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s):

Window Ticket Number (if any):

Date of Execution of Notice of Guaranteed Delivery:

Name of Institution which Guaranteed Delivery:

If Delivered by Book-Entry Transfer, Check Box of Book-Entry Transfer Facility:

- The Depository Trust Company
- Philadelphia Depository Trust Company

Account Number:

Transaction Code Number:

DESCRIPTION OF COMMON SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S)
(PLEASE FILL IN, IF BLANK)

COMMON SHARE CERTIFICATE(S) TENDERED
(ATTACH ADDITIONAL LIST IF NECESSARY)

	TOTAL NUMBER OF COMMON SHARES REPRESENTED BY CERTIFICATE(S)	NUMBER OF COMMON SHARES TENDERED**
CERTIFICATE NUMBER(S)*		
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TOTAL COMMON SHARES

* Need not be completed by shareholders tendering by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Common Shares being delivered to the Depository are being tendered. See Instruction 4.

DESCRIPTION OF RIGHTS TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S)
(PLEASE FILL IN, IF BLANK)

RIGHTS CERTIFICATE(S) TENDERED*
(ATTACH ADDITIONAL LIST IF NECESSARY)

	TOTAL NUMBER OF RIGHTS REPRESENTED BY CERTIFICATE(S)	NUMBER OF RIGHTS TENDERED***
CERTIFICATE NUMBER(S)**		
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TOTAL RIGHTS

* If the tendered Rights are represented by separate Rights Certificates, provide the certificate numbers of such Rights Certificates. Shareholders tendering Rights which are not represented by separate certificates will need to submit an additional Letter of Transmittal if Rights Certificates are distributed.

** Need not be completed by shareholders tendering by book-entry transfer.

***Unless otherwise indicated, it will be assumed that all Rights being delivered to the Depository are being tendered. See Instruction 4.

The names and addresses of the registered holders should be printed, if not already printed above, exactly as they appear on the certificates representing Common Shares and/or Rights tendered hereby. The certificates and number of Common Shares and/or Rights that the undersigned wishes to tender should be indicated in the appropriate boxes.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to Season Acquisition Corp., a New Jersey corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation, the above described shares of common stock, par value \$1.00 per share (the "Common Shares"), of American Bankers Insurance Group, Inc., a Florida corporation (the "Company"), including the associated Series A Preferred Stock Purchase Rights (including any successors thereto, the "Rights") issued pursuant to the Rights Agreement, dated as of February 24, 1988, as amended and restated as of November 14, 1990, between the Company and ChaseMellon Shareholders Service, L.L.C., as successor Rights

Agent (as such agreement may be further amended and including any successor agreement, the "Rights Agreement"), pursuant to Purchaser's offer to purchase 23,501,260 Common Shares, including the associated Rights, at a price of \$58.00 per Common Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 27, 1998 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). Unless the context requires otherwise, all references herein to the Common Shares shall include the associated Rights, and all references to the Rights shall include the benefits that may inure to the holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

The undersigned understands that Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to one or more of its affiliates, the right to purchase all or any portion of the Common Shares and/or Rights tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Common Shares validly tendered and accepted for payment pursuant to the Offer.

Subject to, and effective upon, acceptance for payment of the Common Shares and Rights tendered herewith, in accordance with the terms of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Common Shares and Rights that are being tendered hereby (and any and all non-cash dividends, distributions, rights, other Common Shares or other securities issued or issuable in respect thereof or declared, paid or distributed in respect of such Common Shares on or after January 27, 1998 (collectively, "Distributions")), and irrevocably appoints the Depository the true and lawful agent and attorney-in-fact of the undersigned with respect to such Common Shares, Rights and all Distributions, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Common Shares (individually, a "Common Share Certificate"), Rights and all Distributions, or transfer ownership of such Common Shares, Rights and all Distributions on the account books maintained by a Book-Entry Transfer Facility, together, in either case, with all accompanying evidence of transfer and authenticity to, or upon the order of Purchaser, (ii) present such Common Shares, Rights and all Distributions for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Common Shares, Rights and all Distributions, all in accordance with the terms of the Offer.

If, on or after the date of this Offer to Purchase, the Company should declare or pay any dividend on the Common Shares, other than regular quarterly dividends, or make any distribution (including, without limitation, the issuance of additional Common Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to the Common Shares that is payable or distributable to shareholders of record on a date prior to the transfer to the name of Purchaser or its nominee or transferee on the Company's stock transfer records of the Common Shares purchased pursuant to the Offer, then, subject to the provisions of Section 13 of the Offer to Purchase, (i) the purchase price per Common Share payable by Purchaser pursuant to the Offer will be reduced by the amount of any such cash dividend or cash distribution and (ii) any such non-cash dividend, distribution or right to be received by the tendering shareholder will be received and held by such tendering shareholder for the account of Purchaser and will be required to be remitted promptly and transferred by each such tendering shareholder to the Depository for the account of Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount of value thereof, as determined by Purchaser in its sole discretion.

By executing this Letter of Transmittal, the undersigned irrevocably appoints James E. Buckman and Michael P. Monaco as proxies of the undersigned, each with full power of substitution, to the full extent of the undersigned's rights with respect to the Common Shares and Rights tendered by the undersigned and accepted for payment by Purchaser (and any and all Distributions). All such proxies shall be considered coupled with an interest in the tendered Common Shares and Rights. This appointment will be effective if, when, and only to the extent that Purchaser accepts such Common Shares and Rights for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by the undersigned with respect to such Common Shares, Rights, Distributions and other securities will, without further action, be revoked, and no subsequent proxies may be given. The individuals named above as proxies will, with respect to the Common Shares, Rights, Distributions and other securities for which the appointment is effective, be empowered to exercise all voting and other rights of the undersigned as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of Company shareholders, by written consent or otherwise, and Purchaser reserves the right to require that, in order for Common Shares, Rights, Distributions or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Common Shares and Rights, Purchaser or Purchaser's designee must be able to exercise full voting rights with respect to such Common Shares and Rights.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Common Shares and Rights tendered hereby and all Distributions, that the undersigned own(s) the Common Shares and Rights tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that such tender of Common Shares complies with Rule 14e-4 under the Exchange Act, and that, when such Common Shares and Rights are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and

clear of all liens, restrictions, charges and encumbrances, and that none of

such Common Shares, Rights and Distributions will be subject to any adverse claim. The undersigned, upon request, shall execute and deliver all additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Common Shares and Rights tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depositary for the account of Purchaser all Distributions in respect of the Common Shares and Rights tendered hereby, accompanied by appropriate documentation of transfer, and, pending such

remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Common Shares and Rights tendered hereby or deduct from such purchase price the amount or value of such Distribution as determined by Purchaser in its sole discretion.

No authority herein conferred or agreed to be conferred shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned. All obligations of the undersigned hereunder shall be binding upon the heirs, executors, personal and legal representatives, administrators, trustees in bankruptcy, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable, provided that Common Shares and Rights tendered pursuant to the Offer may be withdrawn at any time prior to their acceptance for payment.

The undersigned understands that tenders of Common Shares and Rights pursuant to any one of the procedures described in "Procedures for Tendering Common Shares" of the Offer to Purchase and in the Instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer. Purchaser's acceptance for payment of Common Shares and Rights tendered pursuant to the Offer will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, Purchaser may not be required to accept for payment any of the Common Shares and Rights tendered hereby.

Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please issue the check for the purchase price and/or return any certificates evidencing Common Shares or Rights not tendered or accepted for payment, in the name(s) of the registered holder(s) appearing above under "Description of Common Shares Tendered." Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates evidencing Common Shares or Rights not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Common Shares Tendered." In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price and/or return any certificates for Common Shares or Rights not purchased or not tendered or accepted for payment in the name(s) of, and mail such check and/or return such certificates to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please credit any Common Shares or Rights tendered hereby and delivered by book-entry transfer, but which are not purchased, by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Common Shares or Rights from the name of the registered holder(s) thereof if Purchaser does not accept for payment any of the Common Shares or Rights tendered hereby.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7 OF THIS
LETTER OF TRANSMITTAL)

To be completed ONLY if certificates for Common Shares and/or Rights not tendered or not purchased and/or the check for the purchase price of Common Shares and/or Rights purchased are to be issued in the name of someone other than the undersigned, or if the Common Shares and/or Rights delivered by book-entry transfer which are not purchased are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than that designated above.

Issue check and/or certificate(s) to:

Name

(PLEASE PRINT)

Address

(INCLUDE ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

[] Credit unpurchased Common Shares and/or Rights delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below:

Check appropriate box:

- [] The Depository Trust Company
[] Philadelphia Depository Trust Company

(ACCOUNT NUMBER)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7 OF THIS
LETTER OF TRANSMITTAL)

To be completed ONLY if certificates for Common Shares and/or Rights not tendered or not purchased and/or the check for the purchase price of Common Shares and/or Rights purchased are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Mail check and/or certificates to:

Name

(PLEASE PRINT)

Address

(INCLUDE ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

SIGN HERE
(COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

(SIGNATURE(S) OF HOLDER(S))

Dated: , 1998

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Common Stock certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5 of the Letter of Transmittal.)

Name(s):

(PLEASE PRINT)

Capacity (full title):

Address:

(INCLUDE ZIP CODE)

Area Code and Telephone Number:

Tax Identification or Social Security Number:

(Complete Substitute Form W-9 on Reverse)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5 OF THIS LETTER OF TRANSMITTAL)

Authorized Signature:

Name:

(PLEASE PRINT)

Title:

Name of Firm:

Address:

(INCLUDE ZIP CODE)

Area Code and Telephone Number:

Dated: , 1998

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm which is a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program (each, an "Eligible Institution"). No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Common Shares or Rights) of Common Shares and/or Rights tendered herewith, unless such holder(s) has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the reverse hereof, or (b) if such Common Shares or Rights are tendered for the account of an Eligible Institution. See Instruction 5. If a certificate evidencing Common Shares and/or Rights (a "Certificate") is registered in the name of a person other than the signer of this Letter of Transmittal, or if payment is to be made, or a Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the Certificate, with the signature(s) on such Certificate or stock powers guaranteed as described above. See Instruction 5.

2. Delivery of Letter of Transmittal and Common Share Certificates. This Letter of Transmittal is to be used either if Certificates are to be forwarded herewith or if Common Shares and/or Rights are to be delivered by book-entry transfer pursuant to the procedure set forth in "Procedures for Tendering Common Shares" of the Offer to Purchase. Certificates evidencing all tendered Common Shares and/or Rights, or confirmation of a book-entry transfer of such Common Shares and/or Rights, if such procedure is available, into the Depository's account at one of the Book-Entry Transfer Facilities pursuant to the procedures set forth in "Procedures for Tendering Common Shares" of the Offer to Purchase, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message, as defined below) and any other documents required by this Letter of Transmittal, must be received by the Depository at one of its addresses set forth on the reverse hereof prior to the Expiration Date (as defined in "Terms of the Offer; Expiration Date" of the Offer to Purchase). If Certificates are forwarded to the Depository in multiple deliveries, a properly completed and duly executed Letter of Transmittal must accompany each such delivery. Shareholders whose Certificates are not immediately available, who cannot deliver their Certificates and all other required documents to the Depository prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Common Shares or Rights pursuant to the guaranteed delivery procedure described in "Procedures for Tendering Common Shares" of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser herewith, must be received by the Depository prior to the Expiration Date; and (iii) in the case of a guarantee of Common Shares or Rights, the Certificates, in proper form for transfer, or a confirmation of a book-entry transfer of such Common Shares or Rights, if such procedure is available, into the Depository's account at one of the Book-Entry Transfer Facilities, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by this Letter of Transmittal, must be received by the Depository within three New York Stock Exchange, Inc. trading days after the date of execution of the Notice of Guaranteed Delivery, all as described in "Procedures for Tendering Common Shares" of the Offer to Purchase. The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by the Depository and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Common Shares or Rights, that such participant has received and agrees to be bound by the terms of this Letter of Transmittal and that Purchaser may enforce such agreement against the participant.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE SOLE OPTION AND RISK OF THE TENDERING SHAREHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Common Shares or Rights will be purchased. By execution of this Letter of Transmittal (or a facsimile hereof), all tendering shareholders waive any right to receive any notice of the acceptance of their Common Shares or Rights for payment.

3. Inadequate Space. If the space provided herein under "Description of Common Shares Tendered" is inadequate, the Certificate numbers, the number of Common Shares or Rights evidenced by such Certificates and the number of Common Shares or Rights tendered should be listed on a separate schedule and attached hereto.

4. Partial Tenders. (Not applicable to shareholders who tender by book-entry transfer.) If fewer than all the Common Shares or Rights evidenced by any Certificate delivered to the Depository herewith are to be tendered hereby, fill in the number of Common Shares or Rights which are to be tendered in the box entitled "Number of Common Shares Tendered." In such cases, new Certificate(s) evidencing the remainder of the Common Shares or Rights that were evidenced by the Certificates delivered to the Depository herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box entitled "Special Delivery Instructions," as soon as practicable after the expiration or termination of the Offer. All Common Shares or Rights evidenced by Certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

5. Signatures on Letter of Transmittal; Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Common Shares or Rights tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Certificate(s) evidencing such Common Shares or Rights without alteration, enlargement or any other change whatsoever.

If any Common Shares or Rights tendered hereby are owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Common Shares or Rights tendered hereby are registered in the names of different holders, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of such certificates.

If this Letter of Transmittal is signed by the registered holder(s) of the Common Shares or Rights tendered hereby, no endorsements of Certificates or separate stock powers are required, unless payment is to be made to, or Certificates evidencing Common Shares or Rights not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), in which case, the Certificate(s) evidencing the Common Shares or Rights tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Certificate(s). Signatures on such Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Common Shares or Rights tendered hereby, the Common Share or Rights Certificate(s) evidencing the Common Shares or Rights tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Certificate(s). Signatures on such Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any Certificate(s) or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of such person's authority so to act must be submitted.

6. Stock Transfer Taxes. Except as otherwise provided in this Instruction 6, Purchaser will pay all stock transfer taxes with respect to the sale and transfer of any Common Shares or Rights to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Common Shares or Rights purchased is to be made to, or Certificate(s) evidencing Common Shares or Rights not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the purchase price of such Common Shares or Rights purchased, unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATE(S) EVIDENCING THE COMMON SHARES TENDERED HEREBY.

7. Special Payment and Delivery Instructions. If a check for the purchase price of any Common Shares or Rights tendered hereby is to be issued, or Certificate(s) evidencing Common Shares or Rights not tendered or not purchased are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal but at an address other than that shown in the box entitled "Description of Common Shares Tendered," the appropriate boxes on this Letter of Transmittal must be completed. Shareholders tendering Common Shares or Rights by book-entry transfer may request that Common Shares or Rights not purchased be credited to such account maintained at a Book-Entry Transfer Facility as such

shareholder may designate in the box entitled "Special Payment Instructions" on the reverse hereof. If no such instructions are given, all such Common Shares or Rights not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated on the reverse hereof as the account from which such Common Shares or Rights were delivered.

8. Requests for Assistance or Additional Copies. Requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective addresses or telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be obtained from the Information Agent or the Dealer Managers or from brokers, dealers, commercial banks or trust companies.

9. Substitute Form W-9. Each tendering shareholder is required to provide the Depository with a correct Taxpayer Identification Number ("TIN") on the Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify, under penalties of perjury, that such number is correct and that such shareholder is not subject to backup withholding of federal income tax. If a tendering shareholder has been notified by the Internal Revenue Service that such shareholder is subject to backup withholding, such shareholder must cross out item (2) of the Certification box of the Substitute Form W-9, unless such shareholder has since been notified by the Internal Revenue Service that such shareholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering shareholder to 31% federal income tax withholding on the payment of the purchase price of all Common Shares or Rights purchased from such shareholder. If the tendering shareholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such shareholder should write "Applied For" in the space provided for the TIN in Part I of the Substitute Form W-9, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depository is not provided with a TIN within 60 days, the Depository will withhold 31% on all payments of the purchase price to such shareholder until a TIN is provided to the Depository.

10. Lost, Destroyed or Stolen Certificates. If any certificate(s) representing Common Shares or Rights has been lost, destroyed or stolen, the shareholder should promptly notify the Depository. The shareholder will then be instructed as to the steps that must be taken in order to replace the certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE HEREOF), PROPERLY COMPLETED AND DULY EXECUTED, WITH ANY REQUIRED SIGNATURE GUARANTEES, OR AN AGENT'S MESSAGE (TOGETHER WITH COMMON SHARE CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A PROPERLY COMPLETED AND DULY EXECUTED NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE OFFER TO PURCHASE).

IMPORTANT TAX INFORMATION

Under the federal income tax law, a shareholder whose tendered Common Shares or Rights are accepted for payment is required by law to provide the Depository (as payer) with such shareholder's correct TIN on Substitute Form W-9 below. If such shareholder is an individual, the TIN is such shareholder's social security number. If the Depository is not provided with the correct TIN, the shareholder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such shareholder with respect to Common Shares or Rights purchased pursuant to the Offer may be subject to backup withholding of 31%.

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement, signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Depository. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies with respect to a shareholder, the Depository is required to withhold 31% of any payments made to such shareholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a shareholder with respect to Common Shares or Rights purchased pursuant to the Offer, the shareholder is required to notify the Depository of such shareholder's correct TIN by completing the form below certifying (a) that the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN), and (b) that (i) such shareholder has not been notified by the Internal Revenue Service that such shareholder is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such shareholder that such shareholder is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE DEPOSITARY

The shareholder is required to give the Depositary the social security number or employer identification number of the record holder of the Common Shares or Rights tendered hereby. If the Common Shares or Rights are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the shareholder should write "Applied For" in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% of all payments of the purchase price to such shareholder until a TIN is provided to the Depositary.

PAYER'S NAME: CONTINENTAL STOCK TRANSFER & TRUST COMPANY, DEPOSITARY

SUBSTITUTE FORM W-9
Department of the Treasury
Internal Revenue Service

Part 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.

SOCIAL SECURITY NUMBER OR
EMPLOYER IDENTIFICATION NUMBER
(IF AWAITING TIN WRITE "APPLIED FOR")

PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)

PART 2-- For Payees Exempt from Backup Withholding, see the enclosed Guidelines and complete as instructed therein.

CERTIFICATION--Under penalties of perjury, I certify that:

- (1) The number shown on this form is my correct Taxpayer Identification Number (or a Taxpayer Identification Number has not been issued to me and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service ("IRS") or Social Security Administration office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number), and
- (2) I am not subject to backup withholding because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends or (c) the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATION INSTRUCTIONS --You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.)

SIGNATURE:

DATE: , 1998

NAME:

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN THE SPACE PROVIDED FOR THE TIN IN PART I OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I CERTIFY UNDER PENALTIES OF PERJURY THAT A TAXPAYER IDENTIFICATION NUMBER HAS NOT BEEN ISSUED TO ME, AND EITHER (1) I HAVE MAILED OR DELIVERED AN APPLICATION TO RECEIVE A TAXPAYER IDENTIFICATION NUMBER TO THE APPROPRIATE INTERNAL REVENUE SERVICE CENTER OR SOCIAL SECURITY ADMINISTRATION OFFICE, OR (2) I INTEND TO MAIL OR DELIVER AN APPLICATION IN THE NEAR FUTURE. I UNDERSTAND THAT IF I DO NOT PROVIDE A TAXPAYER IDENTIFICATION NUMBER BY THE TIME OF PAYMENT, 31% OF ALL REPORTABLE PAYMENTS MADE TO ME WILL BE WITHHELD.

SIGNATURE

DATE , 1998

Questions and requests for assistance or additional copies of the Offer to Purchase, Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Managers as set forth below:

The Information Agent for the Offer is:

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor
New York, New York 10022
CALL TOLL-FREE: (888) 750-5834
Banks and Brokers call collect: (212) 750-5833

The Dealer Managers for the Offer are:

LEHMAN BROTHERS
3 World Financial Center
New York, New York 10285
(212) 526-1849 (Call Collect)
MERRILL LYNCH & CO.
World Financial Center
North Tower
New York, New York 10281-1314
(212) 449-8971 (Call Collect)

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF
COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)
OF
AMERICAN BANKERS INSURANCE GROUP, INC.
TO
SEASON ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) if (i) certificates ("Share Certificates") evidencing shares of common stock, par value \$1.00 per share (the "Common Shares"), of American Bankers Insurance Group, Inc., a Florida corporation (the "Company"), including the associated Series A Preferred Stock Purchase Rights (including any successors thereto, the "Rights") issued pursuant to the Rights Agreement, dated as of February 24, 1988, as amended and restated as of November 14, 1990, between the Company and ChaseMellon Shareholder Services, L.L.C., as successor Rights Agent (as such agreement may be further amended and including any successor agreement, the "Rights Agreement"), are not immediately available, (ii) time will not permit all required documents to reach Continental Stock Transfer & Trust Company, as Depository (the "Depository"), prior to the Expiration Date (as defined in the Offer to Purchase) or (iii) the procedure for book-entry transfer cannot be completed on a timely basis. All references herein to the Common Shares shall include the associated Rights. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depository. See "Procedures for Tendering Common Shares" of the Offer to Purchase.

The Depository for the Offer is:
Continental Stock Transfer & Trust Company
2 Broadway
New York, New York 10004

By Facsimile Transmission:
(for Eligible Institutions Only)
(212) 509-5150

By Information Telephone: (212) 509-4000 (ext. 226)
(800) 509-5586

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to Season Acquisition Corp., a New Jersey corporation and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 27, 1998 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Common Shares specified below pursuant to the guaranteed delivery procedures described in "Procedures for Tendering Common Shares" of the Offer to Purchase.

Number of Common Shares (including the associated Rights):

Name(s) of Record Holder(s):

(Please Type or Print)

Address(es):

(Include Zip Code)

Area Code and Telephone Number:

Certificate Number(s) (if available):

Check ONE box if Common Shares or Rights will be tendered by book-entry transfer:

- The Depository Trust Company
- Philadelphia Depository Trust Company

Signature(s):

Account Number:

Dated: , 1998

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States, hereby (a) represents that the tender of Common Shares effected hereby complies with Rule 14e-4 of the Securities Exchange Act of 1934, as amended, and (b) guarantees delivery to the Depository, at one of its addresses set forth above, of certificates evidencing the Common Shares and Rights tendered hereby in proper form for transfer, or confirmation of book-entry transfer of such Common Shares and Rights into the Depository's accounts at The Depository Trust Company or Philadelphia Depository Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees, or an Agent's Message (as defined in "Acceptance for Payment and Payment for Shares; Proration" of the Offer to Purchase), and any other documents required by the Letter of Transmittal, (x) in the case of Common Shares, within three New York Stock Exchange, Inc. trading days after the date of execution of this Notice of Guaranteed Delivery, or (y) in the case of Rights, within a period ending the later of (i) three New York Stock Exchange, Inc. trading days after the date of execution of this Notice of Guaranteed Delivery or (ii) three business days after the date Rights Certificates are distributed to shareholders.

The Eligible Institution that completes this form must communicate the guarantee to the Depository and must deliver the Letter of Transmittal and certificates for Common Shares and Rights to the Depository within the time period shown herein. Failure to do so could result in financial loss to such Eligible Institution.

Name of Firm:

(AUTHORIZED SIGNATURE)

Address:

(INCLUDE ZIP CODE)

Area Code and
Telephone Number:

Name:

(PLEASE TYPE OR PRINT)

Title:

Dated: , 1998

NOTE: DO NOT SEND CERTIFICATES FOR COMMON SHARES OR RIGHTS WITH THIS NOTICE.
SUCH CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH
23,501,260 SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)
OF
AMERICAN BANKERS INSURANCE GROUP, INC.
AT
\$58.00 NET PER SHARE
BY
SEASON ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, FEBRUARY 25, 1998,
UNLESS THE OFFER IS EXTENDED.

January 27, 1998

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been engaged by Season Acquisition Corp., a New Jersey corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Parent"), to act as Dealer Managers in connection with Purchaser's offer to purchase 23,501,260 outstanding shares of common stock, par value \$1.00 per share (the "Common Shares"), of American Bankers Insurance Group, Inc., a Florida corporation (the "Company"), including the associated Series A Preferred Stock Purchase Rights (including any successors thereto, the "Rights") issued pursuant to the Rights Agreement, dated February 24, 1988, as amended and restated as of November 14, 1990, between the Company and ChaseMellon Shareholder Services, L.L.C., as successor Rights Agent (as such agreement may be further amended and including any successor agreement, the "Rights Agreement"), at a price of \$58.00 per Common Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 27, 1998 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer") enclosed herewith. Unless the context requires otherwise, all references herein to Common Shares shall include the associated Rights, and all references to the Rights shall include the benefits that may inure to the holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights. Shares of \$3.125 Series B Cumulative Convertible Preferred Stock, no par value (the "Preferred Shares" and, together with the Common Shares, the "Shares"), of the Company may not be tendered pursuant to the Offer. In the event that a holder of Preferred Shares wants to tender such shares pursuant to the Offer, such holder must first convert the Preferred Shares into Common Shares pursuant to the terms of the Preferred Shares and then tender such Common Shares pursuant to the Offer.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Offer to Purchase) of the Offer, holders of Common Shares will be required to tender the associated Rights for each Common Share tendered in order to effect a valid tender of such Common Share. Accordingly, shareholders who sell their Rights separately from their Common Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Common Shares. If the Distribution Date (as defined in the Offer to Purchase) has not occurred prior to the Expiration Date, a tender of Common Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and Rights Certificates (as defined in the Offer to Purchase) have been distributed to holders of Common Shares prior to the time a holder's Common Shares are purchased pursuant to the Offer, in order for Rights (and the corresponding Common Shares) to be validly tendered, Rights Certificates representing a number of Rights equal to one-half the number of Common Shares tendered must be delivered to the Depository (as defined in the Offer to Purchase) or, if available, a Book-Entry

Confirmation (as defined in the Offer to Purchase) must be received by the Depositary with respect thereto. If the Distribution Date has occurred and Purchaser has waived that portion of the Rights Condition requiring that a Distribution Date not have occurred and Rights Certificates have not been distributed prior to the time Common Shares are purchased pursuant to the Offer, Rights may be tendered prior to a shareholder receiving Rights Certificates by use of the guaranteed delivery procedure described in Section 3 of the Offer to Purchase. In any case, a tender of Common Shares constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to one-half the number of Common Shares tendered pursuant to the Offer to the Depositary within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depositary receive Rights Certificates, or a Book-Entry Confirmation, if available, with respect to such Common Shares prior to accepting the related Common Shares for payment pursuant to the Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Common Shares and Rights pursuant to the Offer and such shareholder's Common Share Certificates (as defined in the Offer to Purchase) or, if applicable, Rights Certificates are not immediately available (including, if the Distribution Date has occurred and Purchaser waives that portion of the Rights Condition requiring that a Distribution Date not have occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Common Shares or Rights may nevertheless be tendered according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2 of the Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF COMMON SHARES WHICH, TOGETHER WITH SHARES OWNED BY PARENT AND PURCHASER, CONSTITUTE AT LEAST 51% OF THE COMMON SHARES OUTSTANDING ON A FULLY DILUTED BASIS, (2) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PROVISIONS OF SECTION 607.0901(2) OF THE FLORIDA BUSINESS CORPORATION ACT ARE INAPPLICABLE TO THE PROPOSED MERGER DESCRIBED IN THE OFFER TO PURCHASE, (3) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PROVISIONS OF SECTION 607.0902 OF THE FLORIDA BUSINESS CORPORATION ACT CONTINUE TO BE INAPPLICABLE TO THE ACQUISITION OF COMMON SHARES PURSUANT TO THE OFFER, (4) THE PURCHASE OF THE COMMON SHARES PURSUANT TO THE OFFER HAVING BEEN APPROVED FOR PURPOSES OF RENDERING THE SUPERMAJORITY VOTE REQUIREMENT OF ARTICLE VIII OF THE COMPANY'S THIRD AMENDED AND RESTATED ARTICLES OF INCORPORATION INAPPLICABLE TO PARENT AND PURCHASER, (5) THE PREFERRED STOCK PURCHASE RIGHTS HAVING BEEN REDEEMED BY THE COMPANY OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER, (6) THE LOCKUP OPTION HELD BY AMERICAN INTERNATIONAL GROUP, INC. TO PURCHASE UP TO 19.9% OF THE OUTSTANDING COMMON SHARES HAVING BEEN TERMINATED OR INVALIDATED WITHOUT ANY COMMON SHARES HAVING BEEN ISSUED THEREUNDER, AND (7) PARENT AND PURCHASER HAVING OBTAINED ALL INSURANCE REGULATORY APPROVALS NECESSARY FOR THEIR ACQUISITION OF CONTROL OVER THE COMPANY'S INSURANCE SUBSIDIARIES ON TERMS AND CONDITIONS SATISFACTORY TO PURCHASER, IN ITS SOLE DISCRETION.

For your information and for forwarding to your clients for whom you hold Common Shares registered in your name or in the name of your nominee, or who hold Common Shares registered in their own names, we are enclosing the following documents:

1. Offer to Purchase, dated January 27, 1998;
2. Letter of Transmittal to be used by holders of shares in accepting the Offer and tendering Common Shares and Rights;
3. Notice of Guaranteed Delivery to be used to accept the Offer if the certificates evidencing such Common Shares and Rights are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis;
4. A letter which may be sent to your clients for whose accounts you hold Common Shares registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Offer;
5. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and
6. Return envelope addressed to the Depositary.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will purchase, by accepting for payment, and will pay for, all Common Shares (and, if applicable, Rights) validly tendered prior to the Expiration Date promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the regulatory conditions set forth in "Conditions of the Offer" of the Offer to Purchase. For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Common Shares and Rights if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Common Shares and Rights for payment. In all cases, payment for Common Shares and Rights purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Common Shares and Rights or timely confirmation of a book-entry transfer of such Common Shares and Rights, if such procedure is available, into the Depositary's account at The Depositary Trust Company or Philadelphia Depositary Trust Company pursuant to the procedures set forth in "Procedures for Tendering Common Shares" of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined in the Offer to Purchase) and (iii) any other documents required by the Letter of Transmittal.

Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Managers and the Information Agent as described in "Fees and Expenses" of the Offer to Purchase) in connection with the solicitation of tenders of Common Shares and Rights pursuant to the Offer. Purchaser will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Common Shares, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, FEBRUARY 25, 1998, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Depositary, and certificates evidencing the tendered Common Shares should be delivered or such Common Shares and Rights should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Common Shares and Rights wish to tender, but it is impracticable for them to forward their certificates or other required documents prior to the Expiration Date, a tender may be effected by following the guaranteed delivery procedures specified under "Procedures for Tendering Common Shares" of the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to the Dealer Managers or the Information Agent at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase.

Additional copies of the enclosed materials may be obtained from Lehman Brothers at 3 World Financial Center, New York, New York 10285, telephone (212) 526-1849 (Call Collect), from Merrill Lynch & Co., at World Financial Center, North Tower, New York, New York 10281-1305, telephone (212) 449-8971 (Call Collect), from the Information Agent, Innisfree M&A Incorporated, 501 Madison Avenue, 20th Floor, New York, New York 10022, telephone (212) 750-5833 or call toll-free (888) 750-5834, or from brokers, dealers, commercial banks or trust companies.

Very truly yours,

LEHMAN BROTHERS

MERRILL LYNCH & CO.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF PARENT, PURCHASER, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGERS, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH
23,501,260 SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)
OF
AMERICAN BANKERS INSURANCE GROUP, INC.
AT
\$58.00 NET PER SHARE
BY
SEASON ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, FEBRUARY 25, 1998,
UNLESS THE OFFER IS EXTENDED.

January 27, 1998

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated January 27, 1998 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer") in connection with the offer by Season Acquisition Corp., a New Jersey corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Parent"), to purchase 23,501,260 outstanding shares of common stock, par value \$1.00 per share (the "Common Shares"), of American Bankers Insurance Group, Inc., a Florida corporation (the "Company"), including the associated Series A Preferred Stock Purchase Rights (including any successors thereto, the "Rights") issued pursuant to the Rights Agreement, dated as of February 24, 1988, as amended and restated as of November 14, 1990, between the Company and ChaseMellon Shareholder Services, L.L.C., as successor Rights Agent (as such agreement may be further amended and including any successor agreement, the "Rights Agreement"), at a price of \$58.00 per Common Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer. Unless context otherwise requires, all references to the Common Shares shall include the associated Rights, and all references to the Rights shall include the benefits that may inure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights. Shares of \$3.125 Series B Cumulative Convertible Preferred Stock, no par value (the "Preferred Shares" and, together with the Common Shares, the "Shares"), of the Company may not be tendered pursuant to the Offer. In the event that a holder of Preferred Shares wants to tender such shares pursuant to the Offer, such holder must first convert the Preferred Shares into Common Shares pursuant to the terms of the Preferred Shares and then tender such Common Shares pursuant to the Offer.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Offer to Purchase), holders of Common Shares will be required to tender the associated Rights for each Common Share tendered in order to effect a valid tender of such Common Share. Accordingly, shareholders who sell their Rights separately from their Common Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Common Shares. If the Distribution Date (as defined in the Offer to Purchase) has not occurred prior to the Expiration Date, a tender of Common Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and (i) Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and (ii) Rights Certificates (as defined in the Offer to Purchase) have been distributed to holders of Common Shares prior to the time a holder's Common Shares are purchased pursuant to the Offer, in order for Rights (and the corresponding Common Shares) to be validly tendered, Rights Certificates representing a number of Rights equal to one-half the number of Common Shares tendered must be delivered to the Depository (as defined in the Offer to Purchase) or, if available, a Book-Entry Confirmation (as defined in the Offer to Purchase) must be received by the Depository with respect thereto. If the Distribution Date has

occurred and (i) Purchaser has waived that portion of the Rights Condition requiring that a Distribution Date not have occurred and (ii) Rights Certificates have not been distributed prior to the time Common Shares are purchased pursuant to the Offer, Rights may be tendered prior to a shareholder receiving Rights Certificates by use of the guaranteed delivery procedure described in Section 3 of the Offer to Purchase. In any case, a tender of Common Shares constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to one-half the number of Common Shares tendered pursuant to the Offer to the Depository within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depository receive Rights Certificates, or a Book-Entry Confirmation, if available, with respect to such Rights prior to accepting the related Common Shares for payment pursuant to the Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Common Shares and Rights pursuant to the Offer and such shareholder's Common Share Certificates (as defined in the Offer to Purchase) or, if applicable, Rights Certificates are not immediately available (including, if the Distribution Date has occurred and Purchaser waives that portion of the Rights Condition requiring that a Distribution Date not have occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depository prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Common Shares or Rights may nevertheless be tendered according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2 of the Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depository.

THE MATERIAL IS BEING SENT TO YOU AS THE BENEFICIAL OWNER OF COMMON SHARES HELD BY US FOR YOUR ACCOUNT BUT NOT REGISTERED IN YOUR NAME. WE ARE THE HOLDER OF RECORD OF COMMON SHARES HELD BY US FOR YOUR ACCOUNT. A TENDER OF SUCH COMMON SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER COMMON SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to have us tender on your behalf any or all of the Common Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is invited to the following:

1. The tender price is \$58.00 per Common Share, net to the seller in cash, without interest thereon.
2. The Offer, proration period and withdrawal rights will expire at 12:00 Midnight, New York City time, on Wednesday, February 25, 1998, unless the Offer is extended.
3. The Offer is being made for 23,501,260 outstanding Common Shares.
4. The Offer is conditioned upon, among other things, (1) there being validly tendered and not properly withdrawn prior to the expiration of the Offer a number of Common Shares which, together with Shares owned by Parent and Purchaser, constitute at least 51% of the Common Shares outstanding on a fully diluted basis, (2) Purchaser being satisfied, in its sole discretion, that the provisions of Section 607.0901(2) of the Florida Business Corporation Act are inapplicable to the Proposed Merger described in the Offer to Purchase, (3) Purchaser being satisfied, in its sole discretion, that the provisions of Section 607.0902 of the Florida Business Corporation Act continue to be inapplicable to the acquisition of Common Shares pursuant to the Offer, (4) the purchase of the Common Shares pursuant to the Offer having been approved for purposes of rendering the supermajority vote requirements of Article VIII of the Company's Third Amended and Restated Articles of Incorporation inapplicable to Parent and Purchaser, (5) the Preferred Stock Purchase Rights having been redeemed by the Company or Purchaser being satisfied, in its sole discretion, that the Rights are invalid or otherwise inapplicable to the Offer and the Proposed Merger, (6) the Lockup Option held by American International Group, Inc. to purchase up to 19.9% of the outstanding Common Shares having been terminated or invalidated without any Common Shares having been issued thereunder, and (7) Parent and Purchaser having obtained all insurance regulatory approvals necessary for their acquisition of control over the Company's insurance subsidiaries on terms and conditions satisfactory to Purchaser, in its sole discretion.
5. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Common Shares by Purchaser pursuant to the Offer.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and is being made to all holders of Common Shares. Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of

the Offer or the acceptance of Common Shares pursuant thereto, Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, Purchaser

cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Common Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by the Dealer Managers or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Common Shares, please so instruct us by completing, executing and returning to us the instruction form contained in this letter. An envelope in which to return your instructions to us is enclosed. If you authorize the tender of your Common Shares, all such Common Shares will be tendered unless otherwise specified on the instruction form set forth in this letter. YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

INSTRUCTIONS WITH RESPECT TO THE OFFER
TO PURCHASE FOR CASH 23,501,260 OUTSTANDING SHARES OF COMMON STOCK
OF
AMERICAN BANKERS INSURANCE GROUP, INC.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated January 27, 1998, and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"), in connection with the offer by Season Acquisition Corp., a New Jersey corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Parent"), to purchase 23,501,260 outstanding shares of common stock, par value \$1.00 per share (the "Common Shares"), of American Bankers Insurance Group, Inc., a Florida corporation (the "Company"), including the associated Series A Preferred Stock Purchase Rights (including any successors thereto, the "Rights") issued pursuant to the Rights Agreement, dated as of February 24, 1988, as amended and restated as of November 14, 1990, between the Company and ChaseMellon Shareholder Services, L.L.C., as successor Rights Agent (as such agreement may be further amended and including any successor agreement, the "Rights Agreement"). Unless context otherwise requires, all references to the Common Shares shall include the associated Rights, and all references to the Rights shall include the benefits that may inure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

This will instruct you to tender to Purchaser the number of Common Shares and Rights indicated below (or, if no number is indicated in either appropriate space below, all Common Shares and Rights) held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

NUMBER OF COMMON SHARES AND RIGHTS
TO BE TENDERED:*

Common Shares and Rights

ACCOUNT NUMBER:

Dated: , 1998

SIGN HERE

SIGNATURE(S)

PLEASE TYPE OR PRINT NAME(S)

PLEASE TYPE OR PRINT ADDRESS(ES) HERE

AREA CODE AND TELEPHONE NUMBER

TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER(S)

- -----
* Unless otherwise indicated, it will be assumed that all Common Shares and Rights held by us for your account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE TAXPAYER IDENTIFICATION NUMBER OF--

1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person(3)	The ward, minor, or incompetent(3)
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under State law	The actual owner(1)
8. Sole proprietorship account	The owner(4)
9. A valid trust, estate or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10. Corporate account	The corporation
11. Religious, charitable, or educational organization account	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club, or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee
15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number or employer identification number.
- (4) Show your individual name. You may also enter your business name. You may use your social security number or employer identification number.
- (5) List first and circle the name of the legal trust, estate, or pension

trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

OBTAINING A NUMBER

If you do not have a taxpayer identification number or you do not know your number, obtain Form SS-5, Application for a Social Security Number Card (for individuals), or Form SS-4, Application for Employer Identification Number (for businesses and all other entities), at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- o A corporation.
- o A financial institution.
- o An organization exempt from tax under section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or an individual retirement plan.
- o The United States or any agency or instrumentality thereof.
- o A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- o A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- o An international organization or any agency or instrumentality thereof.
- o A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- o A real estate investment trust.
- o A common trust fund operated by a bank under section 584(a) of the Code.
- o An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- o An entity registered at all times under the Investment Company Act of 1940.
- o A foreign central bank of issue.
- o A futures commission merchant registered with the Commodity Futures Trading Commission.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- o Payments to nonresident aliens subject to withholding under section 1441 of the Code.
- o Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- o Payments of patronage dividends where the amount received is not paid in money.
- o Payments made by certain foreign organizations.
- o Payments made to an appropriate nominee.
- o Section 404(k) payments made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

- o Payments of interest on obligations issued by individuals.
NOTE: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- o Payments of tax-exempt interest (including exempt-interest dividends under section 852 of the Code).
- o Payments described in section 6049(b)(5) of the Code to nonresident aliens.
- o Payments on tax-free covenant bonds under section 1451 of the Code.
- o Payments made by certain foreign organizations.
- o Payments of mortgage interest to you.
- o Payments made to an appropriate nominee.

Exempt payees described above should file substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER. FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM. IF YOU ARE A NONRESIDENT ALIEN OR A FOREIGN ENTITY NOT SUBJECT TO BACKUP WITHHOLDING, FILE WITH PAYER A COMPLETED INTERNAL REVENUE FORM W-8 (CERTIFICATE OF FOREIGN STATUS).

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICE--Section 6109 requires most recipients of dividend, interest, or other payments to give correct taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file a tax return. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a correct taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER--If you fail to furnish your correct taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS--If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 20% on any portion of an underpayment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING--If you make a false statement with no reasonable basis that results in no imposition of backup withholding, you are subject to a penalty of \$500.

(4) CRIMINAL PENALTY FOR FALSIFYING INFORMATION--Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

CENDANT PROPOSES TO ACQUIRE AMERICAN BANKERS
INSURANCE GROUP
FOR \$58 PER SHARE, OR APPROXIMATELY \$2.7 BILLION

--"DEMONSTRABLY SUPERIOR" TO AMERICAN INTERNATIONAL GROUP'S \$47 PER SHARE
ACQUISITION AGREEMENT--

-- WOULD BE IMMEDIATELY ACCRETIVE TO CENDANT --

-- COMPLEMENTS CENDANT'S CURRENT INSURANCE PRODUCTS AND OFFERS
NEW OPPORTUNITIES TO UTILIZE ITS DISTRIBUTION CHANNELS --

STAMFORD, CT and PARSIPPANY, NJ, January 27, 1998-- Cendant Corporation (NYSE: CD) today proposed to acquire American Bankers Insurance Group Inc. (NYSE: ABI) for \$58 per share in cash and stock, for an aggregate of approximately \$2.7 billion on a fully diluted basis. The Cendant proposal represents a premium of 23% over the value of the \$47 per share agreement for American International Group Inc. (NYSE: AIG) to acquire American Bankers, announced on December 22, 1997.

Cendant said it will promptly commence a cash tender offer to buy approximately 23.5 million of American Bankers' common shares at a price of \$58 per share, which together with shares Cendant owns will equal 51% of the fully diluted shares of American Bankers. Cendant will exchange, on a tax-free basis, shares of its common stock with a fixed value of \$58 per share for the balance of American Bankers' common stock.

"Considerable benefits would result from combining the direct marketing strengths of Cendant and American Bankers," said Walter A. Forbes, Chairman, and Henry R. Silverman, President and Chief Executive Officer, of Cendant. "Cendant's formidable distribution channels and customer base will be a valuable outlet for American Bankers' products, such as credit-related and property-related insurance. Similarly, American Bankers' existing relationships with financial institutions and retailers provide attractive opportunities to increase the penetration of Cendant's products."

Cendant said it expected the acquisition to be immediately accretive to earnings per share in 1998 and thereafter and cash flow additive.

In a letter to the Board of Directors of American Bankers, Messrs. Forbes and Silverman said they would have preferred to discuss their proposal with American Bankers, but that "highly unusual and restrictive conditions" in the agreement between AIG and American Bankers, prohibiting any discussions between American Bankers' Board of Directors and other interested bidders until 120 days following the date of that agreement, precluded Cendant from presenting its proposal directly to American Bankers' Board of Directors.

Commenting on the 120-day provision, Cendant called it "an extraordinary measure" which raises questions about whether the agreement with AIG is in the best interests of American Bankers shareholders. Further, it represents "a virtual forfeiture of the Board's fundamental mandate of protecting the interests of shareholders" since the transaction between AIG and American Bankers could conceivably close before the 120-day "blackout" period expires, thus precluding the Board from ever having considered Cendant's higher offer.

Accordingly, Cendant also announced that it commenced today litigation in United States District Court for the Southern District of Florida to ensure that American Bankers' shareholders "will have the opportunity to consider our offer and to assist your Board in fulfilling its fiduciary obligations," Messrs. Forbes and Silverman said. That litigation is intended to, among other things, eliminate the 120-day "blackout" provision; and eliminate the option that was granted to AIG to acquire 19.9% of American Bankers' common stock in the event another bidder for American Bankers emerges.

Further, according to the letter, Cendant would expect American Bankers' management to continue with the company, would expect American Bankers to continue to maintain its headquarters in Miami, FL, and would not expect significant employment reductions.

Cendant also noted that its offer is not conditioned upon financing or due diligence.

The acquisition of American Bankers would complement Cendant's core competencies in insurance-related activities. Since 1986, Cendant has been a direct marketer of accidental death and dismemberment (AD&D) insurance. Recently, it took steps to expand its insurance presence with the announcement in December of a definitive agreement to acquire Providian, a direct marketer of automobile insurance to consumers in 45 states and the District of Columbia. The addition of Providian allows Cendant to take advantage of its direct marketing core capabilities to market automobile insurance to many of its existing customers.

Cendant also reported that it is making today the requisite filings to acquire American Bankers with the insurance commissions in Florida, Texas, Arizona, South Carolina, Georgia, New York, and Puerto Rico. The company also said it would make any necessary foreign regulatory filings promptly.

Cendant, the world's premier provider of consumer and business services, was created through the merger of CUC and HFS on December 17, 1997. With a market capitalization of approximately \$30 billion, it ranks among the 100 largest U.S. corporations. Cendant operates in three principal segments: Membership, Travel and Real Estate Services. In Membership Services, Cendant provides access to travel, shopping, auto, dining, and other services through more than 73 million memberships worldwide. In Travel Services, Cendant is the leading franchisor of hotels and rental car agencies worldwide, the premier provider of vacation exchange services and the second largest fleet management company. In Real Estate Services, Cendant is the world's premier franchisor of residential real estate brokerage offices, a major provider of mortgage services to consumers and a global leader in corporate employee relocation. Headquartered in Stamford, CT and Parsippany, NJ, it has more than 35,000 employees, operates in over 100 countries and makes approximately 100 million customer contacts annually.

Investor Contact:
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Senior Vice President
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and Investor Relations
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or:
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Kekst and Company
(212) 521-4800

The full text of Messrs. Forbes' and Silverman's letter to the American Bankers Board of Directors follows:

January 27, 1998

Board of Directors
American Bankers Insurance Group, Inc.
11222 Quail Roost Drive
Miami, Florida 33157

Attention: Mr. R. Kirk Landon, Chairman

Dear Members of the Board:

On behalf of Cendant Corporation we are pleased to submit a proposal to acquire American Bankers Insurance Group, Inc. for \$58 per common share payable in cash and stock. Our proposal, representing a premium of \$11 (in excess of 23%) over the value of American International Group's proposal, is demonstrably superior to the AIG proposed transaction.

Several months ago one of our senior executives had discussed with Mr. Gaston our interest in pursuing a business combination with American Bankers. As recently as December, in response to our inquiry as to whether American Bankers was engaged in discussions relating to an acquisition and to our expression of Cendant's strong interest in exploring such a transaction with American Bankers, Mr. Gaston said that American Bankers was not pursuing any acquisition transaction, and suggested that he meet with our senior executive in early January to discuss the matter further. In view of this, it is particularly disappointing that we were not made aware that American Bankers was interested in pursuing acquisition proposals and, accordingly, we did not have the opportunity to submit an offer prior to the announcement of your proposed transaction with AIG.

We would have liked to discuss our proposal directly with you. However, the terms of Section 6.2 of your agreement with AIG purport to prohibit discussions with us or any other party until 120 days following the date of such agreement, at which time, as both you and AIG have publicly stated, the acquisition of American Bankers by AIG likely will have been completed, making any discussions between us irrelevant. We believe this is an extraordinary measure and raises questions about whether it is in the best interests of American Bankers' shareholders.

Accordingly, we will be commencing promptly a cash tender offer directly to American Bankers' shareholders for 51% of American Bankers' shares at a price of \$58 per common share to be followed by a second step merger in which shares of Cendant common stock with a fixed value of \$58 per share will be exchanged on a tax-free basis for the balance of American Bankers' common stock and each share of American Bankers' preferred stock will be converted into one share of Cendant preferred stock having substantially similar terms, except that such shares will be convertible into shares of Cendant common stock calculated in accordance with the terms of the American Bankers' preferred stock.

The provisions in your agreement with AIG include highly unusual and restrictive conditions which, in fact, represent a virtual forfeiture of the Board's fundamental mandate of protecting the interests of shareholders. Accordingly, we have today commenced litigation in federal court in Miami to ensure that your shareholders will have the opportunity to consider our offer and to assist your board in fulfilling its fiduciary obligations and to resolve certain other issues.

Although we have determined that it is both necessary and appropriate, under the circumstances, to commence our cash tender offer and litigation, our strong preference would be to enter into a merger agreement with you containing substantially the same terms and conditions (other than price and inappropriate terms) as your proposed transaction with AIG.

In addition to its significant economic superiority, the merits and the strategic value of the combination of Cendant and American Bankers are compelling. Cendant (NYSE:CD) is the product of the recent combination of CUC International Inc. and HFS Incorporated, creating the world's largest consumer and business services company. Cendant interacts with approximately 170 million customers and members around the world, several times each year. Cendant is investment grade rated and has a market value of approximately \$30 billion. Cendant's 1997 revenues and net income are estimated by Wall Street analysts at approximately \$5.1 billion and \$900 million, respectively. Cendant has recently announced its acquisition of Providian Direct, a direct marketer of automobile insurance. Under separate cover, we have sent a copy of the proxy statement for the merger that created Cendant.

Cendant's vision for American Bankers is one of exceptional growth and opportunity, which involves utilizing Cendant's distribution channels and customer base as an outlet for American Bankers' products and capitalizing on American Bankers' existing relationships with financial institutions and retailers to increase penetration of Cendant's products. Consistent with this vision, and Cendant's past strategic acquisition practices, Cendant would expect American Bankers' management to continue with the company, would not expect significant employment reductions and would expect American Bankers to continue to maintain its headquarters in Miami.

The price we are offering in our proposal clearly provides significantly greater value to your shareholders than the proposed transaction with AIG. It would also benefit Cendant's shareholders and be accretive to earnings within the first year. Our proposal is not subject to any due diligence or financing condition and the funds for the cash portion of our offer are available from existing cash resources and under our credit facilities. In addition, Cendant, having acquired control of insurers in the past, is extremely familiar with the insurance regulatory process, has obtained approvals of the type required to implement this proposal and will be able to complete our proposed transaction on a timely basis.

Accordingly, we strongly believe that you are obligated by principles of fiduciary duty to consider and accept our proposal. Consistent with your clear fiduciary duties, we expect you will provide us with at least the same information you furnished to AIG in the course of your discussions and negotiations with them and that you will discuss and negotiate with us the details of our proposal. In addition, you should take whatever other actions are reasonably necessary or appropriate so that we may operate on a level playing field with AIG and any other companies which may be interested in acquiring American Bankers.

Our Board of Directors is fully supportive of our proposal and has unanimously authorized and approved it and no other Cendant approval is required for this transaction. Consistent with our Board of Directors' action, we and our advisors stand ready to meet with you and your advisors at your earliest convenience. We want to stress that we are flexible as to all aspects of our proposal and are anxious to proceed to discuss and negotiate it with you as soon as possible.

Should you find it helpful to do so in connection with reviewing and considering our proposal, you and your advisors should feel free to contact our outside advisors: Steven B. Wolitzer of Lehman Brothers and Jack Levy of Merrill Lynch & Co., our financial advisors, and David Fox of Skadden, Arps, Slate, Meagher & Flom LLP, our legal counsel.

Personally and on behalf of our colleagues at Cendant, we look forward to hearing from you soon and working with you on our proposal.

Sincerely,	
/s/ Henry R. Silverman	/s/Walter A. Forbes
Henry R. Silverman	Walter A. Forbes
President and	Chairman
Chief Executive	
Officer	

cc: All Directors

\$750,000,000

FIVE YEAR COMPETITIVE ADVANCE AND
REVOLVING CREDIT AGREEMENT

Dated as of October 2, 1996

among

CENDANT CORPORATION

as Borrower

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

(incorporating the First Amendment, dated as of January 28, 1997,
and the Second Amendment, dated as of September 18, 1997,
and the Assumption Agreement, effective as of December 18, 1997)

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FIVE YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT (the "Agreement") dated as of October 2, 1996, among HFS INCORPORATED, 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 \$500,000,000 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). 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 and to participate in 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.

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

the direction of the management and policies of such controlled Person whether by contract or otherwise.

"Alternate Base Rate" shall mean for any day, a rate per annum (rounded upwards to the nearest 1/16 of 1% if not already an integral multiple of 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect for such day, (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1% or (c) the Base CD Rate in effect for such day plus 1%. For purposes hereof, "Prime Rate" shall mean the rate per annum publicly announced by the Administrative Agent from time to time as its prime rate in effect at its principal office in New York City. For purposes of this Agreement, any change in the Alternate Base Rate due to a change in the Prime Rate shall be effective on the date such change in the Prime Rate is announced as effective. "Federal Funds Effective Rate" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. "Base CD Rate" shall mean the sum of (a) the product of (i) the Average Weekly Three-Month Secondary CD Rate times (ii) a fraction of which the numerator is 100% and the denominator is 100% minus the aggregate rates of (A) basic and supplemental reserve requirements in effect on the date of effectiveness of such Average Weekly Three-Month Secondary CD Rate, as set forth below, under Regulation D of the Board applicable to certificates of deposit in units of \$100,000 or more issued by a "member bank" located in a "reserve city" (as such terms are used in Regulation D) and (B) marginal reserve requirements in effect on such date of effectiveness under Regulation D applicable to time deposits of a "member bank" and (b) the Assessment Rate. "Average Weekly Three-Month Secondary CD Rate" shall mean the three-month secondary certificate of deposit ("CD") rate for the most recent weekly period covered therein in the Federal Reserve Statistical release entitled "Weekly Summary of Lending and Credit Measures (Averages of daily figures)" released in the week during which occurs the day for which the CD rate is being determined. The CD rate so reported shall be in effect, for the purposes of this definition, for each day of the week in which the release date of such publication occurs. If such publication or a substitute containing the foregoing rate information is not published by the Federal Reserve for any week, such average rate shall be determined by the Administrative Agent on the basis of quotations received by it from three New York City negotiable

certificate of deposit dealers of recognized standing on the first Business Day of the week succeeding such week for which such rate information is not published. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or Federal Funds Effective Rate, or both, for any reason, including, without limitation, the inability or failure of the Administrative Agent to obtain sufficient bids or publications in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Average Weekly Three-Month Secondary CD Rate shall be effective on the effective date of such change in the CD Rate. Any change in the Alternate Base Rate due to a change in the Federal Funds Effective Rate shall be effective on the effective date of such change in the Federal Funds Effective Rate.

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

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

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

"Avis" shall mean HFS Car Rental, Inc., a Delaware corporation.

"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 Expenditures" shall mean, with respect to any Person for any period, the aggregate of all expenditures (whether paid in cash or accrued as a liability) by such Person during that period which, in accordance with GAAP, are or should be included in "additions to property, plant or equipment" or similar items reflected in the statement of cash flows of such Person.

"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 Merger Effective 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 Merger Effective 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 Merger Effective Date or whose election or a nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Borrower then in office.

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

"Closing Date" shall mean the date on which the conditions precedent to the making of the Loans as set forth in Section 4.1 have been satisfied or waived, which shall in no event be later than October 31, 1996.

"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, (ii) any applicable Assignment and Acceptance to which it may be a party, and/or (iii) any applicable Commitment Increase Supplement, 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 or increased pursuant to Section 2.23. 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 Increase Supplement" shall mean a Commitment Increase Supplement, substantially in the form of Exhibit G.

"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, plus (vi) other non-cash items reducing Consolidated Net Income, all as determined on a consolidated basis for the Borrower and its Consolidated Subsidiaries in accordance with GAAP.

"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.

"Consolidated Net Income" shall mean, for any period for which such amount is being determined, the net income (loss) of the Borrower and its Consolidated Subsidiaries during such period determined on a consolidated basis for such period taken as a single accounting period in accordance with GAAP, provided that there shall be excluded (i) income (or loss) of any Person (other than a Consolidated Subsidiary of the Borrower) in which the Borrower or any of its Consolidated Subsidiaries has an equity investment or comparable interest, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or of its Consolidated Subsidiaries by such Person during such period, (ii) the income (or loss) of any Person accrued prior to the date it becomes a Consolidated Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Consolidated Subsidiaries or the Person's assets are acquired by the Borrower or any of its Consolidated Subsidiaries, (iii) the income of any Consolidated Subsidiary 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, (iv) any extraordinary after-tax gains and (v) any extraordinary pretax losses but only to the extent attributable to a write-down of financing costs relating to any existing and future indebtedness.

"Consolidated Net Worth" shall mean, 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.

"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 the total amount of Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis using GAAP principles of consolidation, but without regard to whether or not any such Indebtedness would be required to be shown on a consolidated balance sheet prepared in accordance with GAAP; provided that Consolidated Total Indebtedness shall be deemed to include, at the time of any computation thereof, the aggregate amount of any outstanding loans to, any investment in the capital stock of, any purchase price in excess of the fair market value of assets of, and any other investments by the Borrower and its Subsidiaries (other than Avis and its Subsidiaries and PHH and its Subsidiaries) in,

Avis and its Subsidiaries and PHH and its Subsidiaries (other than the purchase price paid by the Borrower to acquire Avis and PHH). The amount of any such investment at any time shall equal the original cost thereof plus any additions thereto (in each case without giving effect to any appreciation or depreciation in the value thereof) net of any returns thereon actually received by the Borrower or any of its Subsidiaries (other than Avis and its Subsidiaries and PHH and its Subsidiaries).

"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. 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"), 7 U.S.C. ss. 136 et seq., the Surface Mining Control and Reclamation Act ("SMCRA"), 30 U.S.C. ss. 1201 et seq., the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. ss. 9601 et seq., the Superfund Amendment and Reauthorization Act of 1986 ("SARA"), Public Law 99-499, 100 Stat. 1613, the Emergency Planning and Community Right to Know Act ("EPCRA"), 42 U.S.C. ss. 11001 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. ss. 6901 et seq., the Occupational Safety and Health Act as amended ("OSHA"), 29 U.S.C. ss. 655 and ss. 657, together, in each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

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

to which liability is assumed or imposed with respect to any of the foregoing.

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

"Existing Credit Agreement" shall have the meaning assigned to such term in Section 4.1(h).

"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 Merger Effective 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.

"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 minus the amount of Restricted Payments and Capital Expenditures of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, in accordance with GAAP) to the extent paid in cash (including cash payments during such period to liquidate any such item previously accrued as a liability) 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, 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, commencing December 31, 1996, (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 agrees in writing to act as such in accordance with the terms hereof.

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

"Lender and "Lenders" shall mean the financial institutions whose names appear 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 the Letters of Credit issued pursuant to Section 2.24.

"LIBOR" shall mean, with respect to any LIBOR Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next Basis Point) equal to the rate at which 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.

"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 October 1, 2001.

"Merger" shall mean the merger of HFS Incorporated into CUC International Inc.

"Merger Effective Date" shall have the meaning set forth in the Second Amendment, dated as of September 18, 1997, to this Agreement.

"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.

"non-Objecting Lender" shall mean any Lender that is not an Objecting Lender.

"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, 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.

"Receivables Facility" shall mean the Coldwell Banker Relocation Services, Inc. receivables facility evidenced by the Amended and Restated Investor Funding Agreement, dated as of October 5, 1994 among Coldwell Banker Funding Corporation, Bankers Trust Company, the Investors party thereto, Citicorp North America Inc. and Bank of America Illinois, The Homeowner Employee Asset Receivable Trust Amended and Restated Pooling and Servicing Agreement, dated as October 5, 1994 among Coldwell Banker Funding Corporation, Coldwell Banker Relocation Services, Inc., Citicorp North America, Inc. and Bankers Trust Company and the Amended and Restated Purchase Agreement, dated as of October 5, 1994 by and between Coldwell Banker Relocation Services, Inc. and Coldwell Banker Funding Corporation, as each of the foregoing may from time to time be amended, modified or supplemented and any replacement or refinancing thereof whether or not with the same parties.

"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.

"Restricted Payment" shall mean (i) any distribution, dividend or other direct or indirect payment on account of shares of any class of stock of the Borrower or any Subsidiary now or hereafter outstanding except for distributions, dividends or other payments solely in shares of capital stock of a Subsidiary which are distributed pro rata to its stockholders or solely in shares of capital stock of the Borrower, (ii) any redemption or other acquisition or re-acquisition by the Borrower or a Subsidiary of any class of its own stock or other equity interest of the Borrower, a Subsidiary or an Affiliate now or hereafter outstanding, and (iii) any payment made to retire, or obtain the surrender of any outstanding warrants or options or other rights to purchase or acquire shares of any class of stock of the Borrower or a Subsidiary now or hereafter outstanding; provided, however, that the term "Restricted Payment" as used herein, shall not include any distribution, dividend, redemption or other payment made to the Borrower by any of its Consolidated Subsidiaries, or to any of the Borrower's Consolidated Subsidiaries by the Borrower or any of its other Consolidated Subsidiaries.

"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.

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

"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, Avis and its Subsidiaries and PHH and its Subsidiaries shall be deemed not to be Subsidiaries of the Borrower.

"364-Day Credit Agreement" shall mean the 364-Day Competitive Advance and Revolving Credit Agreement, dated as of the date hereof, among the Borrower, the lenders referred to therein and Chase, as administrative agent.

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

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, 140 East 45th Street, New York, New York 10017, Attention: Sandra Miklave, for credit to HFS Incorporated Clearing Account, Account No. 144812905 (Reference: HFS Incorporated Credit Agreement dated as of October 2, 1996) no later than 1:00 P.M. New York City time in Federal or other immediately available funds. Upon receipt of the funds to be made available by the Lenders to fund any Borrowing hereunder, the Administrative Agent shall disburse such funds by depositing them into an account of the Borrower maintained with the Administrative Agent. 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 Company 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 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 the Borrower has a senior unsecured long-term debt rating of BBB- or better from S&P or Baa3 or better from Moody's.

SECTION 2.5. Revolving Credit Borrowing Procedure.

In order to effect a Revolving Credit Borrowing, the Borrower shall hand deliver or telecopy to the Administrative Agent a Borrowing notice in the form of Exhibit F (a) in the case of a LIBOR Borrowing, not later than 12:00 (noon), New York City time, three Business Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 12:00 (noon), New York City time, on the day of a proposed Borrowing. No Fixed Rate Loan shall be requested or made pursuant to a Revolving

Credit Borrowing Request. Such notice shall be irrevocable and shall in each case specify (a) whether the Borrowing then being requested is to be a LIBOR Borrowing or an ABR Borrowing, (b) the date of such Revolving Credit Borrowing (which shall be a Business Day) and the amount thereof and (c) if such Borrowing is to be a LIBOR Borrowing, the Interest Period with respect thereto. If no election as to the Interest Rate Type of a Revolving Credit Borrowing is specified in any such notice, then the requested Revolving Credit Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any LIBOR Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. If the Borrower shall not have given notice in accordance with this Section 2.5 of its election to refinance a Revolving Credit Borrowing prior to the end of the Interest Period in effect for such Borrowing, then the Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.5 and of each Lender's portion of the requested Borrowing.

SECTION 2.6. Refinancings.

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

pursuant to clause (a) above, any Loan or portion thereof being refinanced with such amounts shall not be deemed repaid in accordance with Section 2.6 and, to the extent of such failure, the Borrower shall pay such amount to the Administrative Agent as required by Section 2.10; and (d) to the extent the Borrower fails to pay to the Administrative Agent any amounts due in accordance with Section 2.10 as a result of the failure of a Lender to pay the Administrative Agent any amounts due as described in clause (c) above, the portion of any refinanced Loan deemed not repaid shall be deemed to be outstanding solely to the Lender which has failed to pay the Administrative Agent amounts due from it pursuant to clause (a) above to the full extent of such Lender's portion of such Loan.

SECTION 2.7. Fees.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, commencing December 31, 1996, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee",) at the rate per annum from time to time in effect in accordance with Section 2.22, on the amount of the Commitment of such Lender, whether used or unused, during the preceding quarter (or shorter period commencing with the Closing Date, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the 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 the Administrative Agent, for its own account, the fees at the times and in the amounts provided for in the letter agreement dated August 28, 1996 among the Borrower, Chase and Chase Securities Inc.

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

SECTION 2.8. Repayment of Loans; Evidence of Debt.

(a) 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.

(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 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 or (b) October 31, 1996 if the Closing Date has not occurred on or prior to such date.

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

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

of each termination or reduction in the Total Commitment, the Facility Fees on the amount of the Total Commitment so terminated or reduced accrued to the date of such termination or reduction.

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 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, 2.17 and 2.23, (i) each Revolving Credit Borrowing, each payment or prepayment of principal of any Revolving Credit Borrowing, each payment of interest on the Revolving Credit Loans, each payment of the Facility Fees, each 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 at the office of the Administrative Agent's Agent Bank Services Department, 140 East 45th Street, New York, New York 10017, Attention: Sandra Miklave, for credit to HFS Incorporated Clearing Account, Account No. 144812905 (Reference: HFS Incorporated Credit Agreement dated October 2, 1996) 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 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)
AA-/Aa3 or better	6.0	12.75
A+/A1	7.0	13.00
A/A2	8.0	14.50
A-/A3	9.0	16.00
BBB+/Baa1	10.0	20.00

BBB/Baa2	12.5	22.50
BBB-/Baa3	17.5	32.50
BB+/Bal or worse	25.0	37.50

In the event the S&P rating on the Borrower's senior unsecured long-term debt is not equivalent to the Moody's rating on such debt, the higher rating will determine the Facility Fee and applicable LIBOR Spread, unless the S&P and Moody's ratings are more than one level apart, in which case the rating one level below the higher rating will be determinative. In the event that the Borrower's senior unsecured long-term debt is rated by only one of S&P and Moody's, 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.

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 Letters of Credit payable in Dollars from time to time after the Closing Date and prior to the earlier of the Maturity Date and the termination of the Commitments, upon the request of the Borrower, provided that (A) the Borrower shall not request that any Letter of Credit be issued if, after giving effect thereto, the sum of the then current L/C Exposure plus the aggregate Loans then outstanding would exceed the Total Commitment, (B) in no event shall any Issuing Lender issue (x) any Letter of Credit having an expiration date later than five Business Days before the Maturity Date or (y) any Letter of Credit having an expiration date more than one year after its date of issuance, provided that any Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (x) above),

(C) the Borrower shall not request that an Issuing Lender issue any Letter of Credit if, after giving effect to such issuance, the L/C Exposure would exceed \$100,000,000, 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.

(iv) Letters of Credit issued under the Existing Credit Agreement and outstanding on the Closing Date shall be deemed to be Letters of Credit issued under this Agreement on the Closing Date.

(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, documentary and processing charges in accordance with such Issuing Lender's standard schedule for such charges in effect at the time of such issuance, amendment, transfer or drawing, as the case may be; and

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

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

(iii) Promptly upon receipt by any Issuing Lender or the Administrative Agent (as applicable) of any amount described in clause (i)(A) or (ii) of this Section 2.24(f), or any amount described in Section 2.24(e) previously reimbursed to the applicable Issuing Lender by the Lenders, such Issuing Lender or

the Administrative Agent (as applicable) shall distribute to each Lender its pro rata share of such amount. Amounts payable under clauses (i)(B) and (i)(C) of this Section 2.24(f) shall be paid directly to the Issuing Lender and shall be for its exclusive use.

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

(A) any Issuing Lender or any Lender shall be subject to any tax, levy, charge or withholding of any nature (other than withholding tax imposed by the United States 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.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

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

SECTION 3.1. Corporate Existence and Power.

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

(i) The (a) audited consolidated balance sheets of HFS Incorporated and its Consolidated Subsidiaries as of December 31, 1995 and December 31, 1996, and (b) unaudited consolidated balance sheets of HFS Incorporated and its Consolidated Subsidiaries as of March 31, 1997 and June 30, 1997, together with the related unaudited statements of income, shareholders' equity and cash flows for such periods, fairly present the financial condition of HFS Incorporated 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, 1997 and June 30, 1997 financial statements.

(ii) The (a) audited consolidated balance sheets of CUC International Inc. and its consolidated Subsidiaries as of January 31, 1996 and January 31, 1997 and (b) unaudited consolidated balance sheets of CUC International Inc. and its consolidated Subsidiaries as of April 30, 1997, together with the related unaudited statements of income, shareholders' equity and cash flows for such periods, fairly present the financial condition of CUC International Inc. 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 April 30, 1997 financial statements.

(iii) The pro forma combined balance sheets of CUC International Inc. dated April 30, 1997, and of HFS Incorporated, dated March 31, 1997, as set forth in the unaudited pro forma combining financial statements for the Merger set forth in the joint proxy statement prospectus filed by CUC International Inc. and HFS Incorporated dated August 28, 1997, fairly present the consolidated financial condition of the surviving company of the Merger and its consolidated Subsidiaries as at the dates indicated.

SECTION 3.5. No Material Adverse Change.

Since December 31, 1996 and January 31, 1997, respectively, there has been no material adverse change in the business, assets, operations, or condition, financial or otherwise, of HFS Incorporated and its Subsidiaries taken as a whole or of CUC International Inc. and its Subsidiaries taken as a whole; provided, however, that the foregoing representation is made solely as of the Merger Effective Date.

SECTION 3.6. Subsidiaries.

Annexed hereto as Schedule 3.6 is a correct and complete list as of the Merger Effective Date of all Material Subsidiaries of the Borrower showing, as to each Material Subsidiary, its name, the jurisdiction of its incorporation, its authorized capitalization and the ownership of the capital stock of such Material Subsidiary.

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 Merger Effective 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 G, 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 Merger Effective 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 Merger Effective Date, neither this Agreement nor the Confidential Information Memorandum dated September 1996, 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 Merger Effective 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) except as set forth on Schedule 3.16, has become subject to any Environmental Liability, (iii) except as set forth on Schedule 3.16, has received notice of any claim with respect to any Environmental Liability or (iv) except as set forth on Schedule 3.16, knows of any basis for any Environmental Liability.

4. CONDITIONS OF LENDING

SECTION 4.1. Conditions Precedent to Initial Loans.

The obligation of each Lender to make its initial Loan is subject to the following conditions precedent:

- (a) Loan Documents. The Administrative Agent shall have received this Agreement and each of the other

Fundamental Documents, each executed and delivered by a duly authorized officer of the Borrower.

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

(c) Financial Statements. The Lenders shall have received the (a) audited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 1994 and December 31, 1995, (b) unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 1996 and June 30, 1996, and (c) the unaudited consolidating balance sheets of the Borrower and its Consolidated Subsidiaries as of December 31, 1995, together with the related unaudited statements of income, shareholders' equity and cash flows for such periods prepared in conformity with GAAP, subject to normal year-end adjustments.

(d) Opinions of Counsel. The Administrative Agent shall have received the favorable written opinions, dated the date of the initial Loans and addressed to the Administrative Agent and the Lenders, of Skadden, Arps, Slate, Meagher & Flom, counsel to the Borrower and of James E. Buckman, Executive Vice President 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 no material adverse change shall have occurred with respect to the business, assets, operations or condition, financial or otherwise, of the Borrower and its Consolidated Subsidiaries, taken as a whole, since December 31, 1995.

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

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

(h) Existing Credit Agreement. Simultaneously with the making of the initial Loans, all obligations of the Borrower under the Competitive Advance and Revolving Credit Agreement, dated as of December 16, 1993, as amended, among the Borrower, the lenders named therein and The Chase Manhattan Bank, as administrative agent (the "Existing Credit Agreement") shall have been paid in full and the commitments of the lenders pursuant to the Existing Credit Agreement shall have been terminated.

(i) Officer's Certificate. The Administrative Agent shall have received a certificate of the Borrower's chief executive officer or chief financial officer certifying, as of the date of the making of the initial Loans and issuance of the initial Letters of Credit, 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 Loan and Letter of Credit.

The obligation of the Lenders to make each Loan and of any Issuing Lender to issue a Letter of Credit, including the initial Loan hereunder, is subject to the following conditions precedent:

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

(b) Representations and Warranties. The representations and warranties set forth in Article 3 hereof (other than those set forth in Section 3.5, which shall be deemed made only on the Closing Date) and in the other Fundamental Documents shall be true and correct in all material respects on and as of the date of each Borrowing hereunder (except to the extent that such representations

and warranties expressly relate to an earlier date) with the same effect as if made on and as of such date; provided, however, that this condition shall not apply to a Revolving Credit Borrowing which is solely refinancing outstanding Revolving Credit Loans and which, after giving effect thereto, has not increased the aggregate amount of outstanding Revolving Credit Loans.

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

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

5. AFFIRMATIVE COVENANTS

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

SECTION 5.1. Financial Statements, Reports, etc.

Deliver to each Lender:

(a) As soon as is practicable, but in any event within 100 days after the end of each fiscal year of the Borrower, the audited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of, and the related consolidated statements of income, shareholders' equity and cash flows for such year, and the corresponding figures as at the end of, and for, the preceding fiscal year, accompanied by an opinion of Deloitte & Touche LLP or such other independent certified public accountants of recognized standing as shall be retained by the Borrower and satisfactory to the Administrative Agent, which report and opinion shall be prepared in accordance with generally accepted auditing standards relating to reporting and which report and opinion shall (A) be unqualified as to going concern and scope of audit and shall state that such financial statements fairly present the financial condition

of the Borrower and its Consolidated Subsidiaries, as at the dates indicated and the results of the operations and cash flows for the periods indicated and (B) contain no material exceptions or qualifications except for qualifications relating to accounting changes (with which such independent public accountants concur) in response to FASB releases or other authoritative pronouncements;

(b) Commencing with the quarter ending September 30, 1996 and 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) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available by the Borrower or any of its Subsidiaries to its shareholders generally, of all regular and periodic reports and all registration statements and prospectuses, if any, filed by any of them with any securities exchange or with the Securities and Exchange Commission, or any comparable foreign bodies, and of all

press releases and other statements made available generally by any of them to the public concerning material developments in the business of the Borrower or any of its Subsidiaries;

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

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

(c) Guaranties;

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

(e) Indebtedness of any Material Subsidiary of the Borrower issued and outstanding prior to the date on which such Subsidiary became a Subsidiary of the Borrower (other than Indebtedness issued in connection with, or in anticipation of, such Subsidiary becoming a Subsidiary of the Borrower); provided that immediately prior and on a Pro Forma Basis after giving effect to, such Person becoming a

Subsidiary of the Borrower, no Default or Event of Default shall occur or then be continuing and the aggregate principal amount of such Indebtedness, when added to the aggregate outstanding principal amount of Indebtedness permitted by paragraphs (f) and (g) below, shall not exceed \$400,000,000;

(f) any renewal, extension or modification of Indebtedness under paragraph (e) above so long (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 Corporation 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 10 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, (iii) involving a Subsidiary in connection with a transaction permitted by Section 6.4(b) or (iv) the Merger; 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) Existing Liens listed on Schedule 6.5 and any extensions or renewals thereof;

(g) Liens in connection with the Receivables Facility;
and

(h) 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 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. Leverage.

Permit the ratio of Consolidated Total Indebtedness on the last day of any fiscal quarter to Consolidated EBITDA for the Rolling Period ended on such day to be more than 3.5 to 1.0.

SECTION 6.8. Interest Coverage Ratio.

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

SECTION 6.9. Accounting Practices.

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

7. EVENTS OF DEFAULT

In the case of the happening and during the continuance of any of the following events (herein called "Events of Default"):

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

(b) default shall be made in the payment of any principal of or interest on the Notes or of any fees or other amounts payable by the Borrower hereunder, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, and in the case of payments of interest, such default shall continue unremedied for five days, and in the case of payments other than of any principal amount of or interest on the Notes, such default shall continue unremedied for five 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 undischarged 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; 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 appropriate together with all

powers reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except as set forth in the Fundamental Documents. Any Lender which is a co-agent (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, 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, 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.

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 and participate in the Letters of Credit hereunder based on its own analysis of the transactions contemplated hereby and of the creditworthiness of the Borrower and agrees that neither the Administrative Agent nor any Issuing Lender shall bear responsibility therefor.

SECTION 8.9. Notice of Transfer.

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

SECTION 8.10. Successor Administrative Agent.

The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent from among the Lenders. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such

appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which with the consent of the Borrower, which will not be unreasonably withheld, shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 8.11. Resignation of an Issuing Lender.

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

9. MISCELLANEOUS

SECTION 9.1. Notices.

Notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and, if by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sending party hereto, delivered by such equipment) addressed, if to the Administrative Agent or Chase, to it at 270 Park Avenue, New York, New York 10017-2070 Attn: Sandra Miklave, with a copy to Stephanie Parker, or if to the Borrower, to it at 6 Sylvan Way, Parsippany, NJ 07054-0278 Attention: Michael Monaco, Vice Chairman and Chief Financial Officer and James E. Buckman, Senior Executive Vice President and General Counsel, with a copy to Skadden, Arps, Slate, Meagher & Flom, 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, Commitment Increase Supplement or other agreement

pursuant to which it became a Lender hereunder), or such other address as such party may from time to time designate by giving written notice to the other parties hereunder. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the fifth Business Day after the date when sent by registered or certified mail, postage prepaid, return receipt requested, if by mail, or when delivered to the telegraph company, charges prepaid, if by telegram, or when receipt is acknowledged, if by any telecopier or telegraphic communications equipment of the sender, in each case addressed to such party as provided in this Section 9.1 or in accordance with the latest unrevoked written direction from such party.

SECTION 9.2. Survival of Agreement, Representations and Warranties, etc.

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

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

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

(b) Each of the Lenders may (but only with the prior written consent of the Administrative Agent, the Issuing Lenders and the Borrower, which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other entities either (i) all or a portion of its interests, rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the same portion of the Loans at the time owing to it and the Notes held by it) (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 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 this Section shall not apply to any such pledge or grant; provided that no such pledge or grant shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

SECTION 9.4. Expenses; Documentary Taxes.

Whether or not the transactions hereby contemplated shall be consummated, the Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent 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 decrease the rate of interest payable thereon, or the rate at which the Facility 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; and provided, further that the consent of the Lenders shall not be required with respect to any amendment to this Agreement pursuant to Section 2.23. No notice to or demand on the Borrower shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Each holder of a Note shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not a Note shall have been marked to indicate such amendment, modification, waiver or consent and any consent by any holder of a Note shall bind any Person subsequently acquiring a Note, whether or not a Note is so marked.

SECTION 9.10. Severability.

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

SECTION 9.11. SERVICE OF PROCESS; WAIVER OF JURY

TRIAL.

(a) THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF NEW YORK LOCATED IN NEW YORK COUNTY AND TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF BROUGHT BY THE ADMINISTRATIVE AGENT, A LENDER OR AN ISSUING LENDER. THE BORROWER TO THE EXTENT PERMITTED BY APPLICABLE LAW (A) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS, ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF THE ABOVE-NAMED COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS AGREEMENT OR THE SUBJECT MATTER HEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT, AND (B) HEREBY WAIVES THE RIGHT TO ASSERT IN ANY SUCH ACTION, SUIT OR PROCEEDING ANY OFFSETS OR COUNTERCLAIMS EXCEPT COUNTERCLAIMS THAT ARE COMPULSORY OR OTHERWISE ARISE FROM THE SAME SUBJECT MATTER. THE BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS BY MAIL AT ITS ADDRESS TO WHICH NOTICES ARE TO BE GIVEN PURSUANT TO SECTION 9.1 HEREOF. THE BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF THE ADMINISTRATIVE

AGENT, THE LENDERS AND EACH ISSUING LENDER. FINAL JUDGMENT AGAINST THE BORROWER IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION (A) BY SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, A CERTIFIED OR TRUE COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND THE AMOUNT OF INDEBTEDNESS OR LIABILITY OF THE SUBMITTING PARTY THEREIN DESCRIBED OR (B) IN ANY OTHER MANNER PROVIDED BY, OR PURSUANT TO, THE LAWS OF SUCH OTHER JURISDICTION, PROVIDED, HOWEVER, THAT THE ADMINISTRATIVE AGENT, A LENDER OR AN ISSUING LENDER MAY AT IS OPTION BRING SUIT, OR INSTITUTE OTHER JUDICIAL PROCEEDINGS AGAINST THE BORROWER OR ANY OF ITS ASSETS IN ANY STATE OR FEDERAL COURT OF THE UNITED STATES OR OF ANY COUNTRY OR PLACE WHERE THE BORROWER OR SUCH ASSETS MAY BE FOUND.

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

SECTION 9.12. Headings.

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

SECTION 9.13. Execution in Counterparts.

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

SECTION 9.14. Entire Agreement.

This Agreement represents the entire agreement of the parties with regard to the subject matter hereof and the terms of any letters and other documentation entered into among the Borrower, the Administrative Agent or any Lender (other than the provisions of the letter agreement dated August 28, 1996, 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.

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

[SIGNATURES LINES]

CONFORMED COPY

\$1,250,000,000

364-DAY COMPETITIVE ADVANCE AND
REVOLVING CREDIT AGREEMENT

Dated as of October 2, 1996

among

CENDANT CORPORATION

as Borrower

and

THE LENDERS REFERRED TO HEREIN

and

THE CHASE MANHATTAN BANK, as Administrative Agent

(incorporating the First Amendment, dated as of January 28, 1997,
and the Second Amendment, dated as of September 18, 1997,
and the Assumption Agreement, effective as of December 18, 1997)

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364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT AGREEMENT (the "Agreement") dated as of October 2, 1996, among HFS INCORPORATED, 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 \$500,000,000 committed revolving credit facility pursuant to which Revolving Credit Loans may be made to the Borrower. 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 and to participate in 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.

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

"Alternate Base Rate" shall mean for any day, a rate per annum (rounded upwards to the nearest 1/16 of 1% if not already an integral multiple of 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect for such day, (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1% or (c) the Base CD Rate in effect for such day plus 1%. For purposes hereof, "Prime Rate" shall mean the rate per annum publicly announced by the Administrative Agent from time to time as its prime rate in effect at its principal office in New York City. For purposes of this Agreement, any change in the Alternate Base Rate due to a change in the Prime Rate shall be effective on the date such change in the Prime Rate is announced as effective. "Federal Funds Effective Rate" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. "Base CD Rate" shall mean the sum of (a) the product of (i) the Average Weekly Three-Month Secondary CD Rate times (ii) a fraction of which the numerator is 100% and the denominator is 100% minus the aggregate rates of (A) basic and supplemental reserve requirements in effect on the date of effectiveness of such Average Weekly Three-Month Secondary CD Rate, as set forth below, under Regulation D of the Board applicable to certificates of deposit in units of \$100,000 or more issued by a "member bank" located in a "reserve city" (as such terms are used in Regulation D) and (B) marginal reserve requirements in effect on such date of effectiveness under Regulation D applicable to time deposits of a "member bank" and (b) the Assessment Rate. "Average Weekly Three-Month Secondary CD Rate" shall mean the three-month secondary certificate of deposit ("CD") rate for the most recent weekly period covered therein in the Federal Reserve Statistical release entitled "Weekly Summary of Lending and Credit Measures (Averages of daily figures)" released in the week during which occurs the day for which the CD rate is being determined. The CD rate so reported shall be in effect, for the purposes of this definition, for each day of the week in which the release date of such publication occurs. If such publication or a substitute containing the foregoing rate information is not published by the Federal Reserve for any week, such average rate shall be determined by the Administrative Agent on the basis of quotations received by it from three New York City negotiable certificate of deposit dealers of recognized standing on the first Business Day of the week succeeding such week for which such rate information is not published. If for any

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

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

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

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

"Avis" shall mean HFS Car Rental, Inc., a Delaware corporation.

"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 Expenditures" shall mean, with respect to any Person for any period, the aggregate of all expenditures (whether paid in cash or accrued as a liability) by such Person during that period which, in accordance with GAAP, are or should be included in "additions to property, plant or equipment" or similar items reflected in the statement of cash flows of such Person.

"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.

"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 Merger Effective 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 Merger Effective 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 Merger Effective Date or whose election or a nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Borrower then in office.

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

"Closing Date" shall mean the date on which the conditions precedent to the making of the Loans as set forth in Section 4.1 have been satisfied or waived, which shall in no event be later than October 31, 1996.

"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, (ii) any applicable Assignment and Acceptance to which it may be a party, and/or (iii) any applicable Commitment Increase Supplement, and/or (iv) any agreement delivered pursuant to Section 2.24(d), as the case may be, as such Lender's Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.12 or 2.24 or Article 7 or increased pursuant to Section 2.23. The Commitments shall automatically and permanently terminate on the earlier of (a) the Maturity Date or (b) the date of termination in whole pursuant to Section 2.12 or Article 7.

"Commitment Expiration Date" shall have the meaning assigned to such term in Section 2.24(a).

"Commitment Increase Supplement" shall mean a Commitment Increase Supplement, substantially in the form of Exhibit G.

"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, plus (vi) other non-cash items reducing Consolidated Net Income, all as determined on a consolidated basis for the Borrower and its Consolidated Subsidiaries in accordance with GAAP.

"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.

"Consolidated Net Income" shall mean, for any period for which such amount is being determined, the net income (loss) of the Borrower and its Consolidated Subsidiaries during such period determined on a consolidated basis for such period taken as a single accounting period in accordance with GAAP, provided that there shall be excluded (i) income (or loss) of any Person (other than a Consolidated Subsidiary of the Borrower) in which the Borrower or any of its Consolidated Subsidiaries has an equity investment or comparable interest, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or of its Consolidated Subsidiaries by such Person during such period, (ii) the income (or loss) of any Person accrued prior to the date it becomes a Consolidated Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Consolidated Subsidiaries or the Person's assets are acquired by the Borrower or any of its Consolidated Subsidiaries, (iii) the income of any Consolidated Subsidiary 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, (iv) any extraordinary after-tax

gains and (v) any extraordinary pretax losses but only to the extent attributable to a write-down of financing costs relating to any existing and future indebtedness.

"Consolidated Net Worth" shall mean, 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.

"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 the total amount of Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis using GAAP principles of consolidation, but without regard to whether or not any such Indebtedness would be required to be shown on a consolidated balance sheet prepared in accordance with GAAP; provided that Consolidated Total Indebtedness shall be deemed to include, at the time of any computation thereof, the aggregate amount of any outstanding loans to, any investment in the capital stock of, any purchase price in excess of the fair market value of assets of, and any other investments by the Borrower and its Subsidiaries (other than Avis and its Subsidiaries and PHH and its Subsidiaries) in, Avis and its Subsidiaries and PHH and its Subsidiaries (other than the purchase price paid by the Borrower to acquire Avis and PHH). The amount of any such investment at any time shall equal the original cost thereof plus any additions thereto (in each case without giving effect to any appreciation or depreciation in the value thereof) net of any returns thereon actually received by the Borrower or any of its Subsidiaries (other than Avis and its Subsidiaries and PHH and its Subsidiaries).

"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 ("EPCRA"), 42 U.S.C. ss. 11001 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. ss. 6901 et seq., the Occupational Safety and Health Act as amended ("OSHA"), 29 U.S.C. ss. 655 and ss. 657, together, in each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

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

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

"Existing Credit Agreement" shall have the meaning assigned to such term in Section 4.1(h).

"Extension Request" means each request by the Borrower made pursuant to Section 2.24 for the Lenders to extend the Maturity Date, which shall contain the information in respect of such extension specified in Exhibit H and shall be delivered to the Administrative Agent in writing.

"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.

"Five Year Credit Agreement" shall mean the Five Year Competitive Advance and Revolving Credit Agreement, dated as of the date hereof, among the Borrower, the lenders referred to therein and Chase, as administrative agent.

"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 Merger Effective 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.

"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 minus the amount of Restricted Payments and Capital Expenditures of the Borrower and its Consolidated Subsidiaries (determined on a consolidated basis, in accordance with GAAP) to the extent paid in cash (including cash payments during such period to liquidate any such item previously accrued as a liability) 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, 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, commencing December 31, 1996, (ii) the Maturity Date and (iii) the date such Borrowing is refinanced with a Borrowing of a different Interest Rate Type in accordance with Section 2.6 or is prepaid in accordance with Section 2.13, (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing and (d) with respect to Loans made by an Objecting Lender, no Interest Period with respect to such Objecting Lender's Loans shall end after such Objecting Lender's Commitment Expiration Date; 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 agrees in writing to act as such in accordance with the terms hereof.

"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.

"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.

"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 September 30, 1998, or such later date as shall be determined pursuant to the provisions of Section 2.24 with respect to non-Objecting Lenders.

"Merger" shall mean the merger of HFS Incorporated into CUC International Inc.

"Merger Effective Date" shall have the meaning set forth in the Second Amendment, dated as of September 18, 1997, to this Agreement.

"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.

"non-Objecting Lender" shall mean any Lender that is not an Objecting Lender.

"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, 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.

"Objecting Lender" shall mean any Lender that does not consent to the extension of the Maturity Date pursuant to Section 2.24.

"PBGCC" 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.

"Receivables Facility" shall mean the Coldwell Banker Relocation Services, Inc. receivables facility evidenced by the Amended and Restated Investor Funding Agreement, dated as of October 5, 1994 among Coldwell Banker Funding Corporation, Bankers Trust Company, the Investors party thereto, Citicorp North America Inc. and Bank of America Illinois, The Homeowner Employee Asset Receivable Trust Amended and Restated Pooling and Servicing Agreement, dated as of October 5, 1994 among Coldwell Banker Funding Corporation, Coldwell Banker Relocation Services, Inc., Citicorp North America, Inc. and Bankers Trust Company and the Amended and Restated Purchase Agreement, dated as of October 5, 1994 by and between Coldwell Banker Relocation Services, Inc. and Coldwell Banker Funding Corporation, as each of the foregoing may from time to time be amended, modified or supplemented and any replacement or refinancing thereof whether or not with the same parties.

"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 at the time outstanding.

"Restricted Payment" shall mean (i) any distribution, dividend or other direct or indirect payment on account of shares of any class of stock of the Borrower or any Subsidiary now or hereafter outstanding except for distributions, dividends or other payments solely in shares of capital stock of a Subsidiary which are distributed pro rata to its stockholders or solely in shares of capital stock of the Borrower, (ii) any redemption or other acquisition or re-acquisition by the Borrower or a Subsidiary of any class of its own stock or other equity interest of the Borrower, a Subsidiary or an Affiliate now or hereafter outstanding, and (iii) any payment made to retire, or obtain the surrender of any outstanding warrants or options or other rights to purchase or acquire shares of any class of stock of the Borrower or a Subsidiary now or hereafter outstanding; provided, however, that the term "Restricted Payment" as used herein, shall not include any distribution, dividend, redemption or other payment made to the Borrower by any of its Consolidated Subsidiaries, or to any of the Borrower's Consolidated Subsidiaries by the Borrower or any of its other Consolidated Subsidiaries.

"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.

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

"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, Avis and its Subsidiaries and PHH and its Subsidiaries shall be deemed not to be Subsidiaries of the Borrower.

"Supermajority Lenders" means Lenders (a) which are not Objecting Lenders with respect to any previous Extension Request and (b) which have Commitments representing at least 75% of the aggregate Commitment Percentages of such non-Objecting Lenders.

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

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 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 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, 140 East 45th Street, New York, New York 10017, Attention: Sandra Miklave, for credit to HFS Incorporated Clearing Account, Account No. 144812905 (Reference: HFS Incorporated Credit Agreement dated as of October 2, 1996) no later than 1:00 P.M. New York City time in Federal or other immediately available funds. Upon receipt of the funds to be made available by the Lenders to fund any Borrowing hereunder, the Administrative Agent shall disburse such funds by depositing them into an account of the Borrower maintained with the Administrative Agent. 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 Company 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 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 the Borrower has a senior unsecured long-term debt rating of BBB- or better from S&P or Baa3 or better from Moody's.

SECTION 2.5. Revolving Credit Borrowing Procedure.

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

SECTION 2.6. Refinancings.

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

SECTION 2.7. Fees.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, commencing December 31, 1996, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee",) at the rate per annum from time to time in effect in accordance with Section 2.22, on the amount of the Commitment of such Lender, whether

used or unused, during the preceding quarter (or shorter period commencing with the Closing Date, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the 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 the Administrative Agent, for its own account, the fees at the times and in the amounts provided for in the letter agreement dated August 28, 1996 among the Borrower, Chase and Chase Securities Inc.

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

SECTION 2.8. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Credit Loan of such Lender on the Maturity Date (or such earlier date on which the Revolving Credit Loans become due and payable pursuant to Article 7); provided, that the Revolving Credit Loans made by Objecting Lenders shall be repaid as provided in Section 2.24. The Borrower hereby further agrees to pay 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.

(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 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 or (b) October 31, 1996 if the Closing Date has not occurred on or prior to such date.

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

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

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) 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 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 or Section 2.21 or (ii) would require the Borrower to pay an increased amount under this Section 2.15, Section 2.16 or Section 2.21, it will use reasonable efforts to notify the Borrower of such event or condition and, to the extent not inconsistent with such Lender's internal policies, will use its reasonable efforts to make, fund or maintain the affected Loans of such Lender, 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 or Section 2.21 would be materially reduced or the taxes or other amounts otherwise payable under this Section 2.15, Section 2.16 or Section 2.21 would be materially reduced, and if, as determined by such Lender, in its sole discretion, the making, funding or maintaining of such 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 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, 2.17, 2.23 and 2.24, (i) each Revolving Credit Borrowing, each payment or prepayment of principal of any Revolving Credit Borrowing, each payment of interest on the Revolving Credit Loans, each payment of the Facility Fees, each 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 unmaturred. 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 at the office of the Administrative Agent's Agent Bank Services Department, 140 East 45th Street, New York, New York 10017, Attention: Sandra Miklave, for credit to HFS Incorporated Clearing Account, Account No. 144812905 (Reference: HFS Incorporated Credit Agreement dated October 2, 1996) 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 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)
-----	-----	-----
AA-/Aa3 or better	4.0	14.75
A+/A1	5.0	15.00
A/A2	6.0	16.50
A-/A3	7.0	18.00
BBB+/Baa1	8.0	22.00
BBB/Baa2	10.0	25.00
BBB-/Baa3	12.5	37.50
BB+/Bal or worse	17.5	45.00

In the event the S&P rating on the Borrower's senior unsecured long-term debt is not equivalent to the Moody's rating on such debt, the higher rating will determine the Facility Fee and applicable LIBOR Spread, unless the S&P and Moody's ratings are more than one level apart, in which case the rating one level below the higher rating will be determinative. In the event that the Borrower's senior unsecured long-term debt is rated by only one of S&P and Moody's, 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.

SECTION 2.23. Increase of Commitments. (a) At the request of the Borrower to the Administrative Agent, the aggregate Commitments hereunder may be increased on the Merger Effective Date by not more than \$500,000,000 provided that (i) each Lender whose Commitment is increased consents, (ii) the increase is in a multiple of \$25,000,000 and (iii) the consent of the Administrative Agent is obtained.

(b) In the event that the Borrower and one or more of the Lenders (or other financial institutions which may elect to participate with the consent of the Administrative Agent) shall agree, in accordance with Section 2.23(a), upon such an increase in the aggregate Commitments, the Borrower, the Administrative Agent and each financial institution in question shall enter into a Commitment Increase Supplement setting forth the amounts of the increase in Commitments and providing that the additional financial institutions participating shall be deemed to be included as Lenders for all purposes of this Agreement. Upon the execution and delivery of such Commitment Increase Supplement as provided above, and upon satisfaction of such other conditions as the Administrative Agent may specify (including the delivery of certificates and legal opinions on behalf of the Borrower relating to the amendment and, if requested, new Notes), this Agreement shall be deemed to be amended accordingly.

(c) No Lender shall have any obligation to increase its Commitment in the event of such a request by the Borrower hereunder.

SECTION 2.24. Extension of Maturity Date. (a) Not less than 60 days and not more than 90 days prior to the Maturity Date then in effect, provided that no Event of Default shall have occurred and be continuing, the Borrower may request an extension of such Maturity Date by submitting to the Administrative Agent an Extension Request containing the information in respect of such extension specified in Exhibit H, which the Administrative Agent shall promptly furnish to each Lender. Each Lender shall, not less than 30 days and not more than 60 days prior to the Maturity Date then in effect, notify the Borrower and the Administrative Agent of its election to extend or not extend the Maturity Date as requested in such Extension Request. Notwithstanding any provision of this Agreement to the contrary, any notice by any Lender of its willingness to extend the Maturity Date shall be revocable by such Lender in its sole and absolute discretion at any time prior to the date which is 30 days prior to the Maturity Date then in effect. If the

Supermajority Lenders shall approve in writing the extension of the Maturity Date requested in such Extension Request, the Maturity Date shall automatically and without any further action by any Person be extended for the period specified in such Extension Request; provided that (i) each extension pursuant to this Section 2.24 shall be for a maximum of 364 days and (ii) the Commitment of any Lender which does not consent in writing to such extension not less than 30 days and not more than 60 days prior to the Maturity Date then in effect (an "Objecting Lender") shall, unless earlier terminated in accordance with this Agreement, expire on the Maturity Date in effect on the date of such Extension Request (such Maturity Date, if any, referred to as the "Commitment Expiration Date" with respect to such Objecting Lender). If not less than 30 days and not more than 60 days prior to the Maturity Date then in effect, the Supermajority Lenders shall not approve in writing the extension of the Maturity Date requested in an Extension Request, the Maturity Date shall not be extended pursuant to such Extension Request. The Administrative Agent shall promptly notify (y) the Lenders and the Borrower of any extension of the Maturity Date pursuant to this Section 2.24 and (z) the Borrower and any other Lender of any Lender which becomes an Objecting Lender.

(b) Revolving Credit Loans owing to any Objecting Lender on the Commitment Expiration Date with respect to such Lender shall be repaid in full on or before such Commitment Expiration Date.

(c) The Borrower shall have the right, so long as no Event of Default has occurred and is then continuing, upon giving notice to the Administrative Agent and the Objecting Lender in accordance with Section 2.13, to prepay in full the Revolving Credit Loans of the Objecting Lenders, together with accrued interest thereon, any amounts payable pursuant to Sections 2.9, 2.10, 2.14, 2.15, 2.17, 2.21, and 9.4 and any accrued and unpaid Facility Fee or other amounts payable to it hereunder and/or, upon giving not less than three Business Days' notice to the Objecting Lenders and the Administrative Agent, to cancel the whole or part of the Commitments of the Objecting Lenders.

(d) The Borrower may, with the consent of the Administrative Agent, designate one or more financial institutions to act as a Lender hereunder in place of any Objecting Lender, and upon the execution of an agreement substantially in the form of Exhibit I by each such Objecting Lender (who hereby agrees to execute such agreement), such replacement financial institution and the Administrative Agent, such replacement financial institution shall become and be a Lender hereunder with all the rights and obligations it would have had if it had been named on the signature pages hereof, and having for all such financial institutions aggregate Commitments of no greater than the whole of the Commitment of the Objecting Lender in place of which such financial institutions were designated; provided, that the Facility Fees, interest and other

payments to the Lenders due hereunder shall accrue for the account of each such financial institution from the date of replacement pursuant to such agreement. The Administrative Agent shall notify the Lenders of the execution of any such agreement, the name of the financial institution executing such agreement and the amount of such financial institution's Commitment.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

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

SECTION 3.1. Corporate Existence and Power.

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

(i) The (a) audited consolidated balance sheets of HFS Incorporated and its Consolidated Subsidiaries as of December 31, 1995 and December 31, 1996, and (b) unaudited consolidated balance sheets of HFS Incorporated and its Consolidated Subsidiaries as of March 31, 1997 and June 30, 1997, together with the related unaudited statements of income, shareholders' equity and cash flows for such periods, fairly present the financial condition of HFS Incorporated 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, 1997 and June 30, 1997 financial statements.

(ii) The (a) audited consolidated balance sheets of CUC International Inc. and its consolidated Subsidiaries as of January 31, 1996 and January 31, 1997 and (b) unaudited consolidated balance sheets of CUC International Inc. and its consolidated Subsidiaries as of April 30, 1997, together with the related unaudited statements of income, shareholders' equity and cash flows for such periods, fairly present the financial condition of CUC International Inc. 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 April 30, 1997 financial statements.

(iii) The pro forma combined balance sheets of CUC International Inc. dated April 30, 1997, and of HFS Incorporated, dated March 31, 1997, as set forth in the unaudited pro forma combining financial statements for the Merger set forth in the joint proxy statement prospectus filed by CUC International Inc. and HFS Incorporated dated August 28, 1997, fairly present the consolidated financial condition of the surviving company of the Merger and its consolidated Subsidiaries as at the dates indicated.

SECTION 3.5. No Material Adverse Change.

Since December 31, 1996 and January 31, 1997, respectively, there has been no material adverse change in the business, assets, operations, or condition, financial or otherwise, of HFS Incorporated and its Subsidiaries taken as a whole or of CUC International Inc. and its Subsidiaries taken as a whole; provided, however, that the foregoing representation is made solely as of the Merger Effective Date.

SECTION 3.6. Subsidiaries.

Annexed hereto as Schedule 3.6 is a correct and complete list as of the Merger Effective Date of all Material Subsidiaries of the Borrower showing, as to each Material Subsidiary, its name, the jurisdiction of its incorporation, its authorized capitalization and the ownership of the capital stock of such Material Subsidiary.

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 Merger Effective 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 G, 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 Merger Effective 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 Merger Effective Date, neither this Agreement nor the Confidential Information Memorandum dated September 1996, 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 Merger Effective 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) except as set forth on Schedule 3.16, has become subject to any Environmental Liability, (iii) except as set forth on Schedule 3.16, has received notice of any claim with respect to any Environmental Liability or (iv) except as set forth on Schedule 3.16, knows of any basis for any Environmental Liability.

4. CONDITIONS OF LENDING

SECTION 4.1. Conditions Precedent to Initial Loans.

The obligation of each Lender to make its initial Loan is subject to the following conditions precedent:

- (a) Loan Documents. The Administrative Agent shall have received this Agreement and each of the other

Fundamental Documents, each executed and delivered by a duly authorized officer of the Borrower.

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

(c) Financial Statements. The Lenders shall have received the (a) audited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 1994 and December 31, 1995, (b) unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 1996 and June 30, 1996, and (c) the unaudited consolidating balance sheets of the Borrower and its Consolidated Subsidiaries as of December 31, 1995, together with the related unaudited statements of income, shareholders' equity and cash flows for such periods prepared in conformity with GAAP, subject to normal year-end adjustments.

(d) Opinions of Counsel. The Administrative Agent shall have received the favorable written opinions, dated the date of the initial Loans and addressed to the Administrative Agent and the Lenders, of Skadden, Arps, Slate, Meagher & Flom, counsel to the Borrower and of James E. Buckman, Executive Vice President 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 no material adverse change shall have occurred with respect to the business, assets, operations or condition, financial or otherwise, of the Borrower and its Consolidated Subsidiaries, taken as a whole, since December 31, 1995.

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

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

(h) Existing Credit Agreement. Simultaneously with the making of the initial Loans, all obligations of the Borrower under the Competitive Advance and Revolving Credit Agreement, dated as of December 16, 1993, as amended, among the Borrower, the lenders named therein and The Chase Manhattan Bank, as administrative agent (the "Existing Credit Agreement") shall have been paid in full and the commitments of the lenders pursuant to the Existing Credit Agreement shall have been terminated.

(i) Officer's Certificate. The Administrative Agent shall have received a certificate of the Borrower's chief executive officer or chief financial officer certifying, as of the date of the making of the initial Loans and issuance of the initial Letters of Credit, 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 Loan.

The obligation of the Lenders to make each Loan, including the initial Loan hereunder, is subject to the following conditions precedent:

(a) Notice. The Administrative Agent shall have received a notice with respect to such Borrowing as required by Article 2 hereof.

(b) Representations and Warranties. The representations and warranties set forth in Article 3 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 hereunder, the Borrower shall be in material compliance with all of the terms and provisions set forth herein to be observed or performed and no Event of Default or Default shall have occurred and be continuing; provided, however, that this condition shall not apply to a Revolving Credit Borrowing which is solely refinancing outstanding Revolving Credit Loans and which, after giving effect thereto, has not increased the aggregate amount of outstanding Revolving Credit Loans.

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

5. AFFIRMATIVE COVENANTS

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, 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) Commencing with the quarter ending September 30, 1996 and 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) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available by the Borrower or any of its Subsidiaries to its shareholders generally, of all regular and periodic reports and all registration statements and prospectuses, if any, filed by any of them with any securities exchange or with the Securities and Exchange Commission, or any comparable foreign bodies, and of all press releases and other statements made available generally by any of them to the public concerning material developments in the business of the Borrower or any of its Subsidiaries;

(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 as to such event and the action it proposes to take with respect thereto, (b) promptly upon the reasonable request of the Administrative Agent, copies of each annual and other report with respect to each Plan and (c) promptly after receipt thereof, a copy of any notice the Borrower or any of its Subsidiaries may receive from the PBGC relating to the PBGC's intention to terminate any Plan or to appoint a trustee to administer any Plan; provided that the Borrower shall not be required to notify the Administrative Agent of the occurrence of any of the events set forth in the preceding clauses (a) and (c) unless such event, individually or in the aggregate, could reasonably be expected to result in a material liability to the Borrower and its Subsidiaries taken as a whole.

SECTION 5.6. Maintenance of and Access to Books and Records; Examinations.

Maintain or cause to be maintained at all times true and complete books and records of its financial operations (in accordance with GAAP) and provide the Administrative Agent and its representatives 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, unless the Required Lenders shall otherwise consent in writing, the Borrower agrees that it will not, nor will it permit any of its Subsidiaries to, directly or indirectly:

SECTION 6.1. Limitation on Indebtedness.

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

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

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

(c) Guaranties;

(d) Indebtedness owing by any Material Subsidiary to the Borrower or any other Subsidiary arising in the ordinary course of business for normal business purposes;

(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 Corporation 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 10 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, (iii) involving a Subsidiary in connection with a transaction permitted by Section 6.4(b) or (iv) the Merger; 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) Existing Liens listed on Schedule 6.5 and any extensions or renewals thereof;

(g) Liens in connection with the Receivables Facility;
and

(h) 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 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. Leverage.

Permit the ratio of Consolidated Total Indebtedness on the last day of any fiscal quarter to Consolidated EBITDA for the Rolling Period ended on such day to be more than 3.5 to 1.0.

SECTION 6.8. Interest Coverage Ratio.

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

SECTION 6.9. Accounting Practices.

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

7. EVENTS OF DEFAULT

In the case of the happening and during the continuance of any of the following events (herein called "Events of Default"):

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

false or misleading in any material respect when made or delivered;

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

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 appropriate together with all powers reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except as set forth in the Fundamental Documents. Any Lender which is a co-agent (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, 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, after collection by the Administrative Agent, in immediately available funds either by wire transfer or deposit in such Lender's correspondent account with the Administrative Agent, or as such Lender and the Administrative Agent shall from time to time agree.

SECTION 8.3. Sharing of Setoffs and Cash Collateral.

Each of the Lenders agrees that if it shall, through the operation of Section 2.19 hereof or the exercise of a right of 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 is proportionately less than the unpaid portion of any of the other Lenders (a) it shall promptly purchase at par (and shall be deemed to have thereupon purchased) from such other Lenders a participation in the Loans of such other Lenders, so

that the aggregate unpaid principal amount of each of the Lenders' Loans and its participation in Loans of the other Lenders shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of its Loans prior to the obtaining of such payment was to the principal amount of all Loans outstanding prior to the obtaining of such payment and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that the Lenders share such payment pro rata.

SECTION 8.4. Notice to the Lenders.

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

SECTION 8.5. Liability of Administrative Agent.

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

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

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

SECTION 8.6. Reimbursement and Indemnification.

Each of the Lenders severally and not jointly agrees (i) to reimburse the Administrative Agent, in the amount of its proportionate share, 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 and participate in the Letters of Credit hereunder based on its own analysis of the transactions contemplated hereby and of the creditworthiness of the Borrower and agrees that neither the Administrative Agent nor any Issuing Lender shall bear responsibility therefor.

SECTION 8.9. Notice of Transfer.

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

SECTION 8.10. Successor Administrative Agent.

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

or omitted to be taken by it while it was Administrative Agent under this Agreement.

9. MISCELLANEOUS

SECTION 9.1. Notices.

Notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and, if by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sending party hereto, delivered by such equipment) addressed, if to the Administrative Agent or Chase, to it at 270 Park Avenue, New York, New York 10017-2070 Attn: Sandra Miklave, with a copy to Stephanie Parker, or if to the Borrower, to it at 6 Sylvan Way, Parsippany, NJ 07054-0278 Attention: Michael Monaco, Vice Chairman and Chief Financial Officer and James E. Buckman, Senior Executive Vice President and General Counsel, with a copy to Skadden, Arps, Slate, Meagher & Flom, 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, Commitment Increase Supplement or other agreement pursuant to which it became a Lender hereunder), or such other address as such party may from time to time designate by giving written notice to the other parties hereunder. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the fifth Business Day after the date when sent by registered or certified mail, postage prepaid, return receipt requested, if by mail, or when delivered to the telegraph company, charges prepaid, if by telegram, or when receipt is acknowledged, if by any telecopier or telegraphic communications equipment of the sender, in each case addressed to such party as provided in this Section 9.1 or in accordance with the latest unrevoked written direction from such party.

SECTION 9.2. Survival of Agreement, Representations and Warranties, etc.

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

SECTION 9.3. Successors and Assigns; Syndications;

Loan Sales; Participations.

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

(b) Each of the Lenders may (but only with the prior written consent of the Administrative Agent, the Issuing Lenders and the Borrower, which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other entities either (i) all or a portion of its interests, rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the same portion of the Loans at the time owing to it and the Notes held by it) (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 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 this Section shall not apply to any such pledge or grant; provided that no such pledge or grant shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

SECTION 9.4. Expenses; Documentary Taxes.

Whether or not the transactions hereby contemplated shall be consummated, the Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the syndication, preparation, execution, delivery and administration of this Agreement, the Notes and the making of the Loans, including but not limited to 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 in connection with the enforcement or protection of the rights of the Lenders in connection with this Agreement or the Notes or any other Fundamental Document, and with respect to any action which may be instituted by any Person against any Lender 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 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.

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.

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 decrease the rate of interest payable thereon, or the rate at which the Facility 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 or Supermajority 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; and provided, further that the consent of the Lenders shall not be required with respect to any amendment to this Agreement pursuant to Section 2.23. No notice to or demand on the Borrower shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Each holder of a Note shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not a Note shall have been marked to indicate such amendment, modification, waiver or consent and any consent by any holder of a Note shall bind any Person subsequently acquiring a Note, whether or not a Note is so marked.

SECTION 9.10. Severability.

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

SECTION 9.11. SERVICE OF PROCESS; WAIVER OF JURY

TRIAL.

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

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

COURT AS WRITTEN EVIDENCE OF THE CONSENT OF SUCH OTHER PARTY TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY.

SECTION 9.12. Headings.

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

SECTION 9.13. Execution in Counterparts.

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

SECTION 9.14. Entire Agreement.

This Agreement represents the entire agreement of the parties with regard to the subject matter hereof and the terms of any letters and other documentation entered into among the Borrower, the Administrative Agent or any Lender (other than the provisions of the letter agreement dated August 28, 1996, among the Borrower, Chase and Chase Securities Inc., relating to fees and expenses and syndication issues) prior to the execution of this Agreement which relate to Loans to be made shall be replaced by the terms of this Agreement.

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

[SIGNATURES LINES]

[CHASE LOGO]

CHASE SECURITIES INC.
270 Park Avenue
New York, New York 10017

THE CHASE MANHATTAN BANK
270 Park Avenue
New York, New York 10017

January 23, 1998

Cendant Corporation
Acquisition Revolving Credit Facility
Commitment Letter

Cendant Corporation
6 Sylvan Way
Parsippany, New Jersey 07054

Attention: Michael Monaco, Vice Chairman and
Chief Financial Officer

Ladies and Gentlemen:

You have advised The Chase Manhattan Bank ("Chase") and Chase Securities Inc. ("CSI") that Cendant Corporation, a Delaware corporation (the "Borrower"), proposes to create a new wholly-owned subsidiary ("Acquisition Co.") which will make a tender offer (the "Tender Offer") for 51% of the issued and outstanding shares of common stock, par value \$1.00 per share (the "Shares"), of a corporation identified to us as "Target" (the "Target"), followed by the merger (the "Merger") of Acquisition Co. and the Target, with the surviving corporation being a wholly-owned subsidiary of the Borrower. The Merger will be consummated as soon as practicable after completion of the Tender Offer.

You have also advised us that in order to finance the Tender Offer and the Merger (including the purchase of shares of the Target subject to perfected appraisal rights under applicable law) and other purchases of common and preferred shares of the Target and pay fees and expenses in

connection therewith you will require a senior revolving credit facility of up to \$1.5 billion (the "Acquisition Revolving Credit Facility"). In that connection, you have requested that CSI agree to structure, arrange and syndicate the Acquisition Revolving Credit Facility, and that Chase commit to provide the entire amount of the Acquisition Revolving Credit Facility and to serve as sole administrative agent for the Acquisition Revolving Credit Facility. It is our understanding that, within a reasonable time after consummation of the Merger, you intend to refinance the Acquisition Revolving Credit Facility with capital raised in the capital markets. Any acquisition of common or preferred shares of the Target, whether pursuant to the Tender Offer, the Merger or otherwise, is referred to herein as the "Acquisition."

CSI is pleased to advise you that it is willing to act as sole advisor and arranger for the Acquisition Revolving Credit Facility.

Furthermore, Chase is pleased to advise you of its commitment to provide the entire amount of the Acquisition Revolving Credit Facility, upon the terms and subject to the conditions set forth or referred to in this commitment letter (the "Commitment Letter") and in the Summary of Terms and Conditions attached hereto as Exhibit A (the "Term Sheet").

It is agreed that Chase will act as the sole Administrative Agent, and that CSI will act as the sole advisor and arranger, for the Acquisition Revolving Credit Facility, and each will, in such capacities, perform the duties and exercise the authority customarily performed and exercised by it in such roles. You agree that no other agents or arrangers (other than co-agents) will be appointed, no other titles will be awarded and no compensation (other than that expressly contemplated by the Term Sheet) will be paid in connection with the Acquisition Revolving Credit Facility unless you and we shall so agree.

We intend to syndicate the Acquisition Revolving Credit Facility (including, in our discretion, all or part of Chase's commitment hereunder) to a syndicate of financial institutions identified by CSI and Chase in consultation with you (the "Lenders"). CSI intends to commence syndication efforts after the execution of this Commitment Letter at a time CSI deems appropriate, and you agree actively to assist CSI in completing a syndication satisfactory to it. Such assistance shall include (a) your using commercially reasonable efforts to ensure that the syndication efforts benefit materially from your existing lending relationships and the existing lending relationship of the Target (to the extent practicable), (b) direct contact between senior management and advisors of the Borrower and the Target (to the extent practicable) and the proposed Lenders, (c) assistance in the preparation of a Confidential Information Memorandum and other marketing materials to be used in connection with the syndication and (d) the hosting, with CSI, of one or more meetings of prospective Lenders.

It is agreed that CSI, in consultation with you, will manage all aspects of the syndication, including the selection of institutions to be approached, their naming rights and the allocations of the commitments among the Lenders. To assist CSI in its syndication efforts, you agree promptly to prepare and provide to CSI and Chase all written information with respect to the Borrower, the Tender Offer, the Acquisition, the Merger and the other transactions contemplated hereby as we may reasonably request in connection with the arrangement and syndication of the Acquisition Revolving Credit Facility. You hereby represent and covenant that all information other than projections, if

any (the "Information"), that has been or will be made available to Chase or CSI by you or any of your representatives is or will be, when furnished and taken as a whole, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made. You understand that in arranging and syndicating the Acquisition Revolving Credit Facility we may use and rely on the Information without independent verification thereof.

Chase and CSI shall be entitled, after consultation with you, to change the pricing of the Acquisition Revolving Credit Facility if the syndication has not been completed and if Chase and CSI determine that such changes are advisable to insure a successful syndication of the Acquisition Revolving Credit Facility.

Chase's commitment hereunder and CSI's agreement to perform the services described herein are subject to (a) there not occurring or becoming known to us any material adverse change in the business, assets, operations or condition (financial or otherwise) of the Borrower and its subsidiaries taken as a whole, (b) there not having occurred a material disruption of or material adverse change in financial, banking or capital market conditions that, in our judgment, is reasonably likely to materially impair the syndication of the Acquisition Revolving Credit Facility, (c) our satisfaction that prior to and during the syndication of the Acquisition Revolving Credit Facility there shall be no competing offering, placement or arrangement of any bank financing by or on behalf of the Borrower, (d) the negotiation, execution and delivery on or before October 26, 1998 of definitive documentation with respect to the Acquisition Revolving Credit Facility satisfactory to Chase and its counsel (subject to the provisions of the Term Sheet, such documentation will contain terms substantially similar to, and consistent with, the Borrower's existing credit agreements for which Chase acts as administrative agent) and (e) the other conditions set forth or referred to in the Term Sheet. The terms and conditions of Chase's commitment hereunder and of the Acquisition Revolving Credit Facility are not limited to those set forth herein and in the Term Sheet. Those matters that are not covered by the provisions hereof and of the Term Sheet are subject to the approval and agreement of Chase, CSI and the Borrower.

You agree (a) to indemnify and hold harmless Chase, CSI, their affiliates and their respective officers, directors, employees, advisors, and agents (each, an "indemnified person") from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this Commitment Letter, the Acquisition Revolving Credit Facility, the use of the proceeds thereof, the Tender Offer, the Acquisition, the Merger or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any indemnified person is a party thereto, and to reimburse each indemnified person upon demand for any legal or other expenses incurred in connection with investigating or defending any of the foregoing, provided that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they arise from the willful misconduct or gross negligence of such indemnified person, and (b)

to reimburse Chase, CSI and their affiliates on demand for all out-of-pocket expenses (including due diligence expenses, syndication expenses, travel expenses, and reasonable fees, charges and disbursements of counsel) incurred in connection with the Acquisition Revolving Credit Facility and any related documentation (including this Commitment Letter, the Term Sheet and the definitive financing documentation) or the administration, amendment, modification or waiver thereof. No indemnified person shall be liable for any indirect or consequential damages in connection with its activities related to the Acquisition Revolving Credit Facility.

You acknowledge that Chase and its affiliates (the term "Chase" being understood to refer hereinafter in this paragraph to include such affiliates) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transactions described herein and otherwise. Chase will not use confidential information obtained from you by virtue of the transactions contemplated by this Commitment Letter or their other relationships with you in connection with the performance by Chase of services for other companies, and Chase will not furnish any such information to other companies. You also acknowledge that Chase has no obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, confidential information obtained from other companies.

This Commitment Letter shall not be assignable by you without the prior written consent of Chase and CSI (and any purported assignment without such consent shall be null and void), is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto. This Commitment Letter may not be amended or waived except by an instrument in writing signed by you, Chase and CSI. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

This Commitment Letter is delivered to you on the understanding that neither this Commitment Letter or the Term Sheet nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except (a) to your officers, counsel and advisors who are directly involved in the consideration of this matter or (b) as may be compelled in a judicial or administrative proceeding (in which case you agree to inform us promptly thereof); provided that upon your acceptance of this Commitment Letter you may disclose the terms of this Commitment Letter and the Term Sheet to the Target's Board of Directors, employees, counsel and advisors and in filings with the Securities and Exchange Commission.

You agree that you shall not issue or authorize any press release or other publicity or make or authorize any public statement concerning the Target, the Tender Offer, the Acquisition, the Acquisition Revolving Credit Facility or any of the matters contemplated by this Commitment Letter or the Term Sheet which refers to Chase, CSI, their affiliates or the agreements of Chase and CSI set forth herein without obtaining the prior approval of Chase and CSI.

The reimbursement, indemnification and confidentiality provisions contained herein shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or Chase's commitment hereunder.

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Term Sheet by returning to us an executed counterpart hereof not later than 5:00 p.m., New York City time, on Monday, January 26, 1998. Chase's commitment and CSI's agreements herein will expire at such time in the event Chase has not received such executed counterpart in accordance with the immediately preceding sentence.

Chase and CSI are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

THE CHASE MANHATTAN BANK

By:/s/ B. Joseph Lillis

Name: B. Joseph Lillis
Title: Managing Director

CHASE SECURITIES INC.

By:/s/ Susan F. Stevens

Name: Susan F. Stevens
Title: Managing Director

Accepted and agreed to
as of the date first
written above by:

CENDANT CORPORATION

By:/s/ Michael P. Monaco

Name: Michael P. Monaco
Title: Vice Chairman and Chief
Financial Officer

CENDANT CORPORATION ACQUISITION REVOLVING CREDIT FACILITY

Summary of Terms and Conditions

January 23, 1998

I. Parties; Transaction

Borrower: Cendant Corporation (the "Borrower").

Advisor and Arranger: Chase Securities Inc. (in such capacity, the "Arranger").

Administrative Agent: The Chase Manhattan Bank ("Chase" and, in such capacity, the "Administrative Agent").

Lenders: A syndicate of banks, financial institutions and other entities, including Chase, to be mutually agreed upon by the Borrower and the Arranger (collectively, the "Lenders").

Transaction: The Borrower proposes to create a new wholly-owned subsidiary ("Acquisition Co.") which will make a tender offer (the "Tender Offer") for 51% of the issued and outstanding shares of common stock, par value \$1.00 per share (the "Shares"), of a corporation identified to us as "Target" ("Target"), followed by the merger (the "Merger") of Acquisition Co. and the Target, with the surviving corporation being a wholly-owned subsidiary of the Borrower.

II. Type and Amount of Credit Facility

Acquisition Revolving Credit Facility: 364-day revolving credit facility (the "Acquisition Revolving Credit Facility") in the amount of \$1.5 billion.

Availability: Commencing on the date on which the Credit Documentation (as defined below) is executed and ending 364 days thereafter (the "Revolving Credit Termination Date"). Loans under the Acquisition Revolving Credit Facility are "Revolving Credit Loans".

Competitive Bid Loans: The Borrower shall have the option under the Acquisition Revolving Credit Facility to request that the Lenders bid for loans ("Competitive Loans"; together with Revolving Credit Loans, "Loans") bearing interest at an absolute rate or a margin over the eurodollar rate, with specified maturities ranging from 7 to 180 days. Each Lender shall have the right but not the obligation, to submit bids at its discretion, which bids may exceed such Lender's commitment. The Borrower, by notice given four business days in advance in the case of eurodollar rate bids and one business day in advance in the case of absolute rate bids, shall specify the proposed date of borrowing, the interest period, the amount of the Competitive Loan and the maturity date thereof, the interest rate basis to be used by the Lenders in bidding and such other terms as the Borrower may specify. The Administrative Agent shall advise the Lenders of the terms of the Borrower's notice, and, subject to acceptance by the Borrower, bids shall be allocated to each Lender in ascending order from the lowest bid to the highest bid acceptable to the Borrower. While Competitive Loans are outstanding, the available commitments under the Acquisition Revolving Credit Facility shall be reduced by the aggregate amount of such Competitive Loans.

Maturity: The Revolving Credit Termination Date.

Purpose: The proceeds of the Revolving Credit Loans shall be used to finance (including through capital contributions and loans made by the Borrower) the Tender Offer and the Merger and other purchases of common and preferred shares of the Target and to pay fees and expenses in connection therewith. Any acquisition of common or preferred shares of the Target, whether pursuant to the Tender Offer, the Merger or otherwise, is referred to herein as the "Acquisition."

III. Certain Payment Provisions

Fees and Interest Rates: As set forth on Annex I.

Prepayments and Commitment
 Reductions: Loans may be prepaid and commitments may be reduced by the Borrower at its option in minimum amounts to be agreed upon, provided, that Competitive Loans may not be prepaid without the consent of the relevant Lender.

The Borrower shall prepay Revolving Credit Loans to the extent that the Loans exceed the commitments under the Acquisition Revolving Credit Facility. In addition, 100% of net cash proceeds of any sale or issuance of equity or debt in a capital markets transaction (other than any capital markets transaction entered into to fund a specific project) after the Closing Date (as defined below) shall be applied to reduce the commitments under the Acquisition Revolving Credit Facility.

IV. Certain Conditions

Initial Conditions:

The availability of the Acquisition Revolving Credit Facility shall be conditioned upon satisfaction of, among other things, the following conditions precedent:

- (a) The Borrower shall have executed and delivered satisfactory definitive financing documentation with respect to the Acquisition Revolving Credit Facility (the "Credit Documentation"). Such documentation will be substantially similar to that for the Borrower's existing credit agreements for which Chase acts as administrative agent (the "Existing Credit Agreements") with such modifications as are required to conform to this Term Sheet or as are otherwise mutually acceptable. The date on which the Credit Documentation is executed and delivered by the Borrower is the "Closing Date".
- (b) The Lenders shall have received a pro forma consolidated balance sheet of the Borrower as of a recent date after giving effect to the consummation of the Tender Offer and the Merger and the financing thereof (based upon information with respect to the Target then reasonably available to the Borrower).
- (c) The Lenders shall have received such legal opinions (including opinions from counsel to the Borrower and its subsidiaries), documents and other instruments and certificates as are customary for transactions of this type or as they may reasonably request.
- (d) The Lenders shall be satisfied that (i) no material adverse change has occurred with respect to the business, assets, operations or condition (financial or otherwise) of the Borrower and its consolidated

subsidiaries, taken as a whole, since December 31, 1996 and (ii) the Borrower and its subsidiaries are not party to or subject to any litigation or proceeding which would be likely to have a material adverse effect or which challenges the validity of the Acquisition Revolving Credit Facility.

- (e) The Acquisition shall be consummated in accordance with applicable law.
- (f) All shareholder approvals and all material governmental and third-party approvals necessary in connection with the Acquisition shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which could reasonably be expected to restrain, prevent or otherwise impose material adverse conditions on the Acquisition.

On-Going Conditions:

The making of each extension of credit (other than refinancing of Loans which do not increase the principal outstanding) shall be conditioned upon (a) the material accuracy of all representations and warranties in the Credit Documentation (other than any representation as to the absence of any material adverse change) and (b) there being no default or event of default in existence at the time of, or after giving effect to the making of, such extension of credit.

V. Certain Documentation Matters

The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type and other terms deemed appropriate by the Lenders, including, without limitation:

Representations and Warranties:

Representations and warranties substantially similar to and consistent with the representations and warranties made by the Borrower in the Existing Credit Agreements with such modifications that are mutually acceptable, including representations and warranties as to financial statements; no material adverse change; corporate existence and power; compliance with law; corporate authority and no violations, enforceability of Credit Documentation, governmental consents, no

material litigation, no default, title to property, intellectual property; taxes; Federal Reserve regulations; ERISA; Investment Company Act; subsidiaries; and environmental matters.

Affirmative Covenants:

Affirmative covenants substantially similar to and consistent with the affirmative covenants in the Existing Credit Agreements, with such modifications that are mutually acceptable, including covenants as to the delivery of financial statements, accountants' certificates, officers' certificates, stockholder reports, public filings, and public disclosures of material information and other information reasonably requested by a Lender; maintenance of existence and material rights and privileges; compliance with laws; maintenance of insurance; payment of taxes; ERISA compliance and records; maintenance of books and records; right of the Lenders to inspect property and books and records; maintenance of material properties; and notices of defaults, litigation and other material events.

Financial Covenants:

Financial covenants substantially similar to and consistent with the financial covenants in the Existing Credit Agreements, with such modifications that are mutually acceptable, provided such covenants shall include:

- Consolidated Total Indebtedness on the last day of any fiscal quarter to Consolidated EBITDA for the period of four consecutive fiscal quarters ending on such day of not more than 3.5 to 1.0.
- Consolidated EBITDA (less Restricted Payments and Capital Expenditures paid in cash)/Consolidated Interest Expense for each period of four consecutive fiscal quarters of at least 3.0 to 1.0.

Negative Covenants:

Negative covenants substantially similarly to and consistent with the negative covenants in the Existing Credit Agreements, with such modifications and other changes that are mutually acceptable, including limitations on: indebtedness of material subsidiaries; liens; mergers, consolidations, liquidations, dissolutions and sales of substantially all assets; sale and leasebacks; changes in fiscal year and accounting treatment; and changes in the character of business. PHH Corporation and its subsidiaries shall be deemed not to be subsidiaries of the Borrower for purposes of the lien, leverage ratio and interest coverage ratio covenants. The Acquisition Revolving Credit Facility will not be directly or indirectly secured by the capital stock of the Target and will be structured to comply with

Regulations G, T, U and X of the Board of Governors of the Federal Reserve System.

Events of Default:

The events of default will be substantially similar to and consistent with the events of default in the Existing Credit Agreements, including events of default as to nonpayment of principal when due; nonpayment of interest, fees or other amounts after a grace period of five days; material inaccuracy of representations and warranties; violation of covenants (subject, in the case of certain affirmative covenants, to a grace period of 30 days after knowledge); payment defaults under debt having an aggregate principal amount of \$50,000,000 or more, and cross-acceleration to debt of \$50,000,000 or more; bankruptcy events; certain ERISA events; final judgments of \$50,000,000 or more; and Change of Control.

Voting:

Amendments and waivers with respect to the Acquisition Revolving Credit Facility shall require the approval of Lenders holding not less than 51% ("Required Lenders") of the aggregate commitments (or, with respect to certain limited matters, aggregate loans) under the Acquisition Revolving Credit Facility, except that (a) the consent of each Lender directly affected thereby shall be required with respect to (i) an increase in any commitment or a postponement of any schedule reduction in commitments, (ii) reductions in the rate of interest or any fee or alteration of the stated maturity or principal amount of any installment of Loan, and (iii) waiver of an Event of Default arising as a result of the failure to pay a scheduled principal installment of any Loan and (b) the consent of 100% of the Lenders shall be required with respect to modifications to the voting percentages or the definition of Required Lenders.

Assignments
and Participations:

The Lenders shall be permitted to assign and sell their Loans and commitments in whole or in part under the Acquisition Revolving Credit Facility subject (other than assignments to another Lender or to an affiliate of a Lender), to the consent of the Administrative Agent, the Issuing Lender and the Borrower (which consent in each case shall not be unreasonably withheld) and to sell participations in the Loans. The minimum assignment amount under the Acquisition Revolving Credit Facility shall be \$10,000,000 unless otherwise agreed by the Borrower and the Administrative Agent. Non-pro rata assignments by a Lender of Revolving Credit Loans and Competitive Loans shall be permitted.

Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions. Voting rights of participants shall be limited to matters with respect to which consent of 100% of the Lenders is required. Pledges of Loans in accordance with applicable law shall be permitted without restriction. Promissory notes shall be issued under the Acquisition Revolving Credit Facility only upon request.

Yield Protection:

The Credit Documentation shall contain customary provisions (a) protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, capital adequacy and other requirements of law and from the imposition of or changes in withholding taxes as a result of change in law, (b) protecting the Lenders against statutory reserve requirements for eurocurrency liabilities and (c) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a Eurodollar Loan (as defined in Annex I) on a day other than the last day of an interest period with respect thereto and any prepayment of a Competitive Loan.

Expenses and
Indemnification:

The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Administrative Agent and the Arranger associated with the syndication of the Acquisition Revolving Credit Facility and the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (b) all reasonable out-of-pocket expenses of the Administrative Agent and the Lenders (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the Credit Documentation.

The Administrative Agent, the Arranger and the Lenders (and their affiliates and their respective officers, directors, employees, advisors and agents) will have no liability for, and will be indemnified and held harmless against, any loss, liability, cost or expense relating to the financing contemplated hereby (except to the extent resulting from the gross negligence or willful misconduct of the indemnified party).

Governing Law and Forum:

State of New York.

Counsel to the
Administrative Agent

and the Arranger:

Simpson Thacher & Bartlett.

Interest and Certain Fees

Interest Rate Options:

The Borrower may elect that the Loans (other than Competitive Loans) comprising each borrowing bear interest at a rate per annum equal to:

the ABR; or

the Eurodollar Rate plus the Applicable Margin.

As used herein:

"ABR" means the highest (rounded up to the next 1/16 of 1%) of (i) the rate of interest publicly announced by Chase as its prime rate in effect at its principal office in New York City (the "Prime Rate"), (ii) the secondary market rate for three-month certificates of deposit (adjusted for statutory reserve requirements) plus 1% and (iii) the federal funds effective rate from time to time plus 0.5%.

"Applicable Margin" means in the case of Eurodollar Loans (as defined below) a percentage determined in accordance with the pricing grid attached hereto as Annex I-A.

"Eurodollar Rate" means the rate at which eurodollar deposits for one, two, three or six months (as selected by the Borrower) are offered to Chase in the interbank eurodollar market.

Interest Payment Dates:

In the case of Loans bearing interest based upon the ABR ("ABR Loans"), quarterly in arrears.

In the case of Loans bearing interest based upon the Eurodollar Rate ("Eurodollar Loans"), on the last day of each relevant interest period and, in the case of any interest period longer than three months, on each successive date three months after the first day of such interest period.

Facility Fees:

The Borrower shall pay a facility fee calculated at the rate per annum determined in accordance with the pricing grid attached hereto as Annex 1-A on the average daily amount

of the Acquisition Revolving Credit Facility, payable quarterly in arrears.

Default Rate:

At any time when the Borrower is in default in the payment of any amount due under the Acquisition Revolving Credit Facility, such amount shall bear interest at 2% above the rate otherwise applicable thereto. Overdue interest, fees and other amounts shall bear interest at 2% above the rate applicable to ABR Loans.

Rate and Fee Basis:

All per annum rates shall be calculated on the basis of a year of 360 days (or 365/366 days, in the case of ABR Loans the interest rate payable on which is then based on the Prime Rate) for actual days elapsed.

Facility Fee and Applicable Margin Pricing Grid

Acquisition Revolving Credit Facility		
S&P/Moody's Rating Equivalent of the Borrower's senior unsecured long-term debt	Facility Fee (in Basis Points)	Applicable LIBOR Margin (in Basis Points)
AA-/Aa3 or better	4.0	14.75
A+/A1	5.0	15.00
A/A2	6.0	16.50
A-/A3	7.0	18.00
BBB+/Baa1	8.0	22.00
BBB/Baa2	10.0	25.00
BBB-/Baa3	12.5	37.50
BB+/Ba1 or worse	17.5	45.00

The higher Rating will determine the Facility Fee and Applicable Margin unless the Ratings of Standard & Poor's Ratings Group ("S&P") and Moody's Investor's Services, Inc. ("Moody's") are more than one level apart, in which case the Rating one level below the higher Rating will be determinative. In the event that the Borrower's senior unsecured long-term debt is rated by only one of S&P and Moody's, then that single Rating shall be determinative. The Borrower will agree that at all times it shall maintain a senior unsecured long-term debt rating from either S&P or Moody's.

Notwithstanding anything herein to the contrary, in the event that the Acquisition Revolving Credit Facility is in effect on the date that is 120 days after the date on which the conditions precedent for the initial funding under the Acquisition Revolving Credit Facility have been satisfied, 7.5 basis points shall be added to each of the "Applicable LIBOR Margins" set forth in the table above.