UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________to_________

Commission File No. 1-10308

Cendant Corporation

(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**06-0918165** *(I.R.S. Employer Identification Number)*
9 West 57th Street **New York, NY** *(Address of principal executive offices)*	**10019** *(Zip Code)*

(212) 413-1800
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The number of shares outstanding of the issuer's common stock was 1,024,378,074 shares as of September 30, 2005.

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FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives. Statements preceded by, followed by or that otherwise include the words “believes”, “expects”, “anticipates”, “intends”, “projects”, “estimates”, “plans”, “may increase”, “may fluctuate” and similar expressions or future or conditional verbs such as “will”, “should”, “would”, “may” and “could” are generally forward-looking in nature and not historical facts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- terrorist attacks, such as the September 11, 2001 terrorist attacks on New York City and Washington, D.C. and the July 2005 bombings in London, which may negatively affect the travel industry and our financial results and which could also result in a disruption in our business;
- the effect of economic or political conditions or any outbreak or escalation of hostilities on the economy on a national, regional or international basis and the impact thereof on our businesses;
- the effects of a decline in travel, due to political instability, adverse economic conditions, pandemics, substantial increases in fuel prices or otherwise, on our travel related businesses;
- the effects of a decline in the volume or value of U.S. existing home sales, due to adverse economic changes or otherwise, on our real estate related businesses;
- the effects of changes in current interest rates, particularly on our real estate franchise and real estate brokerage businesses;
- the final resolution or outcome of our unresolved pending litigation relating to the previously announced accounting irregularities (which were discovered and addressed in 1998);
- our ability to develop and implement operational, technological and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings;
- competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors;
- our failure to reduce quickly our substantial technology costs and other overhead costs, if required, in response to a reduction in revenue in any future period, particularly with respect to our reservations systems, and in our global distribution systems, vehicle rental and real estate brokerage businesses;
- our failure to provide fully integrated disaster recovery technology solutions in the event of a disaster or other business interruption;
- our ability to successfully integrate and operate acquired and merged businesses and risks associated with such businesses, including the acquisitions of ebookers plc and Gullivers Travel Associates, the compatibility of the operating systems of the combining companies, and the degree to which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant;
- our ability to obtain financing on acceptable terms to finance our growth strategy and to operate within the limitations imposed by financing arrangements and to maintain our credit ratings;
- in relation to our assets under management programs, (i) the deterioration in the performance of the underlying assets of such programs and (ii) our inability to access the secondary market for certain of our securitization facilities and to act as servicer thereto, which could occur in the event that our credit ratings are downgraded below investment grade and, in certain circumstances, where we fail to meet certain financial ratios;
- competitive and pricing pressures in the travel industry, including the car rental and global distribution services industries;
- changes in the vehicle manufacturer arrangements in our Avis and Budget car rental business, including but not limited to the failure of the manufacturers to meet their obligations under repurchase arrangements or changes in the

credit quality of such vehicle manufacturers, each of which could have a material adverse effect on our results and the principal financing program for our car rental business;

- filing of bankruptcy by, or the loss of business from, any of our significant customers or suppliers, including our airline customers, and the ultimate disposition of any such bankruptcy, including the bankruptcy reorganization of UAL Corporation, Delta Air Lines, Inc. and Northwest Airlines Corporation;
- changes in laws and regulations, including changes in global distribution services rules, telemarketing and timeshare sales regulations and real estate related regulations, state, federal and international tax laws and privacy policy regulation;
- changes in accounting principles and/or business practices that may result in changes in the method in which we account for transactions and may affect comparability between periods and changes to the estimates and assumptions that we use to prepare our financial statements due to subsequent developments, such as court or similar rulings and actual experience; and
- substantial damage to, or interruption of business related to, our timeshare properties, our rental cars or hotel properties of our franchisees due to natural disasters, such as hurricanes, floods, fires or earthquakes.

In addition, you should understand that the following important factors and assumptions could affect Cendant's plan to separate into four independent entities, could affect our future results and could cause actual results to differ materially from those expressed in our forward looking statements:

- risks inherent in the contemplated separation and related transactions and borrowings and costs related to the proposed transaction;
- increased demands on Cendant's management team as a result of the proposed transactions;
- changes in business, political and economic conditions in the U.S. and in other countries in which Cendant and its companies currently do business;
- changes in operating performance;
- access to financing sources, required changes to existing financings, and changes in credit ratings, including those that may result from the proposed transaction;
- the ability of Cendant to obtain the financing necessary to consummate the transaction; and
- our ability to complete the contemplated separation, which will be subject to certain conditions precedent, including final approval by our Board of Directors, receipt of a tax opinion of counsel and the filing and effectiveness of registration statements.

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

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

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Cendant Corporation
New York, New York

We have reviewed the accompanying consolidated condensed balance sheet of Cendant Corporation and subsidiaries (the "Company") as of September 30, 2005, the related consolidated condensed statement of stockholders' equity for the nine-month period ended September 30, 2005, the related consolidated condensed statements of income for the three-month and nine-month periods ended September 30, 2005 and 2004, and the related consolidated condensed statements of cash flows for the nine-month periods ended September 30, 2005 and 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated condensed interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2005 (May 4, 2005 as to the effects of the discontinued operations and revised segment reporting structure described in Notes 1 and 23), we expressed an unqualified opinion (which included an explanatory paragraph with respect to the revised earnings per share calculations for all prior periods presented to include the dilutive effect of certain contingently convertible debt securities, the adoption of the fair value method of accounting for stock-based compensation and the adoption of the consolidation provisions for variable interest entities in 2003, as discussed in Note 2 to the consolidated financial statements; and an explanatory paragraph with respect to the classification of certain subsidiaries as discontinued operations, as discussed in Note 1 to the consolidated financial statements) on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
New York, New York
November 1, 2005

Cendant Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Revenues				
Service fees and membership, net	$ 3,606	$ 3,255	$ 9,864	$ 9,018
Vehicle-related	1,433	1,243	3,745	3,363
Other	7	7	49	68
Net revenues	5,046	4,505	13,658	12,449
Expenses				
Operating	2,867	2,604	7,854	7,233
Vehicle depreciation, lease charges and interest, net	428	342	1,126	935
Marketing and reservation	446	383	1,325	1,119
General and administrative	392	294	1,087	950
Non-program related depreciation and amortization	134	118	411	341
Non-program related interest, net:				
Interest expense, net	66	32	117	180
Early extinguishment of debt	–	–	–	18
Acquisition and integration related costs:				
Amortization of pendings and listings	6	5	12	13
Other	8	(9)	29	(4)
Restructuring and transaction-related charges	1	–	52	–
Valuation charge associated with PHH spin-off	–	–	180	–
Total expenses	4,348	3,769	12,193	10,785
Income before income taxes and minority interest	698	736	1,465	1,664
Provision for income taxes	244	238	554	541
Minority interest, net of tax	1	1	3	7
Income from continuing operations	453	497	908	1,116
Income from discontinued operations, net of tax	43	96	28	411
Gain (loss) on disposal of discontinued operations, net of tax:				
PHH valuation and transaction-related charges	–	–	(312)	–
Gain on disposal	3	–	181	198
Net income	$ 499	$ 593	$ 805	$ 1,725
Earnings per share				
Basic				
Income from continuing operations	$ 0.44	$ 0.48	$ 0.87	$ 1.09
Net income	0.48	0.57	0.77	1.69
Diluted				
Income from continuing operations	$ 0.43	$ 0.47	$ 0.85	$ 1.05
Net income	0.47	0.56	0.75	1.63

See Notes to Consolidated Condensed Financial Statements.

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Cendant Corporation and Subsidiaries
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions, except share data)

	September 30, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 356	$ 467
Restricted cash	76	370
Receivables, net	1,287	1,237
Deferred income taxes	1,068	385
Assets of discontinued operations	1,123	6,639
Other current assets	657	611
Total current assets	4,567	9,709
Property and equipment, net	1,670	1,685
Deferred income taxes	866	2,192
Goodwill	12,275	11,087
Other intangibles, net	3,145	2,608
Other non-current assets	426	591
Total assets exclusive of assets under programs	22,949	27,872
Assets under management programs:		
Program cash	120	530
Relocation receivables	877	720
Vehicle-related, net	8,606	7,072
Timeshare-related, net	2,645	2,385
Vacation rental	221	254
Mortgage loans held for sale	–	1,981
Mortgage servicing rights, net	–	1,608
Other	9	148
	12,478	14,698
Total assets	$ 35,427	$ 42,570
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	$ 4,223	$ 4,009
Current portion of long-term debt	2,232	739
Liabilities of discontinued operations	616	5,274
Deferred income	373	335
Total current liabilities	7,444	10,357
Long-term debt	2,582	3,591
Deferred income	277	285
Other non-current liabilities	1,274	1,261
Total liabilities exclusive of liabilities under programs	11,577	15,494
Liabilities under management programs:		
Debt	3,675	6,219
Debt due to Cendant Rental Car Funding (AESOP) LLC—related party	7,063	5,935
Deferred income taxes	1,897	2,200
Other	–	27
	12,635	14,381
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, $.01 par value—authorized 10 million shares; none issued and outstanding	–	–
CD common stock, $.01 par value—authorized 2 billion shares; issued 1,345,336,836 and 1,333,462,545 shares	13	13
Additional paid-in capital	12,420	12,091
Deferred compensation	(473)	(301)
Retained earnings	5,524	6,179
Accumulated other comprehensive income	120	274
CD treasury stock, at cost—320,958,762 and 282,135,978 shares	(6,389)	(5,561)
Total stockholders' equity	11,215	12,695
Total liabilities and stockholders' equity	$ 35,427	$ 42,570

See Notes to Consolidated Condensed Financial Statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

	Nine Months Ended September 30, 2005	2004
Operating Activities		
Net income	$ 805	$ 1,725
Adjustments to arrive at income from continuing operations	103	(609)
Income from continuing operations	908	1,116
Adjustments to reconcile income from continuing operations to net cash provided by operating activities exclusive of management programs:		
PHH valuation charge	180	–
Non-program related depreciation and amortization	411	341
Amortization of pendings and listings	12	13
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Receivables	(134)	13
Income taxes and deferred income taxes	405	421
Accounts payable and other current liabilities	52	(121)
Other, net	50	2
Net cash provided by operating activities exclusive of management programs	1,884	1,785
Management programs:		
Vehicle depreciation	863	703
Amortization and impairment of mortgage servicing rights	101	386
Net loss on mortgage servicing rights and related derivatives	(83)	(70)
Origination of timeshare-related assets	(809)	(848)
Principal collection of investment in timeshare-related assets	490	462
Origination of mortgage loans	(2,062)	(28,772)
Proceeds on sale of and payments from mortgage loans held for sale	2,150	29,137
Other	7	(12)
	657	986
Net cash provided by operating activities	2,541	2,771
Investing Activities		
Property and equipment additions	(303)	(280)
Net assets acquired, net of cash acquired, and acquisition-related payments	(1,794)	(402)
Proceeds received on asset sales	43	29
Proceeds from dispositions of businesses, net of transaction-related payments	969	821
Other, net	101	118
Net cash provided by (used in) investing activities exclusive of management programs	(984)	286
Management programs:		
(Increase) decrease in program cash	(65)	8
Investment in vehicles	(8,463)	(7,778)
Payments received on investment in vehicles	6,143	6,377
Equity advances on homes under management	(3,905)	(3,565)
Repayment of advances on homes under management	3,748	3,503
Additions to mortgage servicing rights	(23)	(401)
Cash received on derivatives related to mortgage servicing rights, net	44	132
Other, net	(21)	54
	(2,542)	(1,670)
Net cash used in investing activities	(3,526)	(1,384)
Financing Activities		
Proceeds from borrowings	165	25
Principal payments on borrowings	(156)	(1,336)
Net short-term borrowings	461	–
Issuances of common stock	228	1,347
Repurchases of common stock	(1,018)	(1,153)
Payment of dividends	(309)	(237)
Cash reduction due to spin-off of PHH	(259)	–
Other, net	8	(23)
Net cash used in financing activities exclusive of management programs	(880)	(1,377)
Management programs:		
Proceeds from borrowings	9,627	9,201
Principal payments on borrowings	(7,926)	(8,798)
Net change in short-term borrowings	98	50
Other, net	(22)	(19)
	1,777	434
Net cash provided by (used in) financing activities	897	(943)
Effect of changes in exchange rates on cash and cash equivalents	(44)	4
Cash provided by discontinued operations	21	361
Net increase (decrease) in cash and cash equivalents	(111)	809
Cash and cash equivalents, beginning of period	467	746
Cash and cash equivalents, end of period	$ 356	$ 1,555

See Notes to Consolidated Condensed Financial Statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
(In millions)

	Common Stock		Additional Paid-In	Deferred	Retained	Accumulated Other Comprehensive	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Compensation	Earnings	Income	Shares	Amount	Equity
Balance at January 1, 2005	1,333	$ 13	$ 12,091	$ (301)	$ 6,179	$ 274	(282)	$ (5,561)	$ 12,695
Comprehensive income:									
Net income	–	–	–	–	805	–	–	–	
Currency translation adjustment, net of tax of $(47)	–	–	–	–	–	(145)	–	–	
Unrealized gains on cash flow hedges, net of tax of $16	–	–	–	–	–	26	–	–	
Reclassification for realized holding gains on available-for-sale securities, net of tax of $(9)	–	–	–	–	–	(14)	–	–	
Minimum pension liability adjustment, net of tax of $(7)	–	–	–	–	–	(10)	–	–	
Total comprehensive income									662
Net activity related to restricted stock units	–	–	174	(172)	–	–	3	53	55
Exercise of stock options	12	–	86	–	–	–	6	124	210
Tax benefit from exercise of stock options	–	–	60	–	–	–	–	–	60
Repurchases of CD common stock	–	–	–	–	–	–	(48)	(1,018)	(1,018)
Payment of dividends	–	–	–	–	(309)	–	–	–	(309)
Dividend of PHH Corporation	–	–	–	–	(1,639)	(11)	–	–	(1,650)
Adjustment to offset PHH valuation charge included in net income	–	–	–	–	488	–	–	–	488
Other	–	–	9	–	–	–	–	13	22
Balance at September 30, 2005	**1,345**	**$ 13**	**$ 12,420**	**$ (473)**	**$ 5,524**	**$ 120**	**(321)**	**$ (6,389)**	**$ 11,215**

See Notes to Consolidated Condensed Financial Statements.

Cendant Corporation and Subsidiaries
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unless otherwise noted, all amounts are in millions, except per share amounts)

1. Basis of Presentation and Recently Issued Accounting Pronouncements

Basis of Presentation

Cendant Corporation is a global provider of travel and real estate services. The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Cendant Corporation and its subsidiaries (“Cendant”), as well as entities in which Cendant directly or indirectly has a controlling financial interest (collectively, the “Company”). The Company operates in the following business segments:

- **Real Estate Services**—franchises the real estate brokerage businesses of four residential brands and one commercial brand, provides real estate brokerage services, facilitates employee relocations and provides home buyers with title and closing services.
- **Hospitality Services**—facilitates the exchange of vacation ownership interests, franchises nine lodging brands (including the Wyndham brand acquired on October 11, 2005) and markets vacation rental properties.
- **Timeshare Resorts**—develops and sells vacation ownership interests, provides consumer financing to individuals purchasing these interests and manages resort properties.
- **Vehicle Rental**—operates and franchises the Company’s car and truck rental brands.
- **Travel Distribution Services**—provides global distribution services for the travel industry, corporate and consumer online travel services and travel agency services.
- **Mortgage Services**—provided home buyers with mortgage lending services through January 2005 (See Note 16—Spin-off of PHH Corporation).

In presenting the Consolidated Condensed Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgments and available information. Accordingly, actual results could differ from those estimates. In management’s opinion, the Consolidated Condensed Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These financial statements should be read in conjunction with the Company’s 2004 Annual Report on Form 10-K filed on March 1, 2005 and Current Report on Form 8-K filed on May 5, 2005.

The Company adopted the above segment reporting structure in 2005 as a result of a reevaluation performed subsequent to (i) the completion of an initial public offering (“IPO”) of Jackson Hewitt Tax Service Inc. (“Jackson Hewitt”) in June 2004, for which the Company raised approximately $770 million in proceeds; (ii) the completion of a spin-off of the Company’s mortgage, fleet leasing and appraisal businesses in January 2005 in a distribution of the common stock of PHH Corporation (“PHH”) to the Company’s stockholders (a more detailed description of this transaction can be found in Note 16—Spin-off of PHH Corporation); (iii) the completion of an IPO of Wright Express Corporation (“Wright Express”) in February 2005, for which the Company raised approximately $965 million in proceeds; and (iv) the formal approval by the Company’s Board of Directors in March 2005 to dispose of its Marketing Services division, which was comprised of the Company’s individual membership and loyalty/insurance marketing businesses. The Company completed the sale of its Marketing Services division for approximately $1.8 billion on October 17, 2005 (see Note 17—Subsequent Events).

Discontinued Operations. Pursuant to Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” the account balances and activities of Wright Express, the Company’s fleet leasing and appraisal businesses, the Marketing Services division and Jackson Hewitt have been segregated and reported as discontinued operations for all periods presented. The Company’s mortgage business cannot be classified as a discontinued operation due to the Company’s participation in a mortgage origination venture that was established with PHH in connection with the spin-off. Summarized financial data for the aforementioned disposed businesses are provided in Note 2—Discontinued Operations.

Management Programs. The Company presents separately the financial data of its management programs. These programs are distinct from the Company’s other activities as the assets are generally funded through the issuance of debt that is collateralized by such assets. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of management programs. The

Company believes it is appropriate to segregate the financial data of its management programs because, ultimately, the source of repayment of such debt is the realization of such assets.

Recently Issued Accounting Pronouncements

Conditional Asset Retirement Obligations. On March 30, 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which clarifies that conditional asset retirement obligations are within the scope of SFAS No. 143, "Accounting for Asset Retirement Obligations." FIN 47 requires the Company to recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated. The Company will adopt the provisions of FIN 47 in fourth quarter 2005, as required. The Company does not expect such adoption to significantly affect its earnings, financial position or cash flows.

Timeshare Transactions. In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions," in connection with the previous issuance of the American Institute of Certified Public Accountants' Statement of Position No. 04-2, "Accounting for Real Estate Time-Sharing Transactions" ("SOP 04-2"). The Company will adopt the provisions of SFAS No. 152 and SOP 04-2 effective January 1, 2006, as required, and anticipates recording an after tax charge in the range of $80 million to $110 million on such date as a cumulative effect of an accounting change. The Company is evaluating actions that may mitigate such impact. There is no expected impact to cash flows from the adoption.

Stock-Based Compensation. In December 2004, the FASB issued SFAS No. 123R, "Share Based Payment," which eliminates the alternative to measure stock-based compensation awards using the intrinsic value approach permitted by APB Opinion No. 25 and by SFAS No. 123, "Accounting for Stock-Based Compensation." The Company will adopt SFAS No. 123R on January 1, 2006, as required by the Securities and Exchange Commission. Although the Company has not yet completed its assessment of adopting SFAS No. 123R, it does not believe that such adoption will significantly affect its earnings, financial position or cash flows since the Company does not use the alternative intrinsic value approach.

2. Discontinued Operations

Summarized statement of income data for discontinued operations are as follows:

Three Months Ended September 30, 2005

	Wright Express (*)	Marketing Services Division	Total
Net revenues	$ –	$ 341	$ 341
Income before income taxes	$ –	$ 67	$ 67
Provision for income taxes	–	24	24
Income from discontinued operations, net of tax	$ –	$ 43	$ 43
Gain on disposal of discontinued operations	$ 5	$ –	$ 5
Provision for income taxes	2	–	2
Gain on disposal of discontinued operations, net of tax	$ 3	$ –	$ 3

(*) Represents a payment received from Wright Express in connection with a tax receivable agreement pursuant to which Wright Express is obligated to make payments to the Company over a 15 year term. The Company currently expects such payments to aggregate over $400 million pretax and has received $11 million as of September 30, 2005. However, the actual amount and timing of receipt of such payments are dependent upon a number of factors, including whether Wright Express earns sufficient future taxable income to realize the full tax benefit of the amortization of certain assets.

Three Months Ended September 30, 2004

	Wright Express	Fleet and Appraisal Businesses	Marketing Services Division	Total
Net revenues	$ 47	$ 426	$ 389	$ 862
Income before income taxes	$ 21	$ 31	$ 103	$ 155
Provision for income taxes	8	12	39	59
Income from discontinued operations, net of tax	$ 13	$ 19	$ 64	$ 96

Nine Months Ended September 30, 2005 (*)

	Wright Express (a)	Fleet and Appraisal Businesses (b)	Marketing Services Division	Total
Net revenues	$ 29	$ 134	$ 1,011	$ 1,174
Income (loss) before income taxes	$ (7)	$ 7	$ 86	$ 86
Provision (benefit) for income taxes	(3)	28	33	58
Income (loss) from discontinued operations, net of tax	$ (4)	$ (21)	$ 53	$ 28
Gain (loss) on disposal of discontinued operations	$ 511	$ (312)	$ –	$ 199
Provision for income taxes	330	–	–	330
Gain (loss) on disposal of discontinued operations, net of tax	$ 181	$ (312)	$ –	$ (131)

(*) Results for Wright Express and the fleet and appraisal businesses are through the dates of disposition.
(a) Includes a payment received from Wright Express in connection with a tax receivable agreement pursuant to which Wright Express is obligated to make payments to the Company over a 15 year term. The Company currently expects such payments to aggregate over $400 million pretax and has received $11 million as of September 30, 2005. However, the actual amount and timing of receipt of such payments are dependent upon a number of factors, including whether Wright Express earns sufficient future taxable income to realize the full tax benefit of the amortization of certain assets.
(b) The provision for income taxes reflects a $24 million charge associated with separating the appraisal business from the Company in connection with the spin-off.

Nine Months Ended September 30, 2004 (*)

	Jackson Hewitt	Wright Express	Fleet and Appraisal Businesses	Marketing Services Division (a)	Total
Net revenues	$ 194	$ 137	$ 1,208	$ 1,098	$ 2,637
Income before income taxes	$ 106	$ 60	$ 80	$ 234	$ 480
Provision (benefit) for income taxes	42	22	31	(26)	69
Income from discontinued operations, net of tax	$ 64	$ 38	$ 49	$ 260	$ 411
Gain on disposal of discontinued operations	$ 251	$ –	$ –	$ –	$ 251
Provision for income taxes	53	–	–	–	53
Gain on disposal of discontinued operations, net of tax	$ 198	$ –	$ –	$ –	$ 198

(*) Results for Jackson Hewitt are through the date of disposition.
(a) The benefit for income taxes reflects the reversal of a valuation allowance of $121 million by TRL Group associated with federal and state deferred tax assets, partially offset by a $13 million cash payment the Company made to TRL Group in connection with the January 2004 contract termination transaction.

Summarized balance sheet data for discontinued operations are as follows:

	As of September 30, 2005	As of December 31, 2004			
	Marketing Services Division	Wright Express	Fleet and Appraisal Businesses	Marketing Services Division	Total
Assets of discontinued operations:					
Current assets	$ 427	$ 72	$ 334	$ 388	$ 794
Property and equipment, net	109	37	36	84	157
Goodwill	254	135	447	256	838
Assets under management programs	–	419	3,958	–	4,377
Other assets	333	22	99	352	473
Total assets of discontinued operations	$ 1,123	$ 685	$ 4,874	$ 1,080	$ 6,639
Liabilities of discontinued operations:					
Current liabilities	$ 602	$ 213	$ 219	$ 738	$ 1,170
Liabilities under management programs	–	215	3,838	–	4,053
Other liabilities	14	6	25	20	51
Total liabilities of discontinued operations	$ 616	$ 434	$ 4,082	$ 758	$ 5,274

Summarized statement of cash flow data for discontinued operations are as follows:

	Nine Months Ended September 30,	
	2005	2004
Net cash provided by (used in) discontinued operations for:		
Operating activities	$ 233	$ 1,281
Investing activities	(213)	(981)
Financing activities	4	60
Effect of exchange rate changes	(3)	1
Cash provided by discontinued operations	$ 21	$ 361

3. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS").

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Income from continuing operations	$ 453	$ 497	$ 908	$ 1,116
Income from discontinued operations	43	96	28	411
Gain (loss) on disposal of discontinued operations:				
PHH valuation and transaction-related charges	–	–	(312)	–
Gain on disposal	3	–	181	198
Net income	$ 499	$ 593	$ 805	$ 1,725
Basic weighted average shares outstanding	1,037	1,036	1,047	1,024
Stock options, warrants and restricted stock units (*)	20	28	22	32
Convertible debt	–	–	–	3
Diluted weighted average shares outstanding	1,057	1,064	1,069	1,059
Earnings per share:				
Basic				
Income from continuing operations	$ 0.44	$ 0.48	$ 0.87	$ 1.09
Income from discontinued operations	0.04	0.09	0.03	0.40
Gain on disposal of discontinued operations:				
PHH valuation and transaction-related charges	–	–	(0.30)	–
Gain on disposal	–	–	0.17	0.20
Net income	$ 0.48	$ 0.57	$ 0.77	$ 1.69
Diluted				
Income from continuing operations	$ 0.43	$ 0.47	$ 0.85	$ 1.05
Income from discontinued operations	0.04	0.09	0.02	0.39
Gain on disposal of discontinued operations:				
PHH valuation and transaction-related charges	–	–	(0.29)	–
Gain on disposal	–	–	0.17	0.19
Net income	$ 0.47	$ 0.56	$ 0.75	$ 1.63

(*) Excludes restricted stock units for which performance based vesting criteria have not been achieved.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Options (a)	38	24	38	24
Upper DECS (b)	–	19	–	32

(a) The increase in the number of antidilutive options for third quarter 2005 represents approximately 14 million options that became "in-the-money" between $20.97 (the average stock price for third quarter 2005) and $21.54 (the average stock price for the same period in 2004). The increase for the nine-month period in 2005 represents approximately 14 million options that became "in-the-money" between $21.20 (the average stock price for the nine months ended September 30, 2005) and $22.03 (the average stock price for the same period in 2004). The weighted average exercise price for antidilutive options for the three months ended September 30, 2005 and 2004 was $25.86 and $29.71, respectively. The weighted average exercise price for antidilutive options for the nine months ended September 30, 2005 and 2004 was $25.87 and $29.73, respectively.

(b) Represents the shares that were issuable under the forward purchase contract component of the Company's Upper DECS securities prior to the settlement of such securities on August 17, 2004, at which time the Company issued 38 million shares of Cendant common stock. Diluted EPS for the three and nine months ended September 30, 2004 does not reflect these shares, as the Upper DECS were antidilutive during such periods (since the appreciation price of $28.42 was greater than the average price of Cendant common stock).

4. Acquisitions

Assets acquired and liabilities assumed in business combinations were recorded on the Company's Consolidated Condensed Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company have been included in the Company's Consolidated Condensed Statements of Income since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. In certain circumstances, the allocations of the excess purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations may be subject to revision when the Company receives final information, including appraisals and other analyses. Any revisions to the fair values, which may be significant, will be recorded by the Company as further adjustments to the purchase price allocations. The Company is also in the process of integrating the operations of its acquired businesses and expects to incur costs relating to such integrations. These costs may result from integrating operating systems, relocating employees, closing facilities, reducing duplicative efforts and exiting and consolidating other activities. These costs will be recorded on the Company's Consolidated Condensed Balance Sheets as adjustments to the purchase price or on the Company's Consolidated Condensed Statements of Income as expenses, as appropriate.

Wyndham Worldwide. On September 14, 2005, the Company announced that it had signed a definitive agreement to acquire the management and franchise business of the Wyndham hotel chain for approximately $100 million in cash. The acquisition includes franchise agreements, management contracts and the Wyndham brand, which may be used in the Company's lodging and timeshare businesses. The Company completed this acquisition on October 11, 2005 (see Note 17 — Subsequent Events).

Gullivers Travel Associates. On April 1, 2005, the Company completed the acquisition of Donvand Limited, which operates under the name of Gullivers Travel Associates, and Octopus Travel Group Limited (collectively, "Gullivers"). Gullivers is a wholesaler of hotel rooms, destination services, travel packages and group tours and a global online provider of lodging and destination services. Management believes that this acquisition positions the Company as a worldwide leader in the global online travel intermediary space. The preliminary allocation of the purchase price is summarized as follows:

	Amount
Cash consideration	$ 1,202
Transaction costs and expenses	12
Total purchase price	1,214
Less: Historical value of assets acquired in excess of liabilities assumed	77
Less: Fair value adjustments	247
Excess purchase price over fair value of assets acquired and liabilities assumed	$ 890

The fair value adjustments included in the preliminary allocation of the purchase price above primarily consisted of:

	Amount
Allocation of purchase price to intangible assets (a)	$ 360
Deferred tax liability for book-tax basis differences	(109)
Costs associated with exiting activities (b)	(4)
	$ 247

(a) Represents (i) $142 million of indefinite-lived trademarks associated with the Company's exclusive right to use the Gullivers name, (ii) $185 million of customer relationships with an estimated weighted average life of 14 years and (iii) $33 million of other intangible assets with an estimated weighted average life of 20 years.

(b) As part of the acquisition, the Company's management formally committed to various strategic initiatives primarily aimed at creating synergies between the cost structures of the Company and Gullivers, which will be achieved through the involuntary termination of certain Gullivers employees. The Company formally communicated the termination of employment to approximately 14 employees, principally representing certain members of senior management, and as of September 30, 2005, all of these employees had been terminated. As a result of these actions, the Company established personnel-related liabilities of $4 million. As of September 30, 2005, substantially all of the personnel-related liabilities had been paid.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed in connection with the Company's acquisition of Gullivers:

	Amount
Cash	$ 157
Other current assets	141
Property and equipment	54
Intangible assets	360
Goodwill	890
Total assets acquired	1,602
Total current liabilities	264
Total non-current liabilities	124
Total liabilities assumed	388
Net assets acquired	$ 1,214

The goodwill, none of which is expected to be deductible for tax purposes, was assigned to the Company's Travel Distribution Services segment. As previously discussed, the preliminary allocation of the purchase price is subject to revision as analyses are finalized. The Company continues to gather information and consult with third party experts concerning the valuation of the assets acquired and liabilities assumed (including the identified intangible assets and their associated lives). This acquisition was not significant to the Company's results of operations, financial position or cash flows.

ebookers plc. On February 28, 2005, the Company acquired ebookers plc ("ebookers"), a travel agency with Web sites servicing 13 European countries offering a wide range of discount and standard price travel products including airfares, hotels, car rentals, cruises and travel insurance. Management believes that this acquisition enhances the Company's role in the global online travel intermediary space. The preliminary allocation of the purchase price is summarized as follows:

	Amount
Cash consideration	$ 444
Transaction costs and expenses	10
Total purchase price	454
Plus: Historical value of liabilities assumed in excess of assets acquired	33
Less: Fair value adjustments	118
Excess purchase price over fair value of assets acquired and liabilities assumed	$ 369

The fair value adjustments included in the preliminary allocation of the purchase price above primarily consisted of:

	Amount
Allocation of purchase price to intangible assets (a)	$ 187
Deferred tax liability for book-tax basis differences	(36)
Costs associated with exiting activities (b)	(13)
Other fair value adjustments	(20)
	$ 118

(*) Represents (i) $135 million of indefinite-lived trademarks associated with the Company's exclusive right to use the ebookers names, (ii) $41 million of customer relationships with an estimated weighted average life of five years and (iii) $11 million of other intangible assets with an estimated weighted average life of 10 years.

(b) As part of the acquisition, the Company's management formally committed to various strategic initiatives primarily aimed at creating synergies between the cost structures of the Company and ebookers, which will be achieved through the involuntary termination of certain ebookers employees and the termination of certain lease obligations. The Company formally communicated the termination of employment to approximately 110 employees, representing a wide range of employee groups, and as of September 30, 2005, substantially all of these employees had been terminated. As a result of these actions, the Company established personnel-related and facility-related liabilities of $7 million and $6 million, respectively. As of September 30, 2005, cash payments of $5 million have been made to reduce the personnel-related liability and $1 million of other adjustments were made to reduce the facility-related liability. Accordingly, as of September 30, 2005, the remaining balances for the personnel-related liability and the facility-related liability were $2 million and $5 million, respectively. The Company anticipates the remainder of the personnel-related costs will be paid in 2005 and the remainder of the lease termination costs will be paid by 2009.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed in connection with the Company's acquisition of ebookers:

	Amount
Cash	$ 82
Other current assets	32
Property and equipment	24
Intangible assets	187
Goodwill	369
Other non-current assets	13
Total assets acquired	707
Total current liabilities	157
Total non-current liabilities	96
Total liabilities assumed	253
Net assets acquired	$ 454

The goodwill, all of which is expected to be deductible for tax purposes, was assigned to the Company's Travel Distribution Services segment. As previously discussed, the preliminary allocation of the purchase price is subject to revision as analyses are finalized. The Company continues to gather information and consult with third party experts concerning the valuation of the assets acquired and liabilities assumed (including the identified intangible assets and their associated lives). This acquisition was not significant to the Company's results of operations, financial position or cash flows.

Other. During 2005, the Company also acquired 26 real estate brokerage operations through its wholly-owned subsidiary, NRT Incorporated ("NRT"), for approximately $183 million of cash, in the aggregate, which resulted in goodwill (based on the preliminary allocation of the purchase price) of $157 million that was assigned to the Company's Real Estate Services segment. The acquisition of real estate brokerages by NRT is a core part of its growth strategy. In addition, the Company acquired 30 other individually non-significant businesses during 2005 for aggregate consideration of approximately $90 million in cash, which resulted in goodwill (based on the preliminary allocation of the purchase price) of $34 million that was assigned to the Company's Timeshare Resorts ($20 million), Travel Distribution Services ($8 million), Hospitality Services ($4 million) and Real Estate Services ($2 million) segments. These acquisitions were not significant to the Company's results of operations, financial position or cash flows.

2004 Acquisition

Orbitz, Inc. On November 12, 2004, the Company acquired Orbitz, Inc. ("Orbitz"), an online travel company. Management believes that the addition of Orbitz to the Company's portfolio of travel distribution businesses placed the Company in a leading position in the domestic online travel distribution business.

The preliminary allocation of the purchase price as of September 30, 2005 is summarized as follows:

	Amount
Cash consideration	$ 1,223
Fair value of converted options	1
Transaction costs and expenses	28
Total purchase price	1,252
Less: Historical value of assets acquired in excess of liabilities assumed	204
Less: Fair value adjustments (*)	426
Excess purchase price over fair value of assets acquired and liabilities assumed	$ 622

(*) Reflects an increase of $95 million from the December 31, 2004 amount. Such change principally relates to greater value assigned to identifiable intangible assets and property and equipment.

The fair value adjustments included in the preliminary allocation of the purchase price above primarily consisted of:

		Amount
Allocation of purchase price to identifiable intangible assets (a)	$	261
Deferred tax assets for book-tax basis differences		463
Costs associated with exiting activities (b)		(22)
Fair value adjustments to:		
Assets acquired		35
Liabilities assumed (c)		(311)
	$	426

(a) Represents (i) $209 million of indefinite-lived trademarks associated with the Company's exclusive right to use the Orbitz name and (ii) $52 million of customer relationships with a weighted average life of eight years.

(b) As part of the acquisition, the Company's management formally committed to various strategic initiatives primarily aimed at creating synergies between the cost structures of the Company and Orbitz, which will be achieved through the involuntary termination of certain Orbitz employees and the consolidation of facilities. The Company formally communicated the termination of employment to approximately 40 employees, representing a wide range of employee groups, and as of September 30, 2005, the Company had terminated all of these employees. As a result of these actions, the Company established personnel-related and facility-related liabilities of $15 million and $7 million, respectively. As of September 30, 2005, cash payments and other reductions of $14 million and $1 million, respectively, of which $6 million and $1 million, respectively, were recorded during the nine months ended September 30, 2005, had been made to reduce the personnel-related liability. As such, all personnel-related liabilities have been paid. No payments or reductions have been made to the facility-related liability; however, the Company anticipates the remainder of the facility-related costs will be paid by 2009.

(c) Primarily represents (i) amounts due to former Orbitz owners related to a pre-existing tax-sharing agreement for which the Company has determined payment is probable as a result of its expected utilization of Orbitz tax benefits (prior to Cendant's acquisition, Orbitz had not established a liability for this tax-sharing agreement as it did not expect to be able to utilize the associated benefits within the statutory periods) and (ii) costs associated with certain Orbitz contracts containing above-market terms.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed in connection with the Company's acquisition of Orbitz:

		Amount
Cash	$	160
Other current assets		72
Property and equipment		58
Intangible assets		261
Goodwill		622
Other non-current assets		510
Total assets acquired		1,683
Total current liabilities		103
Total non-current liabilities		328
Total liabilities assumed		431
Net assets acquired	$	1,252

The goodwill, all of which is expected to be deductible for tax purposes, was assigned to the Company's Travel Distribution Services segment. As previously discussed, the preliminary allocation of the purchase price is subject to revision as analyses are finalized. This acquisition was not significant to the Company's results of operations, financial position or cash flows.

Acquisition and Integration Related Costs

During the three and nine months ended September 30, 2005, the Company incurred acquisition and integration related costs of $14 million and $41 million, respectively, of which $6 million and $12 million, respectively, represented amortization of its contractual pendings and listings intangible assets acquired in connection with the acquisitions of real estate brokerages. The remaining costs during the three and nine months ended September 30, 2005 of $8 million and $29 million, respectively, were incurred principally to integrate and combine the operations and Internet booking technology at the Company's Orbitz, ebookers, Gullivers and Cheaptickets.com businesses.

During third quarter 2004, the Company recorded a net credit of $4 million in connection with acquisition and integration related costs, which comprised a $12 million reversal of a previously established accrual, partially offset by $5 million of non-cash amortization expense relating to the contractual pendings and listings intangible asset and $3 million of costs primarily associated with the integration of Budget's information technology systems with the Company's platform and the integration of real estate brokerages acquired by NRT. The $12 million reversal represents the termination of a lease on more favorable terms than originally anticipated. The nine month results for 2004 further reflect an additional

$8 million of non-cash amortization of the contractual pendings and listings intangible asset and an additional $5 million of costs primarily related to the integration of Budget's information technology systems with the Company's platform and the integration of real estate brokerages acquired by NRT.

5. Intangible Assets

Intangible assets consisted of:

	As of September 30, 2005			As of December 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets (*)						
Franchise agreements	$ 1,135	$ 389	$ 746	$ 1,154	$ 366	$ 788
Customer lists	435	146	289	427	125	302
Customer relationships	284	21	263	43	1	42
Below market contracts acquired	42	9	33	56	12	44
License agreement	47	3	44	47	2	45
Other	95	15	80	58	9	49
	$ 2,038	$ 583	$ 1,455	$ 1,785	$ 515	$ 1,270
Unamortized Intangible Assets (*)						
Goodwill	$ 12,275			$ 11,087		
Trademarks	$ 1,690			$ 1,338		

(*) The change in the balance at September 30, 2005 principally relates to the preliminary allocation of the purchase price of Gullivers, ebookers and Orbitz to intangible assets. The Company continues to gather information and consult with third party experts concerning the valuation and associated lives of the acquired intangible assets.

The changes in the carrying amount of goodwill are as follows:

	Balance at January 1, 2005	Goodwill Acquired during 2005	Adjustments to Goodwill Acquired during 2004	Foreign Exchange and Other	Balance at September 30, 2005
Real Estate Services	$ 2,913	$ 159 (a)	$ 5 (e)	$ 13 (h)	$ 3,090
Hospitality Services	1,320	4 (b)	20 (f)	(40) (i)	1,304
Timeshare Resorts	1,305	20 (c)	–	1	1,326
Vehicle Rental	2,132	–	–	(2) (j)	2,130
Travel Distribution Services	3,353	1,267 (d)	(106) (g)	(89) (i)	4,425
Mortgage Services	64	–	–	(64) (k)	–
Total Company	$ 11,087	$ 1,450	$ (81)	$ (181)	$ 12,275

(a) Primarily relates to the acquisitions of real estate brokerages by NRT (January 2005 and forward).
(b) Primarily relates to the acquisition of a vacation rental company (March 2005).
(c) Relates to the acquisition of a timeshare resort business (August 2005).
(d) Primarily relates to the acquisition of ebookers and Gullivers (see Note 4— Acquisitions).
(e) Relates to the acquisitions of real estate brokerages by NRT (January 2004 to December 2004), including earnout payments.
(f) Primarily relates to the acquisitions of Landal GreenParks (May 2004) and Ramada International, Inc. (December 2004).
(g) Primarily relates to the acquisition of Orbitz (see Note 4— Acquisitions).
(h) Primarily relates to earnout payments for acquisitions of real estate brokerages by NRT prior to 2004 and the reallocation to the Real Estate Services segment of goodwill recorded within the Mortgage Services segment at December 31, 2004 as a result of the spin-off of PHH.
(i) Primarily relates to foreign exchange translation adjustments.
(j) Relates to changes in tax basis of acquired assets.
(k) Represents goodwill of the Company's mortgage business, which was disposed of on January 31, 2005 (see Note 16— Spin-off of PHH Corporation).

Amortization expense relating to all intangible assets was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Franchise agreements	$ 9	$ 9	$ 26	$ 27
Customer lists	6	6	18	18
Customer relationships	8	–	21	1
Below market contracts acquired	1	2	3	3
License agreement	–	1	1	2
Other (*)	8	6	16	16
Total	$ 32	$ 24	$ 85	$ 67

(*) Includes pendings and listings amortization expense during the three months ended September 30, 2005 and 2004 of $6 million and $5 million, respectively, and during the nine months ended September 30, 2005 and 2004 of $12 million and $13 million, respectively.

Based on the Company's amortizable intangible assets as of September 30, 2005, the Company expects related amortization expense for the remainder of 2005 and the five succeeding fiscal years to approximate $40 million, $100 million, $90 million, $80 million, $80 million and $70 million, respectively.

6. Restructuring and Transaction-Related Charges

During the three and nine months ended September 30, 2005, the Company recorded $1 million and $52 million, respectively, of restructuring and transaction-related charges, of which $1 million and $49 million, respectively, were incurred as a result of restructuring activities undertaken following the PHH spin-off and the IPO of Wright Express and $3 million relates to transaction costs incurred during the nine months ended September 30, 2005 in connection with the PHH spin-off.

Restructuring Charges

During first quarter 2005, the Company committed to various strategic initiatives targeted principally at reducing costs, enhancing organizational efficiency and consolidating and rationalizing existing processes and facilities. The more significant areas of cost reduction include the closure of a call center and field locations of the Company's truck rental business, consolidation of processes and offices in the Company's real estate brokerage business and reductions in staff within the Travel Distribution Services and Hospitality Services segments and the Company's corporate functions. In connection with the first quarter 2005 action, the Company expects to record a total charge of approximately $50 million, of which $43 million is anticipated to be cash, most of which the Company expects to pay during 2005. The Company recorded restructuring charges of $1 million and $49 million in the three and nine months ended September 30, 2005, respectively, and estimates that throughout the remainder of 2005, its Real Estate Services segment will incur additional charges of $1 million representing facility consolidation and employee relocation costs.

The initial recognition of the restructuring charge and the corresponding utilization from inception are summarized by category as follows:

	Personnel Related (a)	Facility Related (b)	Asset Impairments (c)	Total
Initial charge	$ 38	$ 9	$ 2	$ 49
Cash payments	(30)	(3)	–	(33)
Other reductions (d)	(5)	–	(2)	(7)
Balance at September 30, 2005	$ 3	$ 6	$ –	$ 9

(a) The initial charge primarily represents severance benefits resulting from the reductions in staff. The Company formally communicated the termination of employment to approximately 900 employees, representing a wide range of employee groups. As of September 30, 2005, the Company had terminated substantially all of these employees.

(b) The initial charge principally represents costs incurred in connection with facility closures and lease obligations resulting from the consolidation of truck rental operations.

(c) The initial charge principally represents the write-off of leasehold improvements in connection with lease terminations.

(d) Other reductions to charges recorded for personnel-related costs represent the accelerated vesting of restricted stock units previously granted to individuals who were terminated in connection with this restructuring action. Other reductions to liabilities established for asset impairments principally represent the write-off of leasehold improvements in connection with lease terminations.

Total restructuring charges are expected to be recorded as follows:

	Costs Expected to be Incurred	Costs Incurred	Cash Payments/ Other Reductions	Liability as of September 30, 2005
Real Estate Services	$ 7	$ 6	$ (4)	$ 2
Hospitality Services	5	5	(5)	–
Timeshare Resorts	1	1	(1)	–
Vehicle Rental	8	8	(3)	5
Travel Distribution Services	11	11	(9)	2
Corporate and Other	18	18	(18)	–
	$ 50	$ 49	$ (40)	$ 9

7. Vehicle Rental Activities

The components of the Company's vehicle-related assets under management programs are as follows:

	As of September 30, 2005	As of December 31, 2004
Rental vehicles	$ 8,685	$ 6,997
Vehicles held for sale	75	49
	8,760	7,046
Less: Accumulated depreciation	(955)	(671)
Total investment in vehicles, net	7,805	6,375
Plus: Investment in Cendant Rental Car Funding (AESOP) LLC	378	349
Plus: Receivables from manufacturers	423	348
Total vehicle-related, net	$ 8,606	$ 7,072

The components of vehicle depreciation, lease charges and interest, net are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Depreciation expense	$ 330	$ 253	$ 863	$ 703
Interest expense, net	87	65	227	194
Lease charges	16	15	51	42
(Gain) loss on sales of vehicles, net	(5)	9	(15)	(4)
	$ 428	$ 342	$ 1,126	$ 935

8. Income Taxes

The Company's effective tax rate from continuing operations for the nine months ended September 30, 2005 is 37.8%. Such rate differs from the Federal statutory rate of 35.0% primarily due to (i) an increase associated with the non-deductibility of the $180 million valuation charge associated with the PHH spin-off, (ii) an increase associated with a one-time tax expense of $39 million associated with the planned repatriation of $569 million of unremitted foreign earnings and (iii) a decrease associated with a tax benefit of $55 million related to asset basis differences.

The Company expects to utilize a substantial portion of its net operating loss carryforwards within the next 12 months and, therefore, reclassified a corresponding amount of its non-current deferred tax assets to current deferred tax assets during 2005.

9. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of:

	As of September 30, 2005	As of December 31, 2004
Accounts payable	$ 1,085	$ 926
Income taxes payable	754	612
Accrued payroll and related	559	615
Accrued legal settlements	308	189
Accrued advertising and marketing	208	195
Acquisition and integration-related	92	165
Accrued interest	67	219
Other	1,150	1,088
	$ 4,223	$ 4,009

10. Long-term Debt and Borrowing Arrangements

Long-term debt consisted of:

	Maturity Date	As of September 30, 2005	As of December 31, 2004
6 7/8% notes	August 2006	$ 850	$ 850
4.89% notes	August 2006	100	100
6 1/4% notes	January 2008	798	797
6 1/4% notes	March 2010	349	349
7 3/8% notes	January 2013	1,191	1,191
7 1/8% notes	March 2015	250	250
Revolver borrowings (a)	November 2009	381	650
Commercial paper borrowings (b)		800	–
Net hedging gains (losses) (c)		(25)	17
Other		120	126
Total long-term debt		4,814	4,330
Less: Current portion (d)		2,232	739
Long-term debt		$ 2,582	$ 3,591

(a) The change in the balance at September 30, 2005 primarily represents borrowings utilized to fund a portion of the purchase price of Gullivers, offset by repayments funded with commercial paper borrowings.

(b) The balance as of September 30, 2005 represents borrowings under the Company's $1.0 billion commercial paper program, which the Company commenced on April 1, 2005. The funds from this issuance were used to refinance a portion of the then-outstanding revolver borrowings at more favorable interest rates. Such borrowings are due in October 2005 and currently bear interest at a weighted average rate of 4%. Generally, the Company refinances maturing borrowings under this program with additional commercial paper issuances.

(c) As of September 30, 2005, this balance represents $139 million of mark-to-market adjustments on current interest rate hedges, partially offset by $114 million of net gains resulting from the termination of interest rate hedges, which will be amortized by the Company to reduce future interest expense. As of December 31, 2004, the balance represents $138 million of net gains resulting from the termination of interest rate hedges, partially offset by $121 million of mark-to-market adjustments on current interest rate hedges.

(d) The balance as of September 30, 2005 includes (i) $850 million and $100 million of borrowings under the Company's 6 7/8% and 4.89% notes, respectively, due in August 2006, (ii) $800 million of borrowings under the Company's $1.0 billion commercial paper program and (iii) $381 million of borrowings under the Company's $3.5 billion revolving credit facility. The balance as of December 31, 2004 includes $650 million of borrowings under the Company's $3.5 billion revolving credit facility.

Aggregate maturities of debt are as follows:

	As of September 30, 2005
Within 1 year (*)	$ 2,232
Between 1 and 2 years	21
Between 2 and 3 years	801
Between 3 and 4 years	1
Between 4 and 5 years	334
Thereafter	1,425
	$ 4,814

(*) Includes (i) \$850 million and \$100 million of borrowings under the Company's 6 7/8% and 4.89% notes, respectively, due in August 2006, (ii) \$800 million of borrowings under the Company's \$1.0 billion commercial paper program due in October 2005 and (iii) \$381 million of borrowings under the Company's \$3.5 billion revolving credit facility, which matures in 2009, as discussed below, due to the Company's intent to repay such borrowings prior to September 30, 2006.

At September 30, 2005, the committed credit facilities and commercial paper program available to the Company at the corporate level were as follows:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Revolving credit facility and commercial paper program (a)	$ 3,500	$ 1,181	$ 1,308	$ 1,011
Letter of credit facility (b)	303	–	303	–

(a) Outstanding borrowings include (i) \$800 million under the Company's \$1.0 billion commercial paper program, which are due in October 2005, and (ii) \$381 million under the Company's \$3.5 billion revolving credit facility, which has a final maturity date of November 2009. The \$1.0 billion commercial paper program is fully supported by the Company's \$3.5 billion revolving credit facility; accordingly, outstanding borrowings thereunder effectively reduce availability under the \$3.5 billion revolving credit facility by a corresponding amount. In addition to the letters of credit issued as of September 30, 2005, the revolving credit facility contains the committed capacity to issue an additional \$442 million in letters of credit. The letters of credit outstanding under this facility at September 30, 2005 were issued primarily to support the Company's vehicle rental businesses.

(b) Final maturity date is July 2010.

As of September 30, 2005, the Company also had \$400 million of availability for public debt or equity issuances under a shelf registration statement.

Certain of the Company's debt instruments and credit facilities contain restrictive covenants, including restrictions on indebtedness of material subsidiaries, mergers, limitations on liens, liquidations and sale and leaseback transactions, and also require the maintenance of certain financial ratios. At September 30, 2005, the Company was in compliance with all restrictive and financial covenants. The Company's debt instruments permit the debt issued thereunder to be accelerated upon certain events, including the failure to pay principal when due under any of the Company's other debt instruments or credit facilities subject to materiality thresholds. The Company's credit facilities permit the loans made thereunder to be accelerated upon certain events, including the failure to pay principal when due under any of the Company's debt instruments subject to materiality thresholds.

11. Debt Under Management Programs and Borrowing Arrangements

Debt under management programs (including related party debt due to Cendant Rental Car Funding (AESOP) LLC) consisted of:

	As of September 30, 2005	As of December 31, 2004
Asset-Backed Debt:		
Vehicle rental program		
Cendant Rental Car Funding (AESOP) LLC [(a)]	$ 7,063	$ 5,935
Other [(b)]	1,049	792
Mortgage program [(c)]	–	1,306
Timeshare program [(d)]	1,746	1,473
Relocation program [(e)]	668	400
Vacation rental program	212	251
	10,738	10,157
Unsecured Debt: [(f)]		
Term notes	–	1,833
Commercial paper	–	130
Other	–	34
	–	1,997
Total debt under management programs	$ 10,738	$ 12,154

(a) The change in the balance at September 30, 2005 principally reflects the issuance of fixed and floating rate asset-backed notes at various interest rates to support the acquisition of vehicles used in the Company's vehicle rental business.
(b) The change in the balance at September 30, 2005 reflects borrowings under the Company's truck financing program and its revolving credit agreements to support the acquisition of vehicles used in the Company's vehicle rental business.
(c) Represents a borrowing arrangement of the Company's former mortgage business, which was spun-off with PHH in January 2005.
(d) The change in the balance at September 30, 2005 principally reflects the issuance of $300 million of term notes bearing interest at 4.67% and $225 million of term notes bearing interest at one-month LIBOR plus 18 basis points, both of which have estimated maturity dates in 2010. Such additional borrowings were partially offset by repayments of approximately $240 million of term notes.
(e) The change in the balance at September 30, 2005 principally reflects the issuance of variable funding notes maturing in February 2006 and additional borrowings under a conduit facility. Also, in September 2005, the Company issued $65 million of debt under a separate conduit facility, which has a three year term and an interest rate of UK LIBOR plus 25 basis points. Such increases were partially offset by the repayment of approximately $400 million of term notes that matured in first quarter 2005.
(f) The balances at December 31, 2004 represent unsecured borrowings of the Company's former PHH subsidiary, which was spun-off in January 2005.

The following table provides the contractual maturities for debt under management programs (including related party debt due to Cendant Rental Car Funding (AESOP) LLP) at September 30, 2005 (except for notes issued under the Company's timeshare program where the underlying indentures require payments based on cash inflows relating to the corresponding assets under management programs and for which estimates of repayments have been used):

	As of September 30, 2005
Within 1 year	$ 3,722
Between 1 and 2 years	2,395
Between 2 and 3 years	1,875
Between 3 and 4 years	952
Between 4 and 5 years	951
Thereafter	843
	$ 10,738

As of September 30, 2005, available funding under the Company's asset-backed debt programs (including related party debt due to Cendant Rental Car Funding (AESOP) LLC related to the Company's management programs) consisted of:

	Total Capacity [(a)]	Outstanding Borrowings	Available Capacity
Vehicle rental program			
Cendant Rental Car Funding (AESOP) LLC [(b)]	$ 8,464	$ 7,063	$ 1,401
Other [(c)]	1,354	1,049	305
Timeshare program [(d)]	2,392	1,746	646
Relocation program [(e)]	851	668	183
Vacation rental program [(f)]	220	212	8
	$ 13,281	$ 10,738	$ 2,543

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.
(b) The outstanding debt is collateralized by approximately $7.6 billion of underlying vehicles (the majority of which are subject to manufacturer repurchase obligations) and related assets.
(c) The outstanding debt is collateralized by approximately $1.2 billion of underlying vehicles (the majority of which are subject to manufacturer repurchase obligations) and related assets.
(d) The outstanding debt is collateralized by approximately $2.9 billion of timeshare-related assets. Borrowings under the Company's asset-linked facility ($525 million) are also recourse to Cendant.
(e) The outstanding debt is collateralized by $829 million of underlying relocation receivables and related assets.
(f) The outstanding debt consists of $143 million of capital leases and $69 million of bank debt. The bank debt is collateralized by $119 million of land and related vacation rental assets. The capital lease obligations have corresponding assets classified within assets under management programs on the Company's Consolidated Condensed Balance Sheet as of September 30, 2005.

Certain of the Company's debt instruments and credit facilities related to its management programs contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries and indebtedness of material subsidiaries, mergers, limitations on liens, liquidations, and sale and leaseback transactions, and also require the maintenance of certain financial ratios. At September 30, 2005, the Company was in compliance with all financial covenants of its debt instruments and credit facilities related to management programs.

12. Commitments and Contingencies

The June 1999 disposition of the Company's former fleet businesses was structured as a tax-free reorganization and, accordingly, no tax provision was recorded on a majority of the gain. However, pursuant to an interpretive ruling, the Internal Revenue Service ("IRS") has subsequently taken the position that similarly structured transactions do not qualify as tax-free reorganizations under the Internal Revenue Code Section 368(a)(1)(A). If upon final determination, the transaction is not considered a tax-free reorganization, the Company may have to record a tax charge of up to $270 million, depending upon certain factors. Any cash payments that would be made in connection with this charge are not expected to be significant as the treatment of this transaction as taxable would create additional tax deductions that the Company would use to offset the impact of any cash payment. Notwithstanding the IRS interpretive ruling and the inherent difficulties in predicting a final outcome, the Company believes that based upon the facts and analysis of the tax law, it is more likely than not that its position would be sustained upon litigation of the matter.

The Company is involved in litigation asserting claims associated with accounting irregularities discovered in 1998 at former CUC business units outside of the principal common stockholder class action litigation. While the Company has an accrued liability of approximately $80 million recorded on its Consolidated Condensed Balance Sheet as of September 30, 2005 for these claims based upon its best estimates, it does not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. As such, an adverse outcome from such unresolved proceedings for which claims are awarded in excess of $80 million could be material with respect to earnings in any given reporting period. However, the Company does not believe that the impact of such unresolved proceedings should result in a material liability to the Company in relation to its consolidated financial position or liquidity.

In addition to the matters discussed above, the Company is also involved in claims, legal proceedings and governmental inquiries related to contract disputes, business practices, patents, environmental issues and other commercial, employment and tax matters. Such matters include but are not limited to: (i) various suits brought against the Company's membership businesses, including its Trilegiant, TRL Group and Marketing Services subsidiaries, by individual consumers and state regulatory authorities seeking monetary and/or injunctive relief relating to the marketing of such subsidiaries' membership programs and inquiries from state regulatory authorities related to such programs, (ii) claims by the purchaser of a business formerly owned by the Company's Avis subsidiary and (iii) various suits relating to wages paid to sales representatives at the Company's timeshare resort business. The Company believes that it has adequately accrued for such matters as appropriate or, for matters not requiring accrual, believes that they will not have a material adverse effect on its results of operations, financial position or cash flows based on information currently available. However, litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur, which could have a material adverse effect on the Company's results of operations or cash flows in a particular reporting period.

The Company has provided certain guarantees to subsidiaries of PHH, which, as previously discussed, was spun-off during first quarter 2005. These guarantees relate primarily to various real estate and product operating leases. The maximum potential amount of future payments that the Company may be required to make under the guarantees relating to the various real estate and product operating leases is estimated to be approximately $40 million. At September 30, 2005, the liability recorded by the Company in connection with these guarantees was approximately $1 million. To the extent that the Company would be required to perform under any of these guarantees, PHH has agreed to indemnify the Company.

13. Stockholders' Equity

Dividend Payments

During the quarterly periods ended March 31, June 30 and September 30, 2005, the Company paid cash dividends of $0.09, $0.09 and $0.11 per common share, respectively ($309 million in the aggregate). During the three quarterly periods ended March 31, June 30 and September 30, 2004, the Company paid cash dividends of $0.07, $0.07 and $0.09 per common share, respectively ($237 million in the aggregate).

Share Repurchases

During the nine months ended September 30, 2005, the Company used $790 million of available cash and $228 million of proceeds primarily received in connection with option exercises to repurchase approximately $1.0 billion (approximately 48 million shares) of Cendant common stock under its common stock repurchase program, including 12.5 million shares repurchased under an accelerated share repurchase transaction. During the nine months ended September 30, 2004, the Company used $669 million of available cash and $484 million of proceeds primarily received in connection with option exercises to repurchase approximately $1.2 billion (approximately 50 million shares) of Cendant common stock under its common stock repurchase program. The 2004 amount is reflective of the Company's efforts to mitigate the impact of the February 2004 conversion of its former zero coupon senior convertible contingent notes.

Accumulated Other Comprehensive Income

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

	Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Available-for-Sale Securities	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2005	$ 308	$ 20	$ 16	$ (70)	$ 274
Effect of PHH spin-off	(12)	(5)	(1)	7	(11)
Current period change	(145)	26	(14)	(10)	(143)
Balance, September 30, 2005	$ 151	$ 41	$ 1	$ (73)	$ 120

14. Stock-Based Compensation

The Company recorded pre-tax stock-based compensation expense of $21 million and $63 million during the three and nine months ended September 30, 2005, respectively, and $16 million and $30 million during the three and nine months ended September 30, 2004, respectively, related to employee stock awards that were granted or modified subsequent to December 31, 2002. The expense recorded in the nine months ended September 30, 2005 includes $5 million related to the accelerated vesting of restricted stock units ("RSUs") of individuals who were terminated in connection with the Company's 2005 restructuring initiatives (See Note 6— Restructuring and Transaction-Related Charges).

The activity related to the Company's RSU and stock option plans consisted of:

	Nine Months Ended September 30, 2005			
	RSUs		Options	
	Number of RSUs	Weighted Average Grant Price	Number of Options	Weighed Average Exercise Price
Balance at January 1, 2005	16	$ 20.85	151	$ 17.83
Granted	14	20.19	1	20.38
Granted in connection with the PHH spin-off (a)	1	*	6	*
Vested/exercised	(3)	19.02	(18)	11.88
Canceled	(4)	20.80	(5)	20.37
Balance at September 30, 2005	24	20.69	135	17.73

(*) Not meaningful.

(a) As a result of the spin-off of PHH, the closing price of Cendant common stock was adjusted downward by $1.10 on January 31, 2005. In order to provide an equitable adjustment to holders of its RSUs, the Company granted incremental RSUs to achieve a balance of 1.0477 RSUs outstanding subsequent to the spin-off for each RSU outstanding prior to the spin-off. Additionally, the Company granted incremental options to achieve a balance of 1.04249 options outstanding subsequent to the spin-off for each option outstanding prior to the spin-off. The exercise price of each option was also adjusted downward by a proportionate value.

The effect on net income and earnings per share for 2004 as if the fair value based method had been applied by the Company to all employee stock awards granted (including those granted prior to January 1, 2003 for which the Company has not recorded compensation expense) is as follows:

	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2004
Reported net income	$ 593	$ 1,725
Add back: Stock-based employee compensation expense included in reported net income, net of tax	10	19
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	(10)	(21)
Pro forma net income	$ 593	$ 1,723
Net income per share:		
Reported		
Basic	$ 0.57	$ 1.69
Diluted	0.56	1.63
Pro Forma		
Basic	$ 0.57	$ 1.68
Diluted	0.56	1.63

As of January 1, 2005, the Company records compensation expense for all outstanding employee stock awards; accordingly, pro forma information is not presented for any period subsequent to December 31, 2004.

15. Segment Information

Management evaluates the operating results of each of its reportable segments based upon revenue and "EBITDA," which is defined as income from continuing operations before non-program related depreciation and amortization, non-program related interest, amortization of pendings and listings, income taxes and minority interest. The Company's presentation of EBITDA may not be comparable to similarly-titled measures used by other companies. Presented below are the revenue and EBITDA for each of the Company's reportable segments and the reconciliation of EBITDA to income before income taxes and minority interest.

	Three Months Ended September 30,			
	2005		2004	
	Revenues	EBITDA	Revenues	EBITDA
Real Estate Services	$ 2,068	$ 409	$ 1,856	$ 379
Hospitality Services	404	144	365	131
Timeshare Resorts	484	80	424	80
Vehicle Rental	1,433	173	1,243	179
Travel Distribution Services	646	160	437	123
Mortgage Services (a)	–	–	175	29
Total Reportable Segments	5,035	966	4,500	921
Corporate and Other (b)	11	(62)	5	(30)
Total Company	$ 5,046	904	$ 4,505	891
Less: Non-program related depreciation and amortization		134		118
Non-program related interest expense, net		66		32
Amortization of pendings and listings		6		5
Income before income taxes and minority interest		$ 698		$ 736

	Nine Months Ended September 30,			
	2005		2004	
	Revenues	EBITDA	Revenues	EBITDA
Real Estate Services	$ 5,520	$ 963	$ 4,980	$ 894
Hospitality Services	1,166	369	1,017	378
Timeshare Resorts	1,288	192	1,155	180
Vehicle Rental	3,745	367	3,363	387
Travel Distribution Services	1,858	432	1,337	364
Mortgage Services (a)	46	(181)	545	88
Total Reportable Segments	13,623	2,142	12,397	2,291
Corporate and Other (b)	35	(137)	52	(75)
Total Company	$ 13,658	2,005	$ 12,449	2,216
Less: Non-program related depreciation and amortization		411		341
Non-program related interest expense, net (c)		117		180
Early extinguishment of debt		–		18
Amortization of pendings and listings		12		13
Income before income taxes and minority interest		$ 1,465		$ 1,664

(a) Includes the results of operations of the Company's former mortgage business prior to the spin-off of PHH. EBITDA in the nine months ended September 30, 2005 also includes a $180 million non-cash valuation charge associated with the PHH spin-off (see Note 16— Spin-off of PHH Corporation).

(b) Includes unallocated corporate overhead, the elimination of transactions between segments and the results of operations of certain non-strategic businesses. Additionally, the nine months ended September 30, 2005 and 2004 include gains of $18 million and $40 million, respectively, on the sale of Homestore, Inc. common stock. EBITDA for the three and nine months ended September 30, 2004 reflects a $12 million credit relating to the termination of a lease (see Note 4— Acquisitions).

(c) The 2005 amount includes the reversal of $73 million of accrued interest associated with the resolution of amounts due under a litigation settlement reached in 1999.

16. Spin-off of PHH Corporation

As previously discussed, on January 31, 2005, the Company completed the spin-off of its former mortgage, fleet leasing and appraisal businesses in a tax-free distribution to the Company's stockholders of one share of PHH common stock per every twenty shares of Cendant common stock held on January 19, 2005. As a result, the Company's total stockholders' equity was reduced by approximately $1.65 billion during first quarter 2005 (see the Consolidated Condensed Statement of Stockholders' Equity).

Pursuant to SFAS No. 144, the Company was required to perform an impairment analysis upon completion of the PHH spin-off. Accordingly, the Company recorded a non-cash impairment charge of $488 million in first quarter 2005, to reflect the difference between PHH's carrying value and PHH's initial market value, as determined by the average trading price of PHH common stock on February 1, 2005. The charge was recorded as a reduction to net income with an offsetting increase to retained earnings since the impaired assets had been disposed of on January 31, 2005. Of the $488 million total charge, approximately $180 million ($0.17 per diluted share) was allocated to the mortgage business and, therefore, recorded within continuing operations. The remaining charge, approximately $308 million ($0.29 per diluted share), was allocated to the fleet leasing and appraisal businesses and, therefore, recorded within discontinued operations. There were no tax benefits recorded in connection with these charges as such charges are not tax deductible.

Similarly, the Company incurred $7 million of transaction costs during first quarter 2005 associated with the PHH spin-off, of which $3 million was allocated to continuing operations (which is recorded within the restructuring and transaction-related costs line item on the Consolidated Condensed Statement of Income within the Mortgage Services segment) and $4 million was allocated to discontinued operations (which is recorded within the valuation charge associated with the PHH spin-off line item on the Company's Consolidated Condensed Statement of Income). There were no tax benefits recorded in connection with these charges as such charges are not tax deductible.

The account balances and activities of the Company's former fleet leasing and appraisal businesses, as well as the $308 million impairment charge described above and $4 million of transaction costs also described above, have been presented as discontinued operations (see Note 2—Discontinued Operations for summary financial data for these entities). However, as previously discussed, the Company's mortgage business cannot be classified as a discontinued operation.

The Company has entered into a mortgage origination venture with PHH to continue to participate in the earnings generated from originating mortgages for customers of its real estate brokerage and relocation businesses. PHH manages this venture, which commenced operations in October 2005. The Company's proportionate share of the venture's results of operations will be recorded within the Real Estate Services segment.

17. Subsequent Events

Acquisition of Wyndham Worldwide

On October 11, 2005, the Company completed its acquisition of the management and franchise business of the Wyndham hotel chain, which was renamed Wyndham Worldwide, for approximately $100 million in cash. As a result of the acquisition, the Company also acquired the Wyndham brand, which may be used in the Company's lodging and timeshare businesses.

Sale of Marketing Services Division

On October 17, 2005, the Company completed the sale of its Marketing Services division to an affiliate of Apollo Management V, L.P. ("Apollo") for approximately $1.8 billion. The purchase price consisted of approximately $1.7 billion of cash, net of estimated closing adjustments, plus $125 million face value of newly issued preferred stock of the parent of the purchaser. In addition, the Company received warrants to purchase up to 7.5 percent of the common equity of the parent, which will become exercisable upon the earlier of four years or the achievement by Apollo of certain investment return hurdles.

In connection with this transaction, the Company will record a pretax gain in excess of $1.0 billion in its fourth quarter 2005 results. Reflected within such gain is the establishment of liabilities resulting from (i) commercial agreements executed between the Company and the former Marketing Services division in connection with this transaction, (ii) certain retained litigation and limited indemnities agreed to by the Company covering other litigation matters and (iii) guarantees of certain obligations of the former Marketing Services division entered into by the Company prior to the closing of the sale.

The estimated gain is based upon the estimated net book value of the former Marketing Services division as of the closing date and is subject to further refinement, including in connection with (i) an independent valuation of the non-cash consideration and the indemnities and liabilities described above and (ii) assumptions concerning income taxes.

Declaration of Dividends

On October 18, 2005, the Company's Board of Directors declared a quarterly cash dividend of $0.11 per common share payable December 13, 2005 to stockholders of record on November 21, 2005.

Plan of Separation

On October 23 2005, the Company's Board of Directors approved a plan to separate the Company into four independent, publicly traded companies: (i) Travel Network—will encompass the current Travel Distribution Services segment as well as the Company's timeshare exchange and European vacation rental businesses, which are currently included within the Hospitality Services segment; (ii) Real Estate Services—will encompass the current Real Estate Services segment;

(iii) Hospitality Services—will encompass the current Hospitality Services and Timeshare Resorts segments excluding the Company's timeshare exchange and European vacation rental businesses, which will be part of the Travel Network company and (iv) Vehicle Rental Services—will encompass the current Vehicle Rental Services segment.

Following the proposed transaction, Cendant's shareholders will own 100% of the equity in all four companies. The transaction is expected to be effected through three 100% spin-offs no later than the summer of 2006 and is expected to be tax-free for Cendant and its shareholders. The Company is exploring the possible acceleration of the effectiveness of the proposed transaction. This acceleration may allow the first two spin-offs, Real Estate Services and Hospitality Services, to occur in mid-second quarter 2006.

There can be no assurances, however, that the plan of separation will be completed. Completion of the contemplated separation is subject to various risks, including but not limited to, risks inherent in the contemplated separation and related transactions and borrowings and costs related to the contemplated separation and related transactions; increased demands on Cendant's management team as a result of the proposed transactions; changes in business, political and economic conditions in the U.S. and in other countries in which the Company currently does business; changes in governmental regulations and policies and actions of regulatory bodies; changes in operating performance; access to financing sources, required changes to existing financings, and changes in credit ratings, including those that may result from the proposed transaction; the Company's ability to obtain the financing necessary to consummate the transaction; and the Company's ability to satisfy certain conditions precedent, including, final approval by the Company's Board of Directors, receipt of a tax opinion of counsel and the filing and effectiveness of registration statements. Approval by the Company's shareholders is not required.

Share Repurchase Plan
On October 28, 2005, the Company entered into an agreement with a broker-dealer that specifies the parameters under which up to $500 million of open-market repurchases of our common stock are expected to be made on the Company's behalf.

Settlement of Vehicle Services Dispute
On October 28, 2005, the Company agreed to settle for $10 million in cash an ongoing dispute with licensees of the Company's Avis brand arising out of the Company's acquisition of the Budget business in 2002. Accordingly, the Company recorded a pretax expense of $10 million for the three and nine months ended September 30, 2005. The settlement is subject to definitive documentation.

Settlement of the PRIDES Action
On October 28, 2005, the Company agreed to settle its PRIDES securities litigation for approximately $32.5 million in cash. As of September 30, 2005, the Company had accrued a pretax liability of $20 million with regard to this litigation. Accordingly, the Company recorded an additional $12.5 million pretax expense for the three and nine months ended September 30, 2005. The settlement is subject to execution of a definitive settlement agreement and court approval.

Repayment of Commercial Paper Borrowings
In October 2005, the Company repaid all outstanding commercial paper borrowings, which approximated $800 million at September 30, 2005.

* * * *

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes thereto included elsewhere herein and with our 2004 Annual Report on Form 10-K filed with the Commission on March 1, 2005 and our Current Report on Form 8-K filed with the Commission on May 5, 2005. Unless otherwise noted, all dollar amounts are in millions.

We are one of the foremost providers of travel and real estate services in the world. We operate our businesses within three divisions: Real Estate, Travel Content and Travel Distribution. Our Real Estate division has two segments: Real Estate Services and Mortgage Services; our Travel Content division has three segments: Hospitality Services, Timeshare Resorts and Vehicle Rental; and our Travel Distribution division has only one segment, Travel Distribution Services. This segment reporting structure was adopted in first quarter 2005 in connection with our strategic realignment, which is discussed in detail below, and now reflects our renewed focus on our travel and real estate services businesses. Following is a brief description of the services provided by each of our operating segments:

- **Real Estate Services**—franchises the real estate brokerage businesses of our four residential brands and one commercial brand, provides real estate brokerage services, facilitates employee relocations and provides home buyers with title and closing services.

- **Hospitality Services**—facilitates the exchange of vacation ownership interests, franchises nine lodging brands (including the Wyndham brand acquired on October 11, 2005) and markets vacation rental properties.

- **Timeshare Resorts**—develops and sells vacation ownership interests, provides consumer financing to individuals purchasing these interests and manages resort properties.

- **Vehicle Rental**—operates and franchises our car and truck rental brands.

- **Travel Distribution Services**—provides global distribution services for the travel industry, corporate and consumer online travel services and travel agency services.

- **Mortgage Services**—provided home buyers with mortgage lending services (this business was disposed of in January 2005—see below for further discussion).

In 2005, we have continued our strategic realignment, which was commenced in early 2004 and undertaken to simplify our business model through exiting non-core businesses or businesses that produce volatility to our earnings inconsistent with our business model and the remainder of our core businesses. We began this strategic realignment in 2004 by completing the initial public offering of Jackson Hewitt Tax Service Inc., raising approximately $770 million of cash, and acquiring Orbitz, Inc., an online travel company. We completed the spin-off of our former mortgage, fleet leasing and appraisal businesses in a tax-free distribution of the common stock of PHH Corporation to our stockholders in January 2005. In February 2005, we completed an initial public offering of Wright Express Corporation, raising approximately $965 million of cash, and acquired ebookers plc, a travel agency. We then completed the acquisitions of Gullivers Travel Associates and Octopus Travel Group Limited (collectively "Gullivers"), a wholesaler and global online provider of hotel rooms, destination services, travel packages and group tours, in April 2005 and in October 2005, we completed the sale of our Marketing Services division, which was comprised of our former individual membership and loyalty/insurance marketing businesses, for approximately $1.8 billion (See Note 17 to our Consolidated Condensed Financial Statements) representing the culmination of our strategic realignment.

In connection with the completion of this strategic realignment, our management team and Board of Directors performed a comprehensive review of the growth opportunities and current market valuations for each of our core businesses. As a result of this review, during October 2005, our Board of Directors approved a plan to separate Cendant into four independent, publicly traded companies:

- **Travel Network**—will encompass our current Travel Distribution Services segment as well as our timeshare exchange and European vacation rental businesses, which are currently included within the Hospitality Services segment.

- **Real Estate Services**—will encompass our current Real Estate Services segment.

- **Hospitality Services**—will encompass our current Hospitality Services and Timeshare Resorts segments excluding our timeshare exchange and European vacation rental businesses, which will be part of the Travel Network company.

- **Vehicle Rental Services**—will encompass our current Vehicle Rental Services segment.

We and our Board of Directors believe that this strategy provides the greatest opportunity for our businesses and brands to achieve their full potential. Additionally, we anticipate that the separation of our core businesses will facilitate a clearer understanding and fairer market valuation of each of these businesses.

Following the proposed transaction, Cendant's shareholders will own 100% of the equity in all four companies. The transaction is expected to be effected through three 100% spin-offs no later than the summer of 2006 and is expected to be tax-free for Cendant and its shareholders. We are exploring the possible acceleration of the effectiveness of the proposed transaction. This acceleration may allow the first two spin-offs, Real Estate Services and Hospitality Services, to occur in mid-second quarter 2006.

There can be no assurances, however, that the plan of separation will be completed. Completion of the contemplated separation is subject to various risks, including but not limited to, risks inherent in the contemplated separation and related transactions and borrowings and costs related to the contemplated separation and related transactions; increased demands on Cendant's management team as a result of the proposed transactions; changes in business, political and economic conditions in the U.S. and in other countries in which we currently do business; changes in governmental regulations and policies and actions of regulatory bodies; changes in operating performance; access to financing sources, required changes to existing financings, and changes in credit ratings, including those that may result from the proposed transaction; our ability to obtain the financing necessary to consummate the transaction; and our ability to satisfy certain conditions precedent, including, final approval by our Board of Directors, receipt of a tax opinion of counsel and the filing and effectiveness of registration statements. Approval by Cendant's shareholders is not required.

Our management team remains committed to increasing shareholder value. Through September 30, 2005, we used $790 million of cash, net of proceeds from option exercises, to repurchase our common stock and $309 million of cash to pay dividends. Additionally, in October 2005, we repaid approximately $1.0 billion of our outstanding short-term corporate indebtedness at September 30, 2005. We also expect to continue to recommend to our Board of Directors payment of the regular 11-cent quarterly dividend until the separation is completed. Our Board of Directors has already approved the fourth quarter 2005 dividend payment of 11 cents per share. Following the separation, we expect that all four companies will pay dividends, which, in the aggregate, will approximate the dividend currently paid by Cendant. However, individual company payments will be determined at a later date and will be within the discretion of the respective Board of Directors of each company, although we anticipate that the Real Estate Services and Travel Network entities will pay the substantial majority of the post-separation aggregate dividend.

With respect to future share repurchases, we are reassessing the amount and pace of share repurchases within the coming weeks as we refine the capital structure and credit ratings of each of the four new companies. However, we expect to continue to repurchase shares until the separation is complete within the confines of the program so long as such repurchases would not cause our capital to shrink to a position that would limit the ability of any of the new companies to access necessary forms of financing. In connection with such expectation, on October 28, 2005, we entered into an agreement with a broker-dealer that specifies the parameters under which up to $500 million of open-market repurchases of our common stock are expected to be made on our behalf.

Finally, we are focused on growing profitability within each of these new companies before and after the separation. To this end, we have established transition teams that are principally responsible for planning, organizing and implementing the series of transition services and other agreements that are going to be necessary to support the individual companies. With these teams in place, our operating executives can remain focused on delivering profitability and positioning our businesses for long-term growth.

RESULTS OF OPERATIONS

Discussed below are our consolidated results of operations and the results of operations for each of our reportable segments. Generally accepted accounting principles require us to segregate and report as discontinued operations for all periods presented the account balances and activities of Jackson Hewitt, our former fleet leasing and appraisal businesses, Wright Express, and our former Marketing Services division. Although we no longer own our former mortgage services operations, we cannot classify such business as a discontinued operation due to our participation in a mortgage origination venture that was established with PHH in connection with the spin-off.

Management evaluates the operating results of each of our reportable segments based upon revenue and "EBITDA," which is defined as income from continuing operations before non-program related depreciation and amortization, non-program related interest, amortization of pendings and listings, income taxes and minority interest. Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

THREE MONTHS ENDED SEPTEMBER 30, 2005 VS. THREE MONTHS ENDED SEPTEMBER 30, 2004

Our consolidated results of operations comprised the following:

	Three Months Ended September 30,		
	2005	2004	Change
Net revenues	$ 5,046	$ 4,505	$ 541
Total expenses	4,348	3,769	579
Income before income taxes and minority interest	698	736	(38)
Provision for income taxes	244	238	6
Minority interest, net of tax	1	1	–
Income from continuing operations	453	497	(44)
Income from discontinued operations, net of tax	43	96	(53)
Gain on disposal of discontinued operations, net of tax	3	–	3
Net income	$ 499	$ 593	$ (94)

Net revenues and total expenses increased $541 million (12%) and $579 million (15%), respectively, in third quarter 2005 as compared with third quarter 2004, reflecting organic growth across all our segments, particularly within our Vehicle Rental and Real Estate Services segments, the acquisitions of strategic businesses during or subsequent to third quarter 2004 and other items discussed below.

The largest contributor to organic revenue growth quarter-over-quarter was our Vehicle Rental segment, reflecting strong demand at both our domestic and international operations. We experienced greater car rental time and mileage ("T&M") revenue principally as a result of a 17% increase in the number of days a car was rented domestically and an 18% increase in the number of days a car was rented internationally. Our Real Estate Services segment also experienced strong organic revenue growth quarter-over-quarter primarily as a result of a 15% increase in the average price of home sales at our brokerage business. Revenues at our Timeshare Resorts segment also grew organically principally driven by a 10% increase in tour flow, a 6% increase in revenue per guest and increased consumer finance income. Organic growth at our Hospitality segment resulted from favorable key revenue drivers within our lodging and RCI timeshare exchange businesses, as well as a 5% increase in weeks sold in our European vacation rental businesses. Partially offsetting the favorable revenue trends at our Timeshare Resorts and Vehicle Rental segments are $14 million and $10 million, respectively, of charges incurred during third quarter 2005 to account for the estimated impact of the September 2005 hurricanes experienced in the Gulf Coast. Expenses also increased throughout all of our core operating segments, with the exception of our Travel Distribution Services segment, as a result of organic growth primarily to support additional volume, higher vehicle costs and additional marketing investments. Apart from organic growth, the strategic business we acquired during or subsequent to third quarter 2004 contributed to the quarter-over-quarter increase in net revenues and total expenses as follows:

Acquired Business	Date of Acquisition	Contribution to Net Revenues	Contribution to Total Expenses
Orbitz	November 2004	$ 105	$ 92
Gullivers	April 2005	82	64
ebookers	February 2005	28	36
Real estate brokerages	*	55	53
		$ 270	$ 245

(*) These businesses were acquired at various dates during or subsequent to third quarter 2004.

Partially offsetting these revenue and expense increases was the absence of $175 million in revenue generated and $155 million in expenses incurred by our former mortgage business during third quarter 2004 (this business was disposed on January 31, 2005). Our effective tax rate for continuing operations was 35.0% and 32.3% for third quarter 2005 and 2004, respectively. The change in the effective tax rate for 2005 was primarily due to higher taxes on foreign operations. As a result of the above-mentioned items, income from continuing operations decreased $44 million (9%).

Income from discontinued operations decreased $53 million, which primarily reflects (i) a decrease of $21 million of net income generated by our Marketing Services division due to the absence in 2005 of income recorded in third quarter 2004 in connection with the early termination of a contractual relationship with a third party marketing partner, (ii) a decrease of $19 million in net income generated by our former fleet leasing and appraisal businesses (since their results were included for third quarter 2004 but not in third quarter 2005) and (iii) a decrease of $13 million in net income generated by Wright Express (since its results were included for third quarter 2004 but not in third quarter 2005).

As a result of the above-mentioned items, net income decreased $94 million (16%).

Following is a discussion of the results of each of our reportable segments during third quarter:

	Revenues			EBITDA		
	2005	2004	% Change	2005	2004	% Change
Real Estate Services	$ 2,068	$ 1,856	11%	$ 409	$ 379	8%
Hospitality Services	404	365	11	144	131	10
Timeshare Resorts	484	424	14	80	80	–
Vehicle Rental	1,433	1,243	15	173	179	(3)
Travel Distribution Services	646	437	48	160	123	30
Mortgage Services (a)	–	175	*	–	29	*
Total Reportable Segments	5,035	4,500	12	966	921	
Corporate and Other (b)	11	5	*	(62)	(30)	
Total Company	$ 5,046	$ 4,505	12	904	891	
Less: Non-program related depreciation and amortization				134	118	
Non-program related interest expense, net				66	32	
Amortization of pendings and listings				6	5	
Income before income taxes and minority interest				$ 698	$ 736	

(*) Not meaningful.

(a) Our former mortgage business was disposed in connection with the spin-off of PHH in January 2005.

(b) Includes unallocated corporate overhead, the elimination of transactions between segments and the results of operations of certain non-strategic businesses. Additionally, EBITDA for 2004 reflects a $12 million credit relating to the termination of a lease.

Real Estate Services

Revenues and EBITDA increased $212 million (11%) and $30 million (8%), respectively, in third quarter 2005 compared with third quarter 2004 reflecting revenue growth across all of our real estate services businesses.

Royalty revenue within our real estate franchise business increased $16 million (12%) in third quarter 2005 as compared with third quarter 2004. Such growth was primarily driven by a 15% increase in the average price of homes sold. The number of homesale transactions from our third-party franchisees from which we earn royalties remained relatively flat quarter-over-quarter. The 15% quarter-over-quarter increase in average price is reflective of the supply of, and demand for, homes resulting in an overall increase in the sales prices of homes across the nation. We expect this trend to moderate over time as industry-wide projections indicate slight increases in inventory in future quarters. In addition to royalties received from our third-party franchisees, NRT Incorporated, our wholly-owned real estate brokerage firm, continues to pay royalties to our real estate franchise business. However, these intercompany royalties, which approximated $106 million and $96 million during third quarter 2005 and 2004, respectively, are eliminated in consolidation and therefore have no impact on this segment’s revenues or EBITDA. Our strategy for continued growth in the real estate franchise business is to expand our global franchise base by aggressively marketing our Century 21, Coldwell Banker, Coldwell Banker Commercial, ERA and Sotheby’s International Realty brands.

Revenues within our real estate brokerage business increased $173 million (12%) in third quarter 2005 as compared with third quarter 2004. Such increase is partially attributable to significant acquisitions made by NRT during or subsequent to third quarter 2004, which together contributed incremental revenues and EBITDA of $55 million and $5 million, respectively, to third quarter 2005 operating results. Apart from these acquisitions, NRT’s revenues increased $118 million (8%) in third quarter 2005 compared with third quarter 2004. This increase was substantially comprised of higher commission income earned on homesale transactions, which was primarily driven by a 15% increase in the average price of homes sold, partially offset by a 4% decline in the number of homesale transactions. The 15% quarter-over-quarter increase in average price is reflective of the supply of, and demand for, homes resulting in an overall increase in the sales prices of homes across the nation. We expect this trend to moderate over time as industry-wide projections indicate slight increases in inventory in future periods. We believe that the reduction in homesale transactions and, in part, the increase in price are reflective of relatively low inventories of homes available for sale in many of the coastal regions that NRT serves and increased competition. EBITDA further reflects an increase of $81 million in commission expenses paid to real estate agents as a result of the incremental revenues earned on homesale transactions, as well as a higher average commission rate paid to real estate agents in third quarter 2005 due to the progressive nature of revenue-based agent commission schedules. Our strategy for continued growth in this business includes strategic acquisitions of real estate brokerages, the continued recruitment and retention of real estate agents and maintaining our commission rates in an increasingly competitive market through the delivery of industry-leading sales support technology and customer service.

NRT has a significant concentration of real estate brokerage offices and transactions in geographic regions where home prices are at the higher end of the U.S. real estate market, particularly the east and west coasts. The real estate franchise business has franchised offices that are more widely dispersed across the United States than our NRT real estate brokerage operations. Accordingly, operating results and homesale statistics may differ between NRT and the real estate franchise business based upon geographic presence and the corresponding homesale activity in each geographic region.

Revenues from our relocation services business increased $11 million (9%) in third quarter 2005 as compared with third quarter 2004. Such increase was primarily driven by $4 million (16%) of higher fixed fee homesale revenues and $8 million (16%) of increased referral fees. The increase in fixed fee homesale revenues is attributable to increased home values and higher volume. The increase in referral fees was due to higher referral rates and transaction volume.

Revenues from our settlement services business increased $8 million (9%) in third quarter 2005 as compared with third quarter 2004 primarily due to increases in title and closing volume and fees.

EBITDA further reflects an increase of approximately $50 million (3%) in operating, marketing and administrative expenses (apart from NRT's significant acquisitions and real estate agent commission expenses, both of which are discussed separately above) principally resulting from (i) $11 million of incremental rent, office administration and other fixed costs within our real estate brokerage business, (ii) $8 million of expenses incurred within our real estate brokerage business primarily to support an increased number of offices, (iii) a $6 million increase in staffing and other personnel-related costs incurred within our relocation business primarily to support increases in volume, (iv) $4 million of incremental incentive expenses at our real estate brokerage operations due to an anticipated increase in year-over-year profitability, (v) $4 million of increased costs at our settlement services and relocation services businesses primarily in connection with higher volume and (vi) $3 million of higher marketing expenses to support growth in our real estate franchise and brokerage operations.

Hospitality Services

Revenues and EBITDA increased $39 million (11%) and $13 million (10%), respectively, in third quarter 2005 compared with third quarter 2004. Key revenue drivers increased across all our Hospitality Services businesses reflecting positive industry-wide dynamics.

Revenues within our RCI timeshare exchange business increased $5 million (3%) during third quarter 2005 due to a $3 million (3%) increase in exchange and subscription fee revenues and a $6 million (23%) increase in other timeshare points and rental transaction revenues, partially offset by a $4 million decrease in other transactional revenues. The increase in exchange and subscription fee revenues in third quarter 2005 was primarily driven by a 5% increase in the average number of worldwide subscribers and a 6% increase in the average exchange fee, partially offset by a 4% decrease in exchange transaction volumes. The increase in other timeshare points and rental transaction revenues during third quarter 2005 was principally driven by a 20% increase in points and rental transaction volume, partially offset by a 2% decrease in the average price per rental transaction. The decrease in other transactional revenues in third quarter 2005 was primarily due to the absence of travel-related commission fees and increased cancellation fees received in third quarter 2004. Revenue trends reflect the continued shift in the RCI timeshare membership base toward a greater mix of points members from traditional one-week timeshare members. Other timeshare points transactions are those executed by points members for other than a standard, one-week stay at an RCI timeshare property. Timeshare rental transactions are rentals of unused timeshare inventory to RCI members and non-members.

Royalty, marketing and reservation fund revenues within our lodging franchise operations increased $7 million (6%) in third quarter 2005 partially due to our purchase of the exclusive rights to the Ramada International trademark in December 2004. Ramada International contributed $3 million of incremental royalty, marketing and reservation fund revenues to third quarter 2005 results. The Ramada International properties also added approximately 26,000 rooms, which is approximately 5% of the total weighted average rooms available within our lodging franchise system. Apart from this acquisition, royalty, marketing and reservation fund revenues increased $4 million (3%) primarily resulting from a 7% increase in revenue per available room ("RevPAR"), partially offset by a 4% decrease in weighted average rooms available. The RevPAR increase reflects (i) increases in both price and occupancy principally attributable to an overall improvement in the economy lodging segment in which our hotel brands primarily operate, (ii) the termination of underperforming properties throughout 2004 that did not meet our required quality standards or their financial obligations to us and (iii) the strategic assignment of personnel to field locations designed to assist franchisees in improving their hotel operating performance. The decrease in weighted average rooms available reflects our termination of underperforming properties, as discussed above, the expiration of franchise agreements, certain franchisees exercising their right to terminate their agreement and the timing of new additions and terminations to our franchise system. Our Trip Rewards loyalty program also contributed $5 million of incremental revenue during third quarter 2005. On October 11, 2005, we completed our acquisition of the management and franchise business of the Wyndham hotel chain, which was renamed Wyndham Worldwide, for approximately $100 million in cash.

We acquired Canvas Holidays Limited, a European vacation rental business, in October 2004. The operating results of Canvas have been included in our results for the entire third quarter of 2005 but for none of the third quarter in 2004. Accordingly, Canvas contributed incremental revenues and EBITDA of $10 million and $4 million, respectively, during third quarter 2005. Apart from this acquisition, revenues at our European vacation rental companies increased $8 million (9%) primarily as a result of a 5% increase in weeks sold, which partially reflects a shift in bookings patterns that increased bookings during the third quarter of 2005. In 2005, European consumers' appear to be booking their vacations closer to their eventual departure dates, which are heavily concentrated during the third quarter of each year, corresponding to the peak vacation season.

EBITDA further reflects an increase of approximately $20 million (9%) in operating, marketing and administrative expenses (excluding the incremental expenses generated by Canvas Holidays) principally resulting from (i) $11 million of additional variable operating expenses principally due to higher transaction volumes in our timeshare exchange and vacation rental businesses and additional infrastructure costs to support growth in our Hospitality Services businesses and (ii) the utilization of $5 million of incremental revenues generated by our Trip Rewards loyalty program to fund related marketing initiatives.

In addition, we have combined our timeshare exchange business, RCI, and our European vacation rental businesses to create the new Vacation Network Group. This combination is expected to result in future cost savings, as well as broaden the marketing capability of our European travel business. As a result, we committed to a plan during fourth quarter 2005 to reduce staff and consolidate facilities and expect to incur associated costs of approximately $16 million in fourth quarter 2005.

Timeshare Resorts

Revenues increased $60 million (14%) while EBITDA remained flat in third quarter 2005 compared with third quarter 2004. The EBITDA comparison was negatively impacted by $14 million of expenses incurred during third quarter 2005 as a result of the hurricanes experienced in the Gulf Coast during September 2005. This charge primarily reflects provisions for estimated timeshare contract receivable losses and estimated costs to repair timeshare properties. The ultimate amount of loss resulting from the Gulf Coast hurricanes will be refined as we gain complete access to our properties and improve engineering estimates and will depend on the outcome of insurance claims proceedings. Revenue and EBITDA, exclusive of the impact of the Gulf Coast hurricanes, reflect organic growth in timeshare sales and increased consumer finance income.

Net sales of vacation ownership interests ("VOIs") at our timeshare resorts business increased $45 million (13%) in third quarter 2005 despite the September 2005 Gulf Coast hurricanes. Such increase was principally driven by a 10% increase in tour flow and a 6% increase in revenue per guest. This revenue increase includes an $11 million decrease in higher margin upgrade sales at our Trendwest resort properties due to special upgrade promotions conducted in 2004 undertaken to mitigate the negative impact on tour flow of the Do Not Call legislation. Tour flow, as well as revenue per transaction, benefited in third quarter 2005 from our expanded presence in premium destinations such as Hawaii, Las Vegas and Orlando. Tour flow was also positively impacted by the opening of new sales offices, our strategic focus on new marketing alliances and increased local marketing efforts. We believe that VOI sales and tour flow were suppressed during third quarter 2005 due to an interruption in the global travel market caused by the September 2005 Gulf Coast hurricanes. It is too early to determine whether Hurricane Wilma will have a similar effect on VOI sales and tour flow in fourth quarter 2005.

Revenues and EBITDA also increased $18 million in third quarter 2005 as a result of incremental net interest income earned on our contract receivables primarily due to (i) growth in the consolidated portfolio without corresponding increases in net borrowing costs and (ii) more favorable valuation adjustments in 2005 to our retained interest in securitized contract receivables. Contributing to lower net interest costs in third quarter 2005 were more favorable financing arrangements achieved on securitized contract receivables in 2005 compared with 2004.

EBITDA further reflects an increase of approximately $45 million (13%) in operating, marketing and administrative expenses primarily resulting from (i) $15 million of increased cost of sales associated with increased VOI sales, (ii) $13 million of additional commission expense associated with increased VOI sales and increased commission rates, (iii) $7 million of incremental marketing spend to support sales efforts and (iv) $5 million of additional contract receivable provisions recorded in 2005.

Vehicle Rental

Revenues increased $190 million (15%), while EBITDA decreased $6 million (3%), respectively, in third quarter 2005 compared with third quarter 2004. We experienced strong demand for vehicle rentals throughout the quarter and expect rental volumes to continue to grow in the foreseeable future; however, EBITDA margin comparisons were negatively impacted by lower domestic rental car pricing, higher fleet costs and the damage to vehicles as a result of the hurricanes experienced in the Gulf Coast during September 2005.

Revenues generated by our domestic car rental operations increased $145 million (15%) during third quarter 2005, which was comprised of a $124 million (15%) increase in T&M revenue and a $21 million (19%) increase in ancillary revenues. The increase in domestic T&M revenues was principally driven by a 17% increase in the number of days a car was rented, partially offset by a 2% decrease in T&M revenue per day. The increase in rental days reflects, in part, our strategic decision to implement more competitive pricing in third quarter 2004. This program was continued into the second quarter of 2005 when we instituted a price increase in response to rising fleet costs. Accordingly, T&M revenue per day decreased 2% in third quarter 2005 when compared with third quarter 2004 but increased 6% when compared with second quarter 2005. We expect further price increases along with continued volume gains in 2006 as we seek to offset the impact of higher fleet costs and anticipated increases in interest costs, which we began to experience to a slighter degree this quarter as well. Pricing was also negatively impacted during 2005 by competitive conditions in the domestic car rental industry resulting from higher industry-wide fleet levels. Fleet depreciation increased $48 million in third quarter 2005 primarily due to (i) an increase of 16% in the average size of our domestic rental fleet and (ii) reductions to manufacturer incentives received on our 2005 model year inventory (which was in utilization during third quarter 2005) as compared with those received on our 2004 model year inventory (which was in utilization during third quarter 2004). The $21 million increase in ancillary revenues was due primarily to a $13 million increase in gasoline revenues and an $8 million increase in counter sales of insurance and other items. EBITDA from our domestic car rental operations also reflects (i) $65 million of additional expenses primarily associated with increased car rental volume and fleet size, including vehicle maintenance and damage costs, airport commissions, shuttling costs and funding costs on vehicle purchases, (ii) $13 million of increased expenses associated with higher gasoline costs, (iii) $11 million of additional interest expense incurred on debt issued to support the purchase of vehicles, (iv) $10 million of additional litigation expense resulting from the settlement of an ongoing dispute with licensees of our Avis brand arising out of our acquisition of the Budget business in 2002 and (v) $10 million of incremental expenses relating to the estimated damages caused by the hurricanes experienced in the Gulf Coast in September 2005, which primarily includes the impairment of rental cars. The ultimate amount of loss resulting from the Gulf Coast hurricanes will be refined as we gain full access to our rental locations and develop more precise estimates of lost and damaged vehicles, some of which may be recovered in future periods. No further expenses are expected in future quarters as a result of these hurricanes.

Revenues generated by our international car rental operations increased $39 million (28%) due to a $32 million (29%) increase in car rental T&M revenue and a $7 million (25%) increase in ancillary revenues. The increase in T&M revenues was principally driven by an 18% increase in the number of days a car was rented and a 10% increase in T&M revenue per day. The favorable effect of incremental T&M revenues was partially offset in EBITDA by $12 million of increased fleet depreciation and related costs and higher operating expenses principally resulting from increased car rental volume and an increase of 22% in the average size of our international rental fleet to support such volume. EBITDA from our international car rental operations was also negatively impacted by $10 million of additional expenses primarily associated with increased car rental volume, including airport commissions and shuttling costs. The increase in revenue generated by our international car rental operations includes the effect of favorable foreign currency exchange rate fluctuations of $12 million, the majority of which was offset in EBITDA by the opposite impact of foreign currency exchange rate fluctuations on expenses.

We are still negotiating the purchase of a portion of our 2006 model year inventory and expect to incur increased fleet depreciation costs throughout the remainder of 2005 and 2006. Accordingly, our ability to maintain profit margins consistent with prior periods will be dependent on our ability to successfully reflect corresponding changes in our pricing program.

Budget truck rental revenues increased $6 million (4%) in third quarter 2005 primarily representing a $4 million (3%) increase in T&M revenue, which reflects a 3% increase in T&M per day. The favorable impact on EBITDA of increased T&M revenue was partially offset by $4 million of incremental fleet depreciation and related costs resulting from a 5% increase in the average size of our truck rental fleet in anticipation of increased demand.

Travel Distribution Services

Revenues and EBITDA increased $209 million (48%) and $37 million (30%), respectively, in third quarter 2005 compared with third quarter 2004, reflecting the inclusion of revenues and expenses from recent acquisitions as well as $7 million of integration costs associated with those acquisitions. Subsequent to third quarter 2004, we completed the acquisitions of Orbitz (November 2004), Gullivers (April 2005) and ebookers (February 2005). The operating results of these companies have been included in our results from their respective acquisition dates forward and therefore were incremental to our results during third quarter 2005. Accordingly, Orbitz, Gullivers and ebookers contributed incremental revenues of $105 million, $82 million and $28 million, respectively, and EBITDA earnings (losses) of $24 million, $25 million and ($3) million, respectively. In addition, effective January 1, 2005, we transferred our membership travel business to the discontinued Marketing Services segment. As a result, revenue and EBITDA of $14 million and $3 million, respectively, generated by such operations in third quarter 2004 were absent from this segment’s results in third quarter 2005. Apart from these acquisitions and the transfer of the membership travel business, revenue increased $8 million (2%) and EBITDA decreased $6 million (6%).

Our strategic focus has been to grow our business and enhance profitability by further penetrating corporate and consumer online channels, which we are accomplishing, in part, through our recent strategic acquisitions and ongoing integration efforts. We believe that combining our existing travel businesses with the acquisitions of Orbitz, Gullivers and ebookers will strengthen our position as a global travel intermediary. We have expanded our operations within the travel industry such that in addition to our role as an “order taker,” or transaction processor, primarily serving offline travel agencies via their use of our Galileo branded electronic global distribution system (“GDS”) services, we have also grown our presence as an “order maker,” or transaction generator, where we directly serve the end customer.

To execute our strategy, we will continue to integrate our businesses. We have already completed the migration of Cheaptickets.com, Lodging.com and Orbitz to a common technology platform and have made progress in developing the migration plans for the ebookers platform. We are also combining our global base of hotel inventory in order to offer increased supply across our various brands. In the United States, we will continue to promote the Orbitz, Cheaptickets.com and Travelport businesses as differentiated travel brands in the leisure and corporate travel sectors. With the recent acquisitions of Orbitz, ebookers and Gullivers, we expect our integration efforts to continue through 2006, with the most significant cost savings synergies to be recognized beginning in early 2006.

Galileo and supplier services, our “order taker” businesses that primarily provide GDS services to the travel industry, experienced an overall $4 million (1%) increase in revenues primarily driven by an $11 million (4%) increase in worldwide air booking fees, partially offset by an $8 million (26%) decline in subscriber fees. The increase in air booking fees was comprised of a $14 million (7%) increase in international air booking fees, partially offset by a $3 million (5%) decrease in domestic air booking fees. The increase in international air booking fees was principally driven by 4% higher booking volumes, which totaled 42 million segments in third quarter 2005 and which primarily resulted from an increase in travel demand within the Middle East and Asia/Pacific regions. The decrease in domestic air booking fees was driven by a 9% decline in the effective yield on such bookings, partially offset by a 5% increase in booking volumes, which totaled 22 million segments in third quarter 2005. The domestic volume increase and effective yield decline are consistent with our pricing program with major U.S. carriers, which was designed to gain access to all public fares made available by the participating airlines. International air bookings represented approximately two-thirds of our total air bookings during third quarter 2005. The $8 million reduction in subscriber fees is a result of the continuing trend of fewer travel agencies leasing computer equipment from us during third quarter 2005 compared with third quarter 2004.

Apart from the acquisitions described above, revenues generated from our “order maker” travel business increased $3 million (6%) in third quarter 2005 compared to third quarter 2004 primarily due to a 15% increase in online gross bookings, primarily at our Cheaptickets.com website and Travelport, our online corporate travel solutions business. Higher gross bookings at Cheaptickets.com is primarily attributable to improved site functionality resulting in greater conversion rates and enhanced content, including additional online hotel offerings. The Travelport gross bookings increase is the result of our expanded full service offering in our corporate travel solutions business. However, these increases were partially offset in revenue by a decline in revenue generated by our Lodging.com website due to a shift in our strategic focus to the Orbitz brand.

EBITDA further reflects an increase of approximately $15 million in expenses (excluding the impact of the aforementioned acquisitions and the transfer of the membership travel business) principally resulting from (i) $13 million of increased commissions and marketing support primarily attributable to higher booking volumes, principally in the Middle East and Asia/Pacific regions, and a greater mix of booking volumes in higher commission rate countries, (ii) the absence in third quarter 2005 of an $11 million expense reduction realized in third quarter 2004 in connection with a benefit plan amendment and (iii) $6 million of additional expenses associated with developing enhanced technology and other project initiatives. Such amounts were partially offset by (i) an $11 million reduction in costs primarily realized at our CheapTickets.com and Lodging.com businesses as a result of integration efforts executed domestically within our online “order maker” businesses, including the migration of technology to a common platform and (ii) $5 million of expense savings on network communications and equipment maintenance and installation due, in part, to reduced volume within the Galileo subscriber business where travel agents lease computer equipment from us.

Mortgage Services

Revenues and EBITDA decreased $175 million and $29 million, respectively, in third quarter 2005 compared with the same period in 2004 due to the disposition of this business in January 2005 in connection with our spin-off of PHH.

NINE MONTHS ENDED SEPTEMBER 30, 2005 VS. NINE MONTHS ENDED SEPTEMBER 30, 2004

Our consolidated results of operations comprised the following:

	Nine Months Ended September 30,		
	2005	2004	Change
Net revenues	$ 13,658	$ 12,449	$ 1,209
Total expenses	12,193	10,785	1,408
Income before income taxes and minority interest	1,465	1,664	(199)
Provision for income taxes	554	541	13
Minority interest, net of tax	3	7	(4)
Income from continuing operations	908	1,116	(208)
Income from discontinued operations, net of tax	28	411	(383)
Gain (loss) on disposal of discontinued operations, net of tax:			
PHH valuation and transaction-related charges	(312)	–	(312)
Gain on disposal	181	198	(17)
Net income	$ 805	$ 1,725	$ (920)

Net revenues and total expenses increased approximately $1.2 billion (10%) and $1.4 billion (13%), respectively, in the nine months ended September 30, 2005 as compared with the same period in 2004, reflecting organic revenue growth across all our segments, particularly within our Vehicle Rental and Real Estate Services segments, the acquisitions of strategic businesses subsequent to January 1, 2004 and other items, including a non-cash valuation charge related to the PHH spin-off, discussed below.

The largest contributor to organic revenue growth period-over-period was our Vehicle Rental segment, reflecting strong demand at both our domestic and international operations. We experienced greater T&M revenue principally as a result of a 14% increase in the number of days a car was rented domestically and a 16% increase in the number of days a car was rented internationally. Our Real Estate Services segment also experienced strong organic revenue growth period-over-period primarily as a result of a 15% increase in the average price of home sales at our brokerage business. Revenues at our Timeshare Resorts segment also grew organically principally driven by a 10% increase in tour flow, a 4% increase in revenue per guest and increased consumer finance income. Organic growth at our Hospitality segment resulted from favorable key revenue drivers within our lodging and RCI timeshare exchange businesses. Partially offsetting the favorable revenue trends at our Timeshare Resorts and Vehicle Rental segments are $14 million and $10 million, respectively, of charges incurred during third quarter 2005 to account for the estimated impact of the September 2005 hurricanes experienced in the Gulf Coast. Expenses also increased throughout all of our core operating segments, with the exception of our Travel Distribution Services segment, as a result of organic growth primarily to support additional volume, higher vehicle costs and additional marketing investments. Apart from organic growth, the strategic business we acquired subsequent to January 1, 2004 contributed to the period-over-period increase in net revenues and total expenses as follows:

Acquired Business	Date of Acquisition	Contribution to Net Revenues	Contribution to Total Expenses
Orbitz	November 2004	$ 301	$ 267
Gullivers	April 2005	150	126
ebookers	February 2005	69	101
Landal GreenParks	May 2004	41	48
Real estate brokerages	*	168	163
		$ 729	$ 705

(*) These businesses were acquired at various dates during or subsequent to the nine months ended September 30, 2004.

Partially offsetting these revenue and expense increases was the absence of eight months of revenues generated and expenses incurred by our former mortgage business, which was disposed on January 31, 2005. Our former mortgage business contributed $501 million and $429 million of revenues and expenses, respectively, to our results during the period February 1, 2004 through September 30, 2004. The increase in total expenses also reflects the following transaction-related charges recorded during 2005: (i) a $180 million non-cash impairment charge relating to the PHH spin-off and (ii) charges aggregating $52 million primarily relating to restructuring activities undertaken following the PHH spin-off and initial public offering of Wright Express. Partially offsetting these charges is an $81 million decrease in interest expense primarily relating to the reversal of $73 million of accrued interest associated with the resolution of amounts due under a litigation settlement reached in 1999, as well as an overall reduction in debt extinguishment costs incurred in 2004. Our effective tax rate for continuing operations was 37.8% and 32.5% for the nine months ended September 30, 2005 and 2004, respectively. The change in the effective tax rate for 2005 was primarily due to the non-deductibility of the valuation charge associated with the PHH spin-off and a one-time tax expense associated with the planned repatriation of foreign earnings, which was partially offset by a tax benefit related to asset basis differences. As a result of the above-mentioned items, income from continuing operations decreased $208 million (19%).

Income from discontinued operations decreased $383 million, which primarily reflects (i) $64 million in net income generated by Jackson Hewitt Tax Service Inc. prior to its disposition, (ii) a decrease of $70 million in net income generated by our former fleet leasing and appraisal businesses (since their results were included for nine months in 2004 but only one month in 2005 and due to a $24 million tax-related charge recorded in 2005), (iii) a decrease of $42 million in net income generated by Wright Express (since its results were included for nine months in 2004 but only through February 22, 2005 in 2005), and (iv) a decrease of $207 million in net income generated by our Marketing Services division, which principally reflects the reversal of a tax valuation allowance of $121 million in January 2004, a $30 million charge recorded during 2005 in connection with a breach of contract claim and the absence in 2005 of income recorded in third quarter 2004 in connection with the early termination of a contractual relationship with a third party marketing partner. We also incurred a net loss on the disposal of discontinued operations of $131 million in 2005, which includes a $308 million non-cash impairment charge and $4 million of transaction costs relating to the PHH spin-off, partially offset by a net gain of $181 million recognized in connection with the IPO of Wright Express.

As a result of the above-mentioned items, net income decreased $920 million (53%).

Following is a discussion of the results of each of our reportable segments during the nine months ended September 30:

	Revenues			EBITDA		
	2005	**2004**	**% Change**	**2005**	**2004**	**% Change**
Real Estate Services	$ 5,520	$ 4,980	11%	$ 963	$ 894	8%
Hospitality Services	1,166	1,017	15	369	378	(2)
Timeshare Resorts	1,288	1,155	12	192	180	7
Vehicle Rental	3,745	3,363	11	367	387	(5)
Travel Distribution Services	1,858	1,337	39	432	364	19
Mortgage Services	46	545	*	(181)	88	*
Total Reportable Segments	13,623	12,397	10	2,142	2,291	
Corporate and Other (a)	35	52	*	(137)	(75)	
Total Company	$ 13,658	$ 12,449	10	2,005	2,216	
Less: Non-program related depreciation and amortization				411	341	
Non-program related interest expense, net				117	180	
Early extinguishment of debt				-	18	
Amortization of pendings and listings				12	13	
Income before income taxes and minority interest				$ 1,465	$ 1,664	

(*) Not meaningful.

(a) Includes unallocated corporate overhead, the elimination of transactions between segments and the results of operations of certain non-strategic businesses. Additionally, the nine months ended September 30, 2005 and 2004 include gains of $18 million and $40 million, respectively, on the sale of Homestore, Inc. common stock. EBITDA for the nine months ended September 30, 2004 further reflects a $12 million credit relating to the termination of a lease.

Real Estate Services

Revenues and EBITDA increased $540 million (11%) and $69 million (8%), respectively, in the nine months ended September 30, 2005 compared with the corresponding period in 2004, reflecting revenue growth across all of our real estate services businesses.

Royalty revenue within our real estate franchise business increased $57 million (17%) in the nine months ended September 30, 2005 as compared with the same period in 2004. Such growth was primarily driven by a 14% increase in the average price of homes sold and a 4% increase in the number of homesale transactions from our third-party franchisees. The 14% period-over-period increase in average price is reflective of the supply of, and the demand for, homes resulting in an overall increase in the sales prices of homes across the nation. We expect this trend to moderate over time as industry-wide projections indicate slight increases in inventory in future quarters. In addition to royalties received from our third-party franchisees, NRT Incorporated, our wholly-owned real estate brokerage firm, continues to pay royalties to our real estate franchise business. However, these intercompany royalties, which approximated $285 million and $260 million during third quarter 2005 and 2004, respectively, are eliminated in consolidation and therefore have no impact on this segment's revenues or EBITDA. Our strategy for continued growth in the real estate franchise business is to expand our global franchise base by aggressively marketing our Century 21, Coldwell Banker, Coldwell Banker Commercial, ERA and Sotheby's International Realty brands.

Revenues within our real estate brokerage business increased $436 million (11%) in the nine months ended September 30, 2005 as compared with the same period in 2004. Such increase is partially attributable to significant acquisitions made by NRT during or subsequent to third quarter 2004, which together contributed incremental revenues and EBITDA of $168 million and $14 million, respectively, to the nine months ended September 30, 2005 operating results. Apart from these acquisitions, NRT's revenues increased $268 million (7%) in the nine months ended September 30, 2005 as compared with the same period in 2004. This increase was substantially comprised of higher commission income earned on homesale transactions, which was primarily driven by a 15% increase in the average price of homes sold, partially offset by a 6% decline in the number of homesale transactions. The 15% period-over-period increase in average price is reflective of the supply of, and demand for, homes resulting in an overall increase in the sales prices of homes across the nation. We expect this trend to moderate over time as industry-wide projections indicate slight increases in inventory in future quarters. We believe that the reduction in homesale transactions and, in part, the increase in price, are reflective of relatively low inventories of homes available for sale in many of the coastal regions that NRT serves and increased competition. EBITDA further reflects an increase of $190 million in commission expenses paid to real estate agents as a result of the incremental revenues earned on homesale transactions, as well as a higher average commission rate paid to real estate agents in third quarter 2005 due to the progressive nature of revenue-based agent commission schedules. Our strategy for continued growth in this business includes strategic acquisitions of real estate brokerages, the continued recruitment and retention of real estate agents and maintaining our commission rates in an increasingly competitive market through the delivery of industry-leading sales support technology and customer service.

NRT has a significant concentration of real estate brokerage offices and transactions in geographic regions where home prices are at the higher end of the U.S. real estate market, particularly the east and west coasts. The real estate franchise business has franchised offices that are more widely dispersed across the United States than our NRT real estate brokerage operations. Accordingly, operating results and homesale statistics may differ between NRT and the real estate franchise business based upon geographic presence and the corresponding homesale activity in each geographic region.

Revenues from our relocation services business increased $32 million (9%) in the nine months ended September 30, 2005 as compared with the same period in 2004. Such increase was primarily driven by $6 million (8%) of higher fixed fee homesale revenues and $22 million (17%) of increased referral fees. The increase in fixed fee homesale revenues is primarily attributable to increased home values and higher volume. The increase in referral fees was due to higher referral rates and transaction volume.

Revenues from our settlement services business increased $5 million (2%) in the nine months ended September 30, 2005 as compared with the same period in 2004 primarily due to a $14 million increase in title and closing volume and fees, partially offset by the absence of a $7 million gain recorded on the sale of certain non-core assets in 2004.

EBITDA further reflects an increase of approximately $125 million (3%) in operating, marketing and administrative expenses (apart from NRT's significant acquisitions and real estate agent commission expenses, both of which are discussed separately above) principally resulting from (i) $30 million of incremental expenses primarily representing inflationary increases in rent, office administration and other fixed costs within our real estate brokerage business, (ii) a $22 million increase in staffing and other personnel-related costs incurred within our relocation business primarily to support increases in volume, (iii) $20 million of higher marketing expenses to support growth in our real estate franchise and brokerage operations, (iv) $15 million of expenses incurred within our real estate brokerage business primarily to support an increased number of offices, (v) $6 million of expenses resulting from restructuring actions primarily at our settlement services and real estate brokerage businesses, (vi) $5 million of costs at our settlement services business related to developing and enhancing certain infrastructures that were previously maintained at and leveraged from our former mortgage business and (vii) $5 million of costs at our settlement services business related to additional title and closing volume.

Hospitality Services

Revenues increased $149 million (15%), while EBITDA declined $9 million (2%), in the nine months ended September 30, 2005 compared with the same period in 2004. Key revenue drivers increased at our timeshare exchange and lodging franchise businesses, reflecting positive industry-wide dynamics, but the period-over-period EBITDA comparison was negatively impacted by a favorable settlement recorded in second quarter 2004 related to a lodging franchisee receivable.

Revenues within our RCI timeshare exchange business increased $25 million (5%) during the nine months ended September 30, 2005 due to a $13 million (4%) increase in exchange and subscription fee revenues and a $17 million (21%) increase in other timeshare points and rental transaction revenues, partially offset by a $5 million decrease in other transactional revenues. The increase in exchange and subscription fee revenues in the nine months ended September 30, 2005 was primarily driven by a 5% increase in the average number of worldwide subscribers and an 8% increase in the average exchange fee, partially offset by a 4% decrease in exchange transaction volumes. The increase in other timeshare points and rental transaction revenues during the nine months ended September 30, 2005 was principally driven by a 21% increase in points and rental transaction volume, partially offset by a 3% decrease in the average price per rental transaction. Revenue trends reflect the continued shift in the RCI timeshare membership base toward a greater mix of points members from traditional one-week timeshare members.

Royalty, marketing and reservation fund revenues within our lodging franchise operations increased $20 million (7%) in the nine months ended September 30, 2005 partially due to our purchase of the exclusive rights to the Ramada International trademark in December 2004. Ramada International contributed $10 million of incremental royalty, marketing and reservation fund revenues to the nine months ended September 30, 2005. The Ramada International properties also added approximately 26,000 rooms, which is approximately 5% of the total weighted average rooms available within our lodging franchise system. Apart from this acquisition, royalty, marketing and reservation fund revenues increased $10 million (3%) primarily resulting from an 8% increase in revenue per available room ("RevPAR"), partially offset by a 4% decrease in weighted average rooms available. The RevPAR increase reflects (i) increases in both price and occupancy principally attributable to an overall improvement in the economy lodging segment in which our hotel brands primarily operate, (ii) the termination of underperforming properties throughout 2004 that did not meet our required quality standards or their financial obligations to us and (iii) the strategic assignment of personnel to field locations designed to assist franchisees in improving their hotel operating performance. The decrease in weighted average rooms available reflects our termination of underperforming properties, as discussed above, the expiration of franchise agreements, certain franchisees exercising their right to terminate their agreement and the timing of new additions and terminations to our franchise system. Revenue and EBITDA also benefited from a $7 million gain recognized on the sale of an investment within our lodging business during the nine months ended September 30, 2005. Additionally, our Trip Rewards loyalty program contributed $12 million of incremental revenue during the nine months ended September 30, 2005.

We acquired Landal GreenParks and Canvas Holidays Limited, which are both European vacation rental businesses, in May 2004 and October 2004, respectively. The operating results of Landal have been included in our results for the entire nine months ended September 30, 2005 but only for five months of the same period in 2004. The operating results of Canvas have been included in our results for the entire nine months ended September 30, 2005 but for none of the same period in 2004. Accordingly, Landal and Canvas contributed incremental revenues of $41 million and $25 million, respectively, and EBITDA of ($5) million and $7 million, respectively, during the nine months ended September 30, 2005. Apart from these acquisitions, revenues at our European vacation rental companies increased $11 million (5%) primarily as a result of the conversion of a franchised park to a managed park as we previously received only a franchise fee and now have the full benefit of revenue generated by the park.

EBITDA further reflects an increase of approximately $95 million (15%) in operating, marketing and administrative expenses (excluding the incremental expenses generated by Landal and Canvas Holidays acquisitions) principally resulting from (i) $18 million of higher year-over-year bad debt expense primarily due to the absence of a $15 million settlement recorded in the nine months ended September 30, 2004 related to a lodging franchisee receivable, (ii) the utilization of $10 million of incremental revenues generated by our Trip Rewards loyalty program to fund related marketing initiatives, (iii) $19 million of additional marketing-related expenses primarily related to increasing brand recognition within our lodging franchise business and marketing initiatives within our timeshare exchange business, (iv) $17 million of additional variable operating expenses principally due to higher transaction volumes in our timeshare exchange and vacation rental businesses and additional infrastructure costs to support growth in our Hospitality Services businesses and (v) $5 million of restructuring costs incurred as a result of the consolidation of certain call centers and back-office functions.

Timeshare Resorts

Revenues and EBITDA increased $133 million (12%) and $12 million (7%), respectively, in the nine months ended September 30, 2005 compared with the same period in 2004. The EBITDA comparison was negatively impacted by $14 million of expenses incurred during third quarter 2005 to account for the estimated impact of the hurricanes experienced in the Gulf Coast during September 2005. This charge primarily reflects a provision for estimated timeshare contract receivable losses and estimated costs to repair timeshare properties. The ultimate amount of loss resulting from the Gulf Coast hurricanes will be refined as we gain complete access to our properties and improve engineering estimates and will depend on the outcome of insurance claims proceedings. Revenue and EBITDA, exclusive of the impact of the Gulf Coast hurricanes, reflect organic growth in timeshare sales, a gain on the sale of land and increased consumer finance income.

Net sales of VOIs at our timeshare resorts business increased $84 million (9%) in the nine months ended September 30, 2005 despite the September 2005 Gulf Coast hurricanes. Such increase was principally driven by a 10% increase in tour flow and a 4% increase in revenue per guest. This revenue increase includes a $26 million decrease in higher margin upgrade sales at our Trendwest resort properties due to special upgrade promotions conducted during 2004 undertaken to mitigate the negative impact on tour flow from the Do Not Call legislation. Tour flow, as well as revenue per transaction, benefited in the nine months ended September 30, 2005 from our expanded presence in premium destinations such as Hawaii, Las Vegas and Orlando. Tour flow was also positively impacted by the opening of new sales offices, our strategic focus on new marketing alliances and increased local marketing efforts. We believe that VOI sales and tour flow were suppressed during third quarter

2005 due to an interruption in the domestic travel market caused by the September 2005 Gulf Coast hurricanes. It is too early to determine whether Hurricane Wilma will have a similar effect on VOI sales and tour flow in fourth quarter 2005.

Revenue and EBITDA also increased $45 million in the nine months ended September 30, 2005 as a result of incremental net interest income earned on our contract receivables primarily due to (i) growth in the consolidated portfolio without corresponding increases in net borrowing costs and (ii) more favorable valuation adjustments in 2005 to our retained interest in securitized contract receivables. Contributing to lower net interest costs in 2005 were more favorable financing arrangements achieved on securitized receivable contracts in 2005 compared with 2004, as well as a greater percentage of contract receivables that were financed through operations in 2005. Revenue and EBITDA comparisons were further impacted by $11 million of income recorded in second quarter 2005 in connection with the disposal of a parcel of land that was no longer consistent with our development plans. The year-over-year revenue and EBITDA comparisons were also impacted by the absence of a $4 million gain recognized in first quarter 2004 in connection with the sale of a third-party timeshare financing operation and $3 million of revenue generated by such operations in 2004 prior to the sale date.

EBITDA further reflects an increase of approximately $105 million (11%) in operating, marketing and administrative expenses primarily resulting from (i) $26 million of increased cost of sales associated with increased VOI sales, (ii) $27 million of additional commission expense associated with increased VOI sales and increased commission rates, (iii) $18 million of incremental marketing spend to support sales efforts and anticipated growth in the business, (iv) $14 million of additional costs incurred to fund additional staffing needs to support continued growth in the business, improve existing properties and integrate the Trendwest and Fairfield contract servicing systems and (v) $13 million of additional contract receivable provisions recorded in 2005.

Vehicle Rental

Revenues increased $382 million (11%), while EBITDA decreased $20 million (5%) in the nine months ended September 30, 2005 compared with the nine months ended September 30, 2004. We experienced strong demand for vehicle rentals throughout the year and expect rental volumes to continue to grow in the foreseeable future; however, EBITDA margin comparisons were negatively impacted by lower domestic rental car pricing, higher fleet costs and damage to vehicles as a result of the hurricanes experienced in the Gulf Coast during September 2005.

Revenues generated by our domestic car rental operations increased $271 million (10%) during the nine months ended September 30, 2005, which was comprised of a $226 million (10%) increase in T&M revenue and a $45 million (15%) increase in ancillary revenues. The increase in domestic T&M revenues was principally driven by a 14% increase in the number of days a car was rented, partially offset by a 4% decrease in T&M revenue per day. The increase in rental days reflects, in part, our strategic decision to implement more competitive pricing in third quarter 2004. This program was continued into the second quarter of 2005 when we instituted a price increase in response to rising fleet costs. Accordingly, T&M revenue per day decreased 4% during the nine months ended September 30, 2005 when compared with the nine months ended September 30, 2004 but increased 6% in third quarter 2005 when compared with second quarter 2005. We expect further price increases along with continued volume gains in 2006 as we seek to offset the impact of higher fleet costs and anticipated increases in interest costs, which we began to experience to a slighter degree in third quarter 2005. Pricing was also negatively impacted during 2005 by competitive conditions in the domestic car rental industry resulting from higher industry-wide fleet levels, which we believe were caused by enhanced incentives offered by car manufacturers in prior periods. Fleet depreciation increased $104 million (16%) in 2005 primarily due to (i) an increase of 13% in the average size of our domestic rental fleet and (ii) reductions to manufacturer incentives received on our 2005 model year inventory (which was in utilization during the nine months ended September 30, 2005) as compared with those received on our 2004 model year inventory (which was in utilization during the nine months ended September 30, 2004). The $45 million increase in ancillary revenues was due primarily to a $23 million increase in gasoline revenues and a $22 million increase in counter sales of insurance and other items. EBITDA from our domestic car rental operations also reflects (i) $127 million of additional expenses primarily associated with increased car rental volume and fleet size, including vehicle maintenance and damage costs, airport commissions, shuttling costs and funding costs on vehicle purchases, (ii) $26 million of increased expenses associated with higher gasoline costs, (iii) $10 million of additional litigation expense resulting from the settlement of an ongoing dispute with licensees of our Avis brand arising out of our acquisition of the Budget business in 2002, (iv) $10 million of incremental expenses relating to the estimated damages caused by the hurricanes experienced in the Gulf Coast in September 2005, which primarily included the impairment of rental cars, some of which may be recovered in future periods, and (v) $9 million of additional interest expense incurred on debt issued to support the purchase of vehicles. The ultimate amount of loss resulting from the Gulf Coast hurricanes will be refined as we gain full access to our rental locations and develop more precise estimates of lost and damaged vehicles, some of which may be recovered in future periods. No further expenses are expected in future quarters as a result of these hurricanes.

Revenues generated by our international car rental operations increased $86 million (24%) due to a $66 million (23%) increase in car rental T&M revenue and a $20 million (27%) increase in ancillary revenues. The increase in T&M revenues was principally driven by a 16% increase in the number of days a car was rented and a 6% increase in T&M revenue per day. The favorable effect of incremental T&M revenues was partially offset in EBITDA by $32 million of increased fleet depreciation and related costs and $22 million of higher operating expenses, both principally resulting from increased car rental volume and an increase of 20% in the average size of our international rental fleet to support such volume. The increase in revenue generated by our international car rental operations includes the effect of favorable foreign currency exchange rate fluctuations of $27 million, which was principally offset in EBITDA by the opposite impact of foreign currency exchange rate fluctuations on expenses.

We are still negotiating the purchase of a portion of our 2006 model year inventory and expect to incur increased fleet depreciation costs throughout the remainder of 2005 and 2006. Accordingly, our ability to maintain profit margins consistent with prior periods will be dependent on our ability to successfully reflect corresponding charges in our pricing program.

Budget truck rental revenues increased $25 million (6%) in the nine months ended September 30, 2005, primarily representing a $19 million (5%) increase in T&M revenue, which reflects a 4% increase in T&M per day and a 2% increase in rental days. The favorable impact on EBITDA of increased T&M revenue was offset by (i) $22 million of incremental fleet depreciation and related costs resulting from a 13% increase in the average size of our truck rental fleet in anticipation of increased demand and (ii) $6 million of restructuring costs, representing facility, employee relocation and severance costs incurred in connection with the closure of a reservation center and unprofitable Budget truck rental locations.

Travel Distribution Services

Revenues and EBITDA increased $521 million (39%) and $68 million (19%), respectively, in the nine months ended September 30, 2005 compared with the same period in 2004, reflecting the inclusion of revenues and expenses from recent acquisitions as well as $26 million of integration costs associated with those acquisitions. Subsequent to the nine months ended September 30, 2004, we completed the acquisitions of Orbitz (November 2004), Gullivers (April 2005), ebookers (February 2005) and another online travel business (April 2004). The operating results of these companies have been included in our results from their respective acquisition dates forward and therefore were incremental to our results during the nine months ended September 30, 2005. Accordingly, Orbitz, Gullivers, ebookers and the other online travel business contributed incremental revenues of $301 million, $150 million, $69 million and $11 million, respectively, and EBITDA earnings (losses) of $61 million, $38 million, ($20) million and $5 million, respectively. In addition, effective January 1, 2005, we transferred our membership travel business to the discontinued Marketing Services segment. As a result, revenue and EBITDA of $45 million and $6 million, respectively, generated by such operations in the nine months ended September 30, 2004 were absent from this segment’s results in the same period in 2005. Apart from these acquisitions and the transfer of the membership travel business, revenue increased $35 million (3%) and EBITDA decreased $10 million (3%) in the nine months ended September 30, 2005.

Galileo and supplier services, our “order taker” businesses that primarily provide GDS services to the travel industry, experienced an overall $6 million (1%) increase in revenues primarily driven by a $19 million (2%) increase in worldwide air booking fees and $7 million of additional ancillary revenue, partially offset by a $20 million (22%) decline in subscriber fees. The increase in air booking fees was comprised of a $28 million (4%) increase in international air booking fees, partially offset by an $8 million (3%) decrease in domestic air booking fees. The increase in international air booking fees was principally driven by 2% higher booking volumes, which totaled 132 million segments during the nine months ended September 30, 2005 and which primarily resulted from a combination of an increase in travel demand within the Middle East and Asia/Pacific regions and travel agency conversions to the Galileo system, partially offset by a decline in demand in Europe. The $8 million decrease in domestic air booking fees was driven by a 9% decline in the effective yield on such bookings, partially offset by a 6% increase in booking volumes, which totaled 69 million segments during the nine months ended September 30, 2005. The domestic volume increase and effective yield decline are consistent with our pricing program with major U.S. carriers, which was designed to gain access to all public fares made available by the participating airlines. International air bookings represented approximately two-thirds of our total air bookings during the nine months ended September 30, 2005. The $7 million decrease in ancillary revenues is due to lower fees earned on long-term technology service arrangements with certain airline carriers. The $20 million reduction in subscriber fees is a result of the continuing trend of fewer travel agencies leasing computer equipment from us during the nine months ended September 30, 2005 compared with the same period in 2004.

Apart from the acquisitions described above, revenues generated from our “order maker” travel business increased $29 million (26%) during the nine months ended September 30, 2005 compared to the same period 2004 primarily due to a 27% increase in online gross bookings primarily at our Cheaptickets.com website and Travelport, our online corporate travel solutions business. Higher gross bookings at Cheaptickets.com is primarily attributable to improved site functionality resulting in greater conversion rates and enhanced content, including additional online hotel offerings. The Travelport gross bookings increase is the result of our expanded full service offering in our corporate travel solutions business.

EBITDA further reflects an increase of approximately $45 million in expenses (excluding the impact of the aforementioned acquisitions and the transfer of the membership travel business) principally resulting from (i) the absence in 2005 of a $32 million expense reduction realized in the nine months ended September 30, 2004 in connection with a benefit plan amendment, (ii) $14 million of increased commissions attributable to higher booking volumes, principally in the Middle East and Asia/Pacific regions and a greater mix of booking volumes in higher commission rate countries, (iii) $13 million of additional expenses associated with developing enhanced technology and other project initiatives and (iv) $11 million of restructuring charges incurred during the nine months ended September 30, 2005, as a result of actions taken to reduce staff levels in some of our “order taker” related business and the realignment of our global sales force. Such amounts were partially offset by (i) a $15 million reduction in costs primarily realized at our Cheaptickets.com and Lodging.com businesses, as a result of integration efforts executed domestically within our online “order maker” businesses, including the migration of technology to a common platform and (ii) $11 million of expense savings on network communications and equipment maintenance and installation due, in part, to reduced volume within the Galileo subscriber business where travel agents lease computer equipment from us.

Mortgage Services

Revenues and EBITDA decreased $499 million and $269 million, respectively, in the nine months ended September 30, 2005 compared with the same period in 2004. As a result of the spin-off of PHH Corporation, the nine months ended September 30, 2005 consists of only one month of activity while the nine months ended September 30, 2004 consists of nine months. Our former mortgage operations generated revenue and EBITDA of $501 million and $93 million, respectively, for the eight-month period ended September 30, 2004. For the month of January, revenue increased $2 million and EBITDA decreased $176 million in 2005 compared with 2004. The EBITDA reduction was primarily due to an expected non-cash impairment charge of $180 million recorded in January 2005 to reflect a portion of the difference between the carrying value and market value of PHH as a result of the spin-off.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We present separately the financial data of our management programs. These programs are distinct from our other activities as the assets are generally funded through the issuance of debt that is collateralized by such assets. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of our management programs. We believe it is appropriate to segregate the financial data of our management programs because, ultimately, the source of repayment of such debt is the realization of such assets.

FINANCIAL CONDITION

	September 30, 2005	December 31, 2004	Change
Total assets exclusive of assets under management programs	$ 22,949	$ 27,872	$ (4,923)
Total liabilities exclusive of liabilities under management programs	11,577	15,494	(3,917)
Assets under management programs	12,478	14,698	(2,220)
Liabilities under management programs	12,635	14,381	(1,746)
Stockholders’ equity	11,215	12,695	(1,480)

Total assets exclusive of assets under management programs decreased approximately $4.9 billion primarily due to (i) the spin-off of PHH, which reduced assets by approximately $5.6 billion, (ii) the sale of Wright Express, which (excluding proceeds received on the sale) reduced assets by $685 million and (iii) a reduction of $643 million in our net deferred tax asset principally due to utilization of our net operating loss carryforwards during 2005. These decreases were partially offset by approximately $1.6 billion and $707 million of assets acquired in connection with our acquisitions of Gullivers and ebookers, respectively (See Note 4 to our Consolidated Condensed Financial Statements).

Total liabilities exclusive of liabilities under management programs decreased approximately $3.9 billion primarily due to (i) the spin-off of PHH, which reduced liabilities by approximately $4.4 billion and (ii) the sale of Wright Express, which reduced liabilities by $434 million. These decreases were partially offset by (i) net incremental borrowings of $531 million under our revolving credit facility and commercial paper program, which were utilized to fund a portion of the purchase price of Gullivers (see Note 4 to our Consolidated Condensed Financial Statements) and (ii) $388 million and $253 million of liabilities that we assumed in connection with our acquisitions of Gullivers and ebookers, respectively (See Note 4 to our Consolidated Condensed Financial Statements).

Assets under management programs decreased approximately $2.2 billion primarily due to the spin-off of PHH, which had approximately $4.2 billion of assets. This decrease was partially offset by approximately $1.4 billion of net additions to our vehicle rental fleet, reflecting seasonality and current and projected year-over-year increases in demand, and $260 million of additional timeshare-related assets, primarily representing timeshare contract receivables associated with sales of vacation ownership interests.

Liabilities under management programs decreased approximately $1.7 billion primarily due to the spin-off of PHH, which had approximately $3.4 billion of liabilities. This decrease was partially offset by additional borrowings of approximately $1.4 billion to support the growth in our vehicle rental fleet described above and approximately $500 million of net incremental borrowings within our timeshare and relocation businesses. See "Liquidity and Capital Resources—Financial Obligations—Debt Under Management Programs" for a detailed account of the change in our debt related to management programs.

Stockholders' equity decreased approximately $1.5 billion primarily due to (i) the $1.65 billion dividend of PHH's equity to our shareholders, (ii) our repurchase of approximately $1.0 billion (approximately 48 million shares) of Cendant common stock and (iii) $309 million of cash dividend payments. Such decreases were partially offset by (i) net income of $805 million for the nine months ended September 30, 2005, (ii) the $488 million adjustment to offset the valuation charge associated with the PHH spin-off (which is included in both the $1.65 billion PHH dividend and in the 2005 net income) and (iii) $270 million related to the exercise of employee stock options (including a $60 million tax benefit). See Note 16 to our Consolidated Condensed Financial Statements for a description of the effect of the PHH spin-off.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash on hand and our ability to generate cash through operations and financing activities, as well as available funding arrangements and committed credit facilities, each of which is discussed below.

CASH FLOWS

At September 30, 2005, we had $356 million of cash on hand, a decrease of $111 million from $467 million at December 31, 2004. The following table summarizes such decrease:

	Nine Months Ended September 30,		
	2005	2004	Change
Cash provided by (used in):			
Operating activities	$ 2,541	$ 2,771	$ (230)
Investing activities	(3,526)	(1,384)	(2,142)
Financing activities	897	(943)	1,840
Effects of exchange rate changes	(44)	4	(48)
Cash provided by discontinued operations	21	361	(340)
Net change in cash and cash equivalents	$ (111)	$ 809	$ (920)

During the nine months ended September 30, 2005, we generated $230 million less cash from operating activities in comparison with the same period in 2004. This change principally reflects the spin-off of our former mortgage business, which generated $88 million of cash from program activities in the nine months ended September 30, 2005 and generated $365 million in the nine months ended September 30, 2004.

We used approximately $2.1 billion more cash in investing activities during the nine months ended September 30, 2005 compared with the nine months ended September 30, 2004. Such change primarily reflects (i) the use of approximately $1.4 billion more cash to fund acquisitions in 2005 (principally Gullivers and ebookers) and (ii) the use of $919 million more cash to acquire vehicles for our vehicle rental business principally in connection with current and anticipated increases in rental volumes. Capital expenditures, which increased by $23 million during the nine months ended September 30, 2005 as compared with the nine months ended September 30, 2004, are anticipated to be in the range of $450 million to $500 million for 2005.

We generated approximately $1.8 billion more cash from financing activities during the nine months ended September 30, 2005 in comparison with the same period in 2004. Such change principally reflects (i) a reduction of approximately $1.2 billion in cash used to settle corporate indebtedness (including the payment of $778 million to repurchase $763 million of our 6.75% notes in 2004 that formed a portion of the Upper DECS and $345 million to retire our former 11% senior subordinated notes in 2004), (ii) the activities of our management programs, which provided approximately $1.3 billion more cash in the nine months ended September 30, 2005 due to the spin-off of our former mortgage business and greater borrowing activity in our vehicle rental and relocation businesses during the nine months ended September 30, 2004, and (iii) net incremental short-term borrowings of $461 million under our $3.5 billion revolving credit facility and $1.0 billion commercial paper program, which were utilized to fund a portion of the purchase price of Gullivers in April 2005. Such increases were partially offset by (i) a decrease of $863 million of cash generated during the nine months ended September 30, 2004 from the proceeds received in connection with the settlement of the forward purchase contract component of our Upper DECS securities whereby we issued approximately 38 million shares of CD common stock and (ii) an increase of $121 million in cash used for repurchases of Cendant common stock (net of proceeds received on the issuance of Cendant common stock). See "Liquidity and Capital Resources—Financial Obligations" for a detailed discussion of financing activities during 2005.

DEBT AND FINANCING ARRANGEMENTS

At September 30, 2005, we had approximately $15.5 billion of indebtedness (including corporate indebtedness of approximately $4.8 billion and debt under management programs of approximately $10.7 billion).

Corporate indebtedness consisted of:

	Maturity Date	As of September 30, 2005	As of December 31, 2004	Change
$6^{7}/_{8}$% notes	August 2006	$ 850	$ 850	$ –
4.89% notes	August 2006	100	100	–
$6^{1}/_{4}$% notes	January 2008	798	797	1
$6^{1}/_{4}$% notes	March 2010	349	349	–
$7^{3}/_{8}$% notes	January 2013	1,191	1,191	–
$7^{1}/_{8}$% notes	March 2015	250	250	–
Revolver borrowings (a)	November 2009	381	650	(269)
Commercial paper borrowings (b)		800	–	800
Net hedging gains (losses) (c)		(25)	17	(42)
Other		120	126	(6)
		$ 4,814	$ 4,330	$ 484

(a) The change in the balance at September 30, 2005 primarily represents borrowings utilized to fund a portion of the purchase price of Gullivers, offset by repayments funded with commercial paper borrowings.
(b) The balance as of September 30, 2005 represents borrowings under our $1.0 billion commercial paper program, which we commenced on April 1, 2005. The funds from this issuance were used to refinance a portion of our then outstanding revolver borrowings at more favorable interest rates. Such borrowings were due and repaid in October 2005 and bore interest at a weighted average rate of 4%. Generally, we refinance maturing borrowings under this program with additional commercial paper issuances.
(c) As of September 30, 2005, this balance represents $139 million of mark-to-market adjustments on current interest rate hedges, partially offset by $114 million of net gains resulting from the termination of interest rate hedges, which we will amortize to reduce future interest expense. As of December 31, 2004, the balance represents $138 million of net gains resulting from the termination of interest rate hedges, partially offset by $121 million of mark-to-market adjustments on current interest rate hedges.

The following table summarizes the components of our debt under management programs (including related party debt due to Cendant Rental Car Funding (AESOP) LLC (formerly, AESOP Funding II L.L.C.):

	As of September 30, 2005	As of December 31, 2004	Change
Asset-Backed Debt:			
Vehicle rental program			
Cendant Rental Car Funding (AESOP) LLC (a)	$ 7,063	$ 5,935	$ 1,128
Other (b)	1,049	792	257
Mortgage program (c)	–	1,306	(1,306)
Timeshare program (d)	1,746	1,473	273
Relocation program (e)	668	400	268
Vacation rental program	212	251	(39)
	10,738	10,157	581
Unsecured Debt: (f)			
Term notes	–	1,833	(1,833)
Commercial paper	–	130	(130)
Other	–	34	(34)
	–	1,997	(1,997)
Total debt under management programs	$ 10,738	$ 12,154	$ (1,416)

(a) The change in the balance at September 30, 2005 principally reflects the issuance of fixed and floating rate asset-backed notes at various interest rates to support the acquisition of vehicles used in our vehicle rental business.
(b) The change in the balance at September 30, 2005 reflects borrowings under our truck financing program and our revolving credit agreements to support the acquisition of vehicles used in our vehicle rental business.
(c) Represents a borrowing arrangement of our former mortgage business, which was spun-off with PHH in January 2005.
(d) The change in the balance at September 30, 2005 principally reflects the issuance of $300 million of term notes bearing interest at 4.67% and $225 million of term notes bearing interest at one-month LIBOR plus 18 basis points, both of which have estimated maturity dates in 2010. Such additional borrowings were partially offset by repayments of approximately $240 million of term notes.
(e) The change in the balance at September 30, 2005 principally reflects the issuance of variable funding notes maturing in February 2006 and additional borrowings under a conduit facility. Also, in September 2005, we issued $65 million of debt under a separate conduit facility, which has a three year term

and an interest rate of UK LIBOR plus 25 basis points. Such increases were partially offset by the repayment of approximately $400 million of term notes that matured in first quarter 2005.
(f) The balances at December 31, 2004 represent unsecured borrowings of our former PHH subsidiary, which was spun-off in January 2005.

The following table provides the contractual maturities for debt under management programs (including related party debt due to Cendant Rental Car Funding (AESOP) LLC) at September 30, 2005 (except for notes issued under our timeshare program where the underlying indentures require payments based on cash inflows relating to the corresponding assets under management programs and for which estimates of repayments have been used):

	As of September 30, 2005
Within 1 year	$ 3,722
Between 1 and 2 years	2,395
Between 2 and 3 years	1,875
Between 3 and 4 years	952
Between 4 and 5 years	951
Thereafter	843
	$ 10,738

At September 30, 2005, we had approximately $3.5 billion of available funding under our various financing arrangements (comprised of approximately $1.0 billion of availability at the corporate level and approximately $2.5 billion available for use in our management programs). As of September 30, 2005, the committed credit facility and commercial paper programs at the corporate level included:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Revolving credit facility and commercial paper program (a)	$ 3,500	$ 1,181	$ 1,308	$ 1,011
Letter of credit facility (b)	303	–	303	–

(a) Outstanding borrowings include (i) $800 million under our $1.0 billion commercial paper program, which were due and repaid in October 2005, and (ii) $381 million under our $3.5 billion revolving credit facility, which has a final maturity date of November 2009. The $1.0 billion commercial paper program is fully supported by our $3.5 billion revolving credit facility; accordingly, outstanding borrowings thereunder reduce availability under the $3.5 billion revolving credit facility by a corresponding amount. In addition to the letters of credit issued as of September 30, 2005, the revolving credit facility contains the committed capacity to issue an additional $442 million in letters of credit. The letters of credit outstanding under this facility as of September 30, 2005 were issued primarily to support our vehicle rental business.
(b) Final maturity date is July 2010.

As of September 30, 2005, available funding under our asset-backed debt programs related to our management programs consisted of:

	Total Capacity (a)	Outstanding Borrowings	Available Capacity
Vehicle rental program			
Cendant Rental Car Funding (AESOP) LLC (b)	$ 8,464	$ 7,063	$ 1,401
Other (c)	1,354	1,049	305
Timeshare program (d)	2,392	1,746	646
Relocation program (e)	851	668	183
Vacation rental program (f)	220	212	8
	$ 13,281	$ 10,738	$ 2,543

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.
(b) The outstanding debt is collateralized by approximately $7.6 billion of underlying vehicles (the majority of which are subject to manufacturer repurchase obligations) and related assets.
(c) The outstanding debt is collateralized by approximately $1.2 billion of underlying vehicles (the majority of which are subject to manufacturer repurchase obligations) and related assets.
(d) The outstanding debt is collateralized by approximately $2.9 billion of timeshare-related assets. Borrowings under our asset-linked facility ($525 million) are also recourse to us.
(e) The outstanding debt is collateralized by $829 million of underlying relocation receivables and related assets.
(f) The outstanding debt consists of $143 million of capital leases and $69 million of bank debt. The bank debt is collateralized by $119 million of land and related vacation rental assets. The capital lease obligations have corresponding assets classified within assets under management programs on our Consolidated Condensed Balance Sheet as of September 30, 2005.

At September 30, 2005, we also had $400 million of availability for public debt or equity issuances under a shelf registration statement.

We believe that access to our existing financing arrangements is sufficient to meet liquidity requirements for the foreseeable future prior to the full or partial completion of our planned separation into four independent companies. Immediately prior to any such separation, we expect that our existing financing arrangements will be restructured so that they will remain sufficient to meet our liquidity needs for the foreseeable future. However, we can make no assurances that any such restructuring will be completed on terms as favorable as those in our existing financing arrangements.

LIQUIDITY RISK

Our liquidity position may be negatively affected by unfavorable conditions in any one of the industries in which we operate. Additionally, our liquidity as it relates to management programs, could be adversely affected by (i) the deterioration in the performance of the underlying assets of such programs, (ii) the impairment of our ability to access the principal financing program for our vehicle rental subsidiaries if General Motors Corporation or Ford Motor Company should not be able to honor its obligations to repurchase the related vehicles and (iii) the restructuring of any of our existing financing arrangements resulting from our plan to separate into four independent companies. Access to our credit facilities may be limited if we were to fail to meet certain financial ratios or as a result of the restructuring of such facilities resulting from our contemplated separation or under the terms of such restructured facilities. Additionally, we monitor the maintenance of required financial ratios and, as of September 30, 2005, we were in compliance with all financial covenants under our credit and securitization facilities.

Currently our credit ratings are as follows:

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Senior unsecured debt	Baa1	BBB+	BBB+
Commercial paper	P-2	A-2	F-2

Subsequent to our announcement regarding the approved plan to separate Cendant into four independent, publicly traded companies, Moody's Investors Service, Standard & Poor's and Fitch Ratings assigned a "developing outlook," "stable outlook," and "evolving outlook," respectively, to our senior unsecured credit ratings. A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

CONTRACTUAL OBLIGATIONS

Our future contractual obligations have not changed significantly from the amounts reported within our Current Report on Form 8-K filed on May 5, 2005 with the exception of our commitment to purchase vehicles, which decreased from the amount previously disclosed by approximately $1.8 billion to approximately $3.8 billion at September 30, 2005 as a result of purchases during the nine months ended September 30, 2005. However, we have not yet finalized our 2006 model year vehicle purchase contracts, which we estimate would increase our current vehicle purchase commitment by approximately $4.0 billion. Any changes to our obligations related to corporate indebtedness and debt under management programs are presented above within the section entitled "Liquidity and Capital Resources— Financial Obligations" and also within Notes 10 and 11 to our Consolidated Condensed Financial Statements.

ACCOUNTING POLICIES

The majority of our businesses operate in environments where we are paid a fee for a service performed. Therefore, the results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex. However, in presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions that we are required to make pertain to matters that are inherently uncertain as they relate to future events. Presented within the section entitled "Critical Accounting Policies" of our 2004 Annual Report on Form 10-K are the accounting policies that we believe require subjective and/or complex judgments that could potentially affect 2005 reported results (financial instruments, income taxes and goodwill). As previously discussed, our former mortgage business was spun-off with PHH in January 2005. Accordingly, our results of operations for periods subsequent to January 31, 2005 are not subject to the uncertainty inherent in valuing the former mortgage servicing rights asset. There have been no other significant changes to those accounting policies or our assessment of which accounting policies we would consider to be critical accounting policies.

We will adopt the following recently issued standards as required:

- FASB Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations”
- SFAS No. 152, “Accounting for Real Estate Time-Sharing Transactions” and Statement of Position No. 04-2, “Accounting for Real Estate Time-Sharing Transactions”
- SFAS No. 123R, “Share Based Payment”

For detailed information regarding any of these pronouncements and the impact thereof on our business, see Note 1 to our Consolidated Condensed Financial Statements.

Item 3. Quantitative And Qualitative Disclosures About Market Risks

We assess our market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values, and cash flows based on a hypothetical 10% change (increase and decrease) in interest and foreign currency rates. We used September 30, 2005 market rates to perform a sensitivity analysis separately for each of our market risk exposures. The estimates assume instantaneous, parallel shifts in interest rate yield curves and exchange rates. We have determined, through such analyses, that the impact of a 10% change in interest and foreign currency exchange rates and prices on our earnings, fair values and cash flows would not be material.

Item 4. Controls and Procedures

(a) *Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) *Internal Controls Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as such term is defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting except as described below.

During the quarter ended June 30, 2005, we began implementing integration activities related to our acquisitions of ebookers plc and Gullivers Travel Associates, which were consummated on February 28, 2005 and April 1, 2005, respectively. Total revenues and total assets related to these two acquisitions were $219 million for the nine months ended September 30, 2005 and approximately $2.1 billion as of September 30, 2005, respectively. Each of these companies, headquartered outside of the United States, was accustomed to operating under less stringent financial reporting and operating control frameworks, compared to Cendant’s (including reporting deadlines, application of U.S. GAAP, general computer controls, extent of process documentation, etc.). Areas have been identified where changes in process, systems and documentation are necessary as part of their inclusion in our Sarbanes-Oxley Section 404 assessment, and we have begun implementing various steps to strengthen their control environments over the remainder of 2005.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

As previously reported in our Annual Report on Form 10-K for the year ended December 31, 2004, after the April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC International, Inc. ("CUC") business units, and prior to the date of this Quarterly Report on Form 10-Q, approximately 70 lawsuits claiming to be class actions and other proceedings were commenced against us and other defendants.

One such proceeding described in our Form 10-K, *Welch & Forbes, Inc. v. Cendant Corp., et. al.*, No. 98-2818 (WHW) (the "Prides Action"), is a consolidated class action filed on behalf of purchasers of our PRIDES securities between February 24 and August 28, 1998. Named defendants are Cendant; Cendant Capital I, a statutory business trust formed by Cendant to participate in the offering of PRIDES securities; seventeen current and former officers and directors of Cendant, CUC and HFS, Incorporated; Ernst & Young, LLP, CUC's former independent accounting firm; and the underwriters for the PRIDES offering, Merrill Lynch & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Chase Securities Inc.

The Amended Consolidated Complaint in the PRIDES Action alleged that, among other things, the lead plaintiffs and members of the class were damaged when they acquired PRIDES securities because, as a result of accounting irregularities, financial statements issued by Cendant prior to April 15, 1998 were materially false and misleading, and Cendant's April 15, 1998 press release announcing the discovery of such accounting irregularities failed to fully disclose the impact thereof on Cendant's previously issued financial statements.

On March 17, 1999, we entered into an agreement to settle the claims of class members in the PRIDES Action who purchased PRIDES securities on or prior to April 15, 1998. The settlement did not resolve claims based upon the purchases of PRIDES after April 16, 1998.

On October 28, 2005, Cendant reached an agreement in principle to settle the claims of class members in the PRIDES Action who purchased PRIDES securities between April 16 and August 28, 1998 pursuant to which Cendant would pay $32.5 million in cash plus 3.5% of any net recovery from litigation Cendant is pursuing against Ernst & Young, arising from the accounting irregularities. Interest will accrue on the cash settlement from the earlier of either approval by the United States District Court in New Jersey or February 1, 2006 at the federal funds rate applicable at that time. The settlement is subject to execution of a definitive settlement agreement and court approval, which Cendant presently expects to occur in early 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Below is a summary of our Cendant common stock repurchases by month for the quarter ended September 30, 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plan (a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plan
July 1 – 31, 2005	3,736,543	$ 22.00	3,736,543	$ 1,382,147,685
August 1 – 31, 2005	7,072,400	$ 20.68	7,072,400	$ 1,244,706,545
September 1 – 30, 2005	13,202,061	$ 20.06	13,202,061	$ 986,086,488
Total	**24,011,004**	**$ 20.54**	**24,011,004**	**$ 986,086,488**

(a) Our share repurchase program, which does not have an expiration date, was first publicly announced on October 13, 1998 in the amount of $1 billion and has been increased from time to time and each such increase has been publicly disclosed, including an increase to include all stock option exercise proceeds in the program. The most recent increase, in the amount of $500 million, was approved by our Board of Directors in July 2005. No shares were purchased outside our share repurchase program during the periods set forth in the table above.

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENDANT CORPORATION

Date: November 2, 2005	/s/ Ronald L. Nelson Ronald L. Nelson President and Chief Financial Officer
Date: November 2, 2005	/s/ Virginia M. Wilson Virginia M. Wilson Executive Vice President and Chief Accounting Officer

Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarterly period ended March 31, 2004).
3.2	Amended and Restated By-Laws of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 20, 2004).
10.1	Indenture and Servicing Agreement, dated as of August 11, 2005, by and among Cendant Timeshare 2005-1 Receivables Funding, LLC, as Issuer, Cendant Timeshare Resort Group—Consumer Finance, Inc., as Servicer, Wells Fargo Bank, National Association, as Trustee and Wachovia Bank, National Association, as Collateral Agent (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 17, 2005).
10.2	Purchase Agreement by and among Cendant Corporation, Affinity Acquisition, Inc. and Affinity Acquisition Holdings, Inc. dated as of July 26, 2005.
10.3	Amendment No. 1 dated as of October 17, 2005 to the Purchase Agreement dated as of July 26, 2005 by and among Cendant Corporation, Affinity Acquisition, Inc. (now known as Affinion Group, Inc.) and Affinity Acquisition Holdings, Inc. (now known as Affinion Group Holdings, Inc.).*
10.4	Employee Retention Plan Letter— LTIP Vesting.
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
15	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of Chief Executive Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(*) Portions of Exhibit 10.3 have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended, which portions have been filed separately with the Securities and Exchange Commission.

Exhibit 10.2

EXECUTION COPY

PURCHASE AGREEMENT

by and among

Cendant Corporation,

Affinity Acquisition, Inc.

and

Affinity Acquisition Holdings, Inc.

Dated as of July 26, 2005

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT is made and entered into and effective as of the 26th day of July, 2005, by and among Cendant Corporation, a Delaware corporation ("**Seller**"), **AFFINITY ACQUISITION, INC.**, a Delaware corporation ("**Buyer**") and **AFFINITY ACQUISITION HOLDINGS, INC.**, a Delaware corporation and the parent corporation of Buyer ("**Parent**" and, together with Buyer, "**Acquirors**").

RECITALS

WHEREAS, Seller beneficially owns (i) all of the Equity Interests ("**CMG Interests**") in Cendant Marketing Group, LLC (formerly, Cendant Membership Services Holdings LLC), a Delaware limited liability company and a direct wholly-owned subsidiary of Seller ("**CMG**"), and (ii) 10,000,000 ordinary shares of £1 each in the capital ("**Shares**" and, collectively with CMG Interests, the "**Equity**") of Cendant International Holdings Limited, a private company limited by shares incorporated in England and Wales with registered number 3458969 and an indirect wholly-owned subsidiary of Seller ("**CIH**" and, together with CMG, the "**Companies**" and each, individually, a "**Company**");

WHEREAS, the Equity constitutes all of the issued and outstanding Equity Interests of the Companies;

WHEREAS, Buyer desires to purchase, and Seller desires to sell or cause the sale, as applicable, to Buyer of, the Equity, upon the terms and subject to the conditions set forth herein;

WHEREAS, as promptly as practicable, but in no event later than ten (10) days after the date of this Agreement, Buyer and Seller shall file with the Commissioner of Insurance of the State of North Dakota (the "**Insurance Commissioner**") in accordance with Section 26.1-10-03 of the North Dakota Insurance Code, a completed acquisition of control statement in form and substance reasonably satisfactory to Seller (the "**Form A**") relating to Buyer's proposed acquisition of control of Safecard Services Insurance Company, a North Dakota corporation and an indirect wholly-owned Subsidiary of CMG ("**Safecard**"); and

WHEREAS, as promptly as practicable, but in no event later than ten (10) days after the date of this Agreement, (a) Buyer is to deliver to FSA a completed notice of control (as such term is defined in section 178(5) of the United Kingdom's Financial Services and Markets Act 2000 ("**FSMA**")), which in the reasonable opinion of Buyer is fully compliant with the requirements of section 182 of FSMA, by Buyer and each other proposed controller regarding the proposed acquisition of control (such term having the meaning ascribed thereto in section 179 of FSMA) of Cims Limited, a private company limited by shares incorporated in England and Wales, with registered number 01008797, and a wholly-owned Subsidiary of CIH ("**Cims Limited**"), envisaged by this Agreement and to provide the Financial Services Authority, an independent non-governmental body constituted by FSMA (the "**FSA**"), with such information as it may require, in order to consider approving the proposed change of control of Cims Limited, and (b) each controller of Cims Limited is to deliver a completed notice to FSA pursuant to Section 190 of FSMA and Chapter 11.4 of FSA's Supervision Manual (such two notices to FSA together the ("**FSA Notices**"), in each case, including such information and accompanied by such documents as the FSA may require for the purposes of its consideration of such proposed acquisition of control in accordance with Part XII of FSMA.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements set forth in this Agreement, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 **Definitions**. Capitalized terms used in this Agreement shall have the meanings set forth in this Agreement. In addition, for purposes of this Agreement, the following terms, when used in this Agreement, shall have the meanings assigned to them in this Section 1.1.

"**7.1(a)(xi) Losses**" shall have the meaning set forth in Section 7.1(a).

"**Acquirors**" shall have the meaning set forth in the first paragraph of this Agreement.

"**Action**" means any action, claim, complaint, investigation, petition, suit, arbitration or other proceeding, whether civil or criminal, at law or in equity by or before any Governmental Entity.

"**Adjusted EBITDA Statement**" shall have the meaning set forth in Section 2.3(a).

"**Affected Employees**" shall have the meaning set forth in Section 4.2(a).

"**Affiliate**" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. A Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, only Parent and its and Buyer's Subsidiaries shall be deemed to be Affiliates of Buyer.

"**Affinity Partner Contract**" shall mean any Contract pursuant to which the Companies or any of their Subsidiaries have the right to market or sell their products and services to the customers of the Contract counterparty.

"**Agreement**" means this Agreement, as the same may be amended or supplemented, together with all Exhibits and Schedules attached hereto.

"**Ancillary Agreements**" means the Master Transition Services Agreement and the Patent License.

"**Acquirors**" shall have the meaning set forth in the first paragraph of this Agreement.

"Apollo" shall have the meaning set forth in Section 3.2(g).

"**Asserted Liability**" shall have the meaning set forth in Section 7.3(a).

"**Balance Sheet**" means the unaudited combined balance sheet of the Companies and their Subsidiaries as of December 31, 2004 included in the Financial Statements.

"**Balance Sheet Date**" means December 31, 2004.

"**Base Claim**" shall have the meaning set forth in Section 7.1(b).

"**Basket**" shall have the meaning set forth in Section 7.1(b).

"**Business**" means the business of the Companies and their Subsidiaries, taken as a whole, which is comprised of the direct marketing of private label and affinity-based membership programs, the direct marketing of affinity based insurance products, the designing and marketing of enhancement packages, and the administration of points-based loyalty programs.

"**Business Contract Matters**" shall have the meaning set forth in Section 4.6(b).

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which banks are required to be closed in New York, New York or London, United Kingdom.

"**Business Litigation Matters**" shall have the meaning set forth in Section 4.6(b).

"**Buyer**" shall have the meaning set forth in the first paragraph of this Agreement.

"**Buyer Claim**" shall have the meaning set forth in Section 7.1(b).

“**Buyer Indemnified Parties**” shall have the meaning set forth in Section 7.1(a).

“**Cash**” means all cash and cash equivalents reflected on the March 31, 2005 unaudited combined balance sheet contained in the Financial Statements (excluding Restricted Cash).

“**Ceiling**” shall have the meaning set forth in Section 7.1(b).

“**Cendant Marks**” shall have the meaning set forth in Section 4.14(a).

“**CIH**” shall have the meaning set forth in the recitals to this Agreement.

“**Cims Limited**” shall have the meaning set forth in the recitals to this Agreement.

“**Claim Notice**” shall have the meaning set forth in Section 7.3(a).

“**Claims Made Policies**” means those policies of liability insurance requiring that a claim be made against the insured and reported to the insurer during the policy period for coverage to apply.

“**Closing**” shall have the meaning set forth in Section 2.2(a).

“**Closing Consideration**” shall have the meaning set forth in Section 2.1(b).

“**Closing Date**” shall have the meaning set forth in Section 2.2(a).

“**CMG**” shall have the meaning set forth in the recitals to this Agreement.

“**CMG Interests**” shall have the meaning set forth in the recitals to this Agreement.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Commitment Letters**” mean, together, the Debt Financing Commitments and the Equity Financing Commitment.

“**Companies**” and “**Company**” shall have the respective meanings set forth in the recitals to this Agreement.

“**Company Contracts**” shall have the meaning set forth in Section 3.1(n)(i).

“**Company Intellectual Property**” means the Company Owned Intellectual Property and Company Licensed Intellectual Property.

“**Company Leases**” shall have the meaning set forth in Section 3.1(k).

“**Company Licensed Intellectual Property**” means the Intellectual Property, excluding Retained IP, which is licensed to the Companies or their Subsidiaries.

“**Company Marks**” shall have the meaning set forth in Section 4.14(b).

“**Company Owned Intellectual Property**” means the Intellectual Property, including Company Registered Intellectual Property, but excluding Retained IP, in which the Companies or their Subsidiaries own all Intellectual Property rights.

“**Company Plans**” means each “employee benefit plan” (within the meaning of Section 3(3) of ERISA), including, but not limited to, each pension, profit sharing, 401(k), severance, welfare, disability, deferred compensation, stock purchase, stock option, employment, change-in-control, retention, fringe benefit, bonus, incentive agreements, programs, policies or other arrangements, whether or not subject to ERISA and that is maintained, sponsored or contributed to by any of the Companies or their Subsidiaries for the benefit of any current or former employee of the Companies or any of their Subsidiaries, except for any such plans, agreements, programs or policies that are mandated by applicable Law.

“**Company Registered Intellectual Property**” means, for the Company Owned Intellectual Property, other than Retained IP, all U.S. and foreign: (i) patents and patent applications; (ii) trademark registrations and applications (including Internet domain name registrations); and (iii) copyright registrations and applications.

“**Competitive Business**” shall have the meaning set forth in Section 4.16(c).

“**Confidentiality Agreement**” shall have the meaning set forth in Section 4.4(a).

“**Continuing Agreements**” shall have the meaning set forth in Section 4.11(a).

“**Contract**” means any contract, agreement, commitment, franchise, indenture, lease or sublease, purchase order, license, note, bond or mortgage.

“**Copyrights**” means all copyrights and works of authorship (including all registrations and applications to register the same), and any unregistered copyrights.

“**Counsel of Record**” shall have the meaning set forth in Section 7.3(m)(iii).

“**Debt Financing**” shall have the meaning set forth in Section 3.2(g).

"**Debt Financing Commitments**" shall have the meaning set forth in Section 3.2(g).

"Debt Financing Schedule" means the EBITDA schedule appended as Schedule I to the Debt Financing Commitments.

"**Defense Materials**" shall have the meaning set forth in Section 7.3(m)(v).

"**Directive**" shall have the meaning set forth in Section 3.1(r)(vi).

"**Due Date**" shall have the meaning set forth in Section 4.15(a)(i).

"**Elections**" shall have the meaning set forth in Section 4.15(d)(i).

"**Encumbrance**" means any lien, encumbrance, security interest, option, pledge, mortgage, deed of trust, hypothecation, conditional sale or restriction on transfer of title or voting, whether imposed by agreement, understanding, law, equity or otherwise, except for any restrictions on transfer generally arising under any applicable federal or state securities laws.

"**Equity**" shall have the meaning set forth in the recitals to this Agreement.

"**Equity Financing**" shall have the meaning set forth in Section 3.2(g).

"**Equity Financing Commitment**" shall have the meaning set forth in Section 3.2(g).

"**Equity Interests**" means any share capital, capital stock, partnership or limited liability company interest or other equity or voting interest or any security or evidence of indebtedness convertible into or exchangeable for any share capital, capital stock, partnership or limited liability company interest or other equity interest, or any right, warrant or option to acquire any of the foregoing.

"**Equity Ratio**" shall have the meaning set forth in Section 2.1(c).

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the related regulations and published interpretations.

"**Excepted Jurisdictions**" shall have the meaning set forth in Section 5.1(c).

"**Excluded Litigation Matters**" shall have the meaning set forth in Section 4.6(a).

"**Financial Statements**" means, collectively, (i) the audited combined balance sheets of the Companies and their Subsidiaries as of December 31, 2004 and 2003 and the audited combined statements of operations and cash flows and changes in combined equity of the Companies and their Subsidiaries for each of the three years ended December 31, 2004, 2003 and 2002; and (ii) the unaudited combined balance sheet and unaudited combined statements of operations and cash flows of the Companies and their Subsidiaries as of and for the three months ended March 31, 2005, including in each case, any notes thereto.

"**Financing**" shall have the meaning set forth in Section 3.2(g).

"**Financing Agreements**" shall have the meaning set forth in Section 4.18(b).

"**Financing Commitments**" shall have the meaning set forth in Section 3.2(g).

"**Foreign Antitrust Merger Control Laws**" shall have the meaning set forth in Section 3.1(e).

"**Form A**" shall have the meaning set forth in the recitals to this Agreement.

"**FSA**" shall have the meaning set forth in the recitals to this Agreement.

"**FSA Notices**" shall have the meaning set forth in the recitals to this Agreement.

"**FSMA**" shall have the meaning set forth in the recitals to this Agreement.

"**GAAP**" means generally accepted accounting principles in the United States, as in effect from time to time, consistently applied.

"**Governmental Entity**" means any national, supranational, federal, state, local or foreign government, or any regulatory authority (including without limitation, of the European Community and the FSA), administrative agency, other agency, bureau, board, commission, court, department, tribunal, arbitral body or other similar governmental, quasi-governmental or regulatory authority or instrumentality thereof.

"**Governmental Filings**" shall have the meaning set forth in Section 3.1(e).

"**Grid**" shall have the meaning set forth in Section 7.3(m)(i).

"**Grid Cap**" shall have the meaning set forth in Section 7.3(m)(i).

"**Guarantees**" shall have the meaning set forth in Section 4.12(a).

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the related regulations and published interpretations.

“**Indebtedness**” means, with respect to any Person, without duplication: (i) obligations for borrowed money; (ii) obligations for borrowed money of any other Person guaranteed in any manner by such Person, (iii) obligations under capitalized leases in respect of which such Person is liable, contingently or otherwise, as obligor or guarantor and (iv) obligations under swaps, hedges or similar instruments.

“**Indemnified Party**” shall have the meaning set forth in Section 7.3(a).

“**Indemnifying Party**” shall have the meaning set forth in Section 7.3(a).

“**Independent Accounting Firm**” means a mutually acceptable nationally recognized firm of independent certified public accountants, other than Ernst & Young LLP.

“**Initial Cash Price**” shall have the meaning set forth in Section 2.1(b).

“**Insurance Commissioner**” shall have the meaning set forth in the recitals to this Agreement.

“**Intellectual Property**” means all Trademarks, Patents, Copyrights, Trade Secrets, moral rights and any other intellectual property rights recognized under any Laws or international conventions, and in any country or jurisdiction in the world, all applications, disclosures, renewals, extensions, continuations or reissues thereof, and all rights arising thereunder (including the right to sue for past infringement).

“**Inter-Company Agreements**” shall have the meaning set forth in Section 3.1(u)(ii).

“**Interim Period**” shall mean with respect to any Straddle Period, the portion of such Straddle Period that begins on the first day of such Straddle Period and ends on the Closing Date.

“**Knowledge**” means the actual knowledge of Thomas Christopoul, Nathaniel Lipman, Claire Mahoney, Steve Webb, Todd Siegel, Sam Katz, Robert Rooney, Tom Smith, Michael Fahey and Marti Beller.

“LTM Adjusted EBITDA” means, if the Closing occurs on or before November 15, 2005, EBITDA for the twelve (12) month period ended June 30, 2005 derived from (a) the financial records used to prepare the Restated Financial Statements for the six month period ended December 31, 2004 and (b) the financial records used to prepare the Financial Statements for the six month period ended June 30, 2005, adjusted (without duplication) to (i) reflect adjustments of the type and calculated consistent with the amounts set forth on the Debt Financing Schedule, provided that the amounts set forth under “One-Time Costs”, “Management Proforma Adjustments” and the line item “Other 2005 Normalizing Adjustments” on the Debt Financing Schedule are not subject to change. If the Closing occurs after November 15, 2005, the nine (9) month period ended

September 30, 2005 shall be substituted for the six (6) month period ended June 30, 2005 in the previous sentence and the three (3) month period shall be substituted for the six (6) month period referred to in clause (a) above.

"LTM Scheduled EBITDA" means $241.6 Million.

"**Law**" means any statute, code, rule, regulation, order, ordinance, judgment or decree or other pronouncement of any Governmental Entity having the effect of law.

"**Liability**" means any actual liability or obligation (including as related to Taxes), whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due, regardless of when asserted.

"**Losses**" shall have the meaning set forth in Section 7.1(a).

"**Master Software Agreements**" shall have the meaning set forth in Section 4.11(d).

"**Master Transition Services Agreement**" means the Master Transition Services Agreement, substantially in the form set forth in Exhibit A, to be entered into by Seller, the Companies and Buyer at Closing.

"**Material Adverse Effect**" means any change or event that is, or is reasonably likely to be, materially adverse to the business, results of operations or financial condition of the Companies and their Subsidiaries, taken as a whole, other than any change or event resulting from, relating to or arising out of (i) general economic conditions in any of the geographical areas in which any of the Companies and their Subsidiaries operate unless such condition affects the Companies and their Subsidiaries disproportionately; (ii) any change in the financial, banking, currency or capital markets in general (whether in the United States or any other country or in any international market); (iii) conditions generally affecting any of the industries in which any of the Companies and their Subsidiaries operate unless such condition affects the Companies and their Subsidiaries disproportionately; (iv) acts of God, national or international political or social conditions, including the engagement by the United States or the United Kingdom in hostilities, whether commenced before or after the date hereof, and whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States or the United Kingdom, or any of their respective territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States or the United Kingdom; (v) any actions taken, or failures to take action, or such other changes or events, in each case, to which Buyer has consented; (vi) any Action relating to the matters referred to in Section 7.1(a)(x) or (xi) of the Seller Disclosure Schedule; or (vii) the announcement of, or the taking of any action expressly contemplated by, this Agreement and the other agreements contemplated hereby, including by reason of the identity of Buyer or any communication by Buyer regarding the plans or intentions of Buyer with respect to the conduct of the Business.

"**Monthly Financial Reports**" means the monthly reports generated, in the ordinary course of business, consistent with past practice by Seller's Hyperion system based on the consolidated monthly financial data submitted by each of Progeny Marketing Innovations, Inc., Trilegiant Corporation (including Trilegiant Loyalty Solutions, Inc.) and Cims Limited which do not include all adjustments and reclassifications necessary for such reports to be on a basis comparable with the Financial Statements.

"**New Inter-Company Agreement Term Sheets**" shall have the meaning set forth in Section 3.1(u)(iii).

"**New Inter-Company Agreements**" shall have the meaning set forth in Section 4.21(a).

"**Notice Period**" shall have the meaning set forth in Section 7.3(a).

"**Occurrence Based Policies**" means those policies of liability and property insurance requiring that an incident or event giving rise to a claim take place during the policy period for coverage to apply, regardless of when claim is made against the insured or reported to the insurer.

"**Offering Materials**" shall have the meaning set forth in Section 4.18(a).

"**Organizational Documents**" means the documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs (i.e., including, but not limited to, certificate of incorporation, certificate of formation, memorandum of association, articles of association, constitutional documents, by-laws or operating agreement).

"**Outside Date**" shall have the meaning set forth in Section 6.1(b).

"**Parent**" shall have the meaning set forth in the first paragraph of this Agreement.

"**Parent Common Stock**" means the common stock, par value $0.01 per share, of the Parent.

"**Parent Preferred Shares**" means the shares of Parent Preferred Stock, designated Series A Exchangeable Redeemable Preferred Stock, and having the terms set forth on Schedule I.

"**Parent Preferred Stock**" means the preferred stock, par value $0.01 per share, of the Parent.

“**Parent Warrants**” means the warrants to purchase shares of Parent Common Stock having the terms set forth on Schedule II.

“**Patent Licenses**” means the Patent License Agreements, to be entered into by an Affiliate of Seller, the Companies and Buyer at Closing, containing the terms set forth on Schedule III.

“**Patents**” means all U.S. and foreign patents and patent applications, including divisions, continuations, continuations-in-part, reissues, reexaminations, and any renewals or extensions thereof, and any corresponding foreign filings claiming priority from any of the foregoing.

“**Permits**” shall have the meaning set forth in Section 3.1(p)(i).

“**Permitted Encumbrance**” means (i) Encumbrances incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government Contracts, performance and return of money bonds and similar obligations; (ii) mechanics, carriers’, workers’, repairers’, materialmen’s, warehousemen’s and similar Encumbrances which have arisen in the ordinary course of business; (iii) Encumbrances approved by Buyer in writing; (iv) Encumbrances for Taxes not yet delinquent or contested in good faith; (v) requirements and restrictions of zoning, building and other Laws, rules and regulations; (vi) statutory liens of landlords for amounts not yet due and payable; (vii) liens arising under conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; and (viii) Encumbrances which, in the aggregate, are not reasonably likely to impair, in any material respect, the continued use of the asset or property to which they relate, as used on the date hereof.

“**Person**” means an association, a corporation, an individual, a partnership, a limited liability company, a trust, or any other entity or organization, including a Governmental Entity.

“**Pre-Closing Period Tax Return**” shall have the meaning set forth in Section 4.15(a)(i).

“**Pre-Closing Tax Period**” shall mean any Tax period ending on or before the Closing Date.

“**Pre-Closing Taxes**” shall mean all liability for Taxes of the Companies and any of their Subsidiaries for Pre-Closing Tax Periods and the Interim Period. For purposes of calculating the liability of the Companies or their Subsidiaries for Taxes of the Interim Period, the portion of any Tax for a Straddle Period that is allocable to the Interim Period shall be deemed to equal: (i) in the case of Taxes based upon or related to income or receipts, the amount that would be payable if the Straddle Period had actually ended on the Closing Date and the books of the Companies or their Subsidiaries were closed as of the close of such date; (ii) in the case of Taxes imposed on specific transactions or events, Taxes imposed on specific transactions or events occurring on or before the Closing Date; and (iii) in the case of Taxes imposed on a periodic basis, or in the case of any other Taxes not covered by clause (i) or clause (ii), the amount of such Taxes for the entire Straddle Period multiplied by a fraction (a) the numerator of which is the number of calendar days in the period ending on the Closing Date and (b) the denominator of which is the number of calendar days in the entire Straddle Period. For the avoidance of doubt, Pre-Closing Taxes shall include all Taxes imposed as a result of the Elections. Notwithstanding anything to the contrary contained in this Agreement, Pre-Closing Taxes shall not include Taxes imposed on any of the Companies or their Subsidiaries solely to the extent such Taxes arise as a result of any transaction occurring after the Closing on the Closing Date that is not in the ordinary course of business or solely to the extent such Taxes arise as a result of a breach by the Buyer or any of its Affiliates (including, after the Closing, the Companies and their Subsidiaries) of any of their obligations, agreements or covenants set forth in this Agreement.

"**Public Software**" means any software that is distributed as open source software (e.g., Linux), including software licensed or distributed under any of the following licenses or distribution models, or licenses or distribution models substantially similar to any of the following: (i) GNU's General Public License (Version 2) (GPL) or Lesser GPL (Version 2.1) (LGPL); (ii) the Mozilla Public License (Version 1.1); (iii) the BSD License; and (iv) the Apache License (Version 2.0).

"**Purchase Price Adjustment Items**" shall have the meaning set forth in Section 2.3(b).

"**Quarterly Financial Statements**" shall have the meaning set forth in Section 4.5(c).

"**RCI Europe**" means RCI Europe Limited, an unlimited liability company incorporated in England and Wales with registered number 01148410, and an indirect wholly-owned subsidiary of Seller and the parent corporation of CIH.

"**Real Property**" shall have the meaning set forth in Section 3.1(k).

"**Refund Amount**" means $41,000,000.00.

"Regulation S-X" means Regulation S-X promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933.

"**Released Parties**" shall have the meaning set forth in Section 4.12(a).

"**Representatives**" shall have the meaning set forth in the Confidentiality Agreement.

“**Restated Financial Statements**” means, collectively, the audited restated combined balance sheets of the Companies and their Subsidiaries as of December 31, 2004 and 2003 and the audited restated combined statements of operations and cash flows and changes in combined equity of the Companies and their Subsidiaries for each of the three years ended December 31, 2004, 2003 and 2002, which Restated Financial Statements will reflect the inclusion of certain assets and liabilities of Cendant Travel, Inc. and expanded disclosures related thereto.

“**Restricted Cash**” means restricted cash under GAAP, consistently applied, plus marketable securities held in restricted accounts.

“**Restructuring Costs**” means $15,496,843.00.

“**Retained Company Plans**” shall have the meaning set forth in Section 4.2(b).

“**Retained IP**” means the Intellectual Property assets held as of the date hereof by the Companies and their Subsidiaries that will be transferred to Seller prior to the Closing as set forth on Schedule IV hereto.

“**Retention Payments**” means $24,109,201.10, which represents the maximum amount of the retention payments to be made by the Companies and their Subsidiaries pursuant to the agreements listed under the heading “Retention Letters” in Section 3.1(r)(i) of the Seller Disclosure Schedule, as in effect on the date hereof.

“S-X Quarterly Financial Statements” means the unaudited combined balance sheet and the unaudited combined statements of operations and cash flows and changes in combined equity of the Companies for the six month period ended June 30, 2005, adjusted as required for such statements to be in compliance with Regulation S-X, assuming that the Companies and its Subsidiaries were a stand-alone “registrant” under Regulation S-X. If the Closing occurs after November 15, 2005, the nine (9) month period ended September 30, 2005 shall be substituted for June 30, 2005 in the previous sentence.

“**Safecard**” shall have the meaning set forth in the recitals to this Agreement.

“**SAS 100 Quarters**” shall have the meaning set forth in Section 2.1(d).

“**Section 338(h)(10) Allocation Statement**” shall have the meaning set forth in Section 4.15(e)(ii).

“**Securities Act**” shall mean the Securities Act of 1933, as amended.

“**Seller**” shall have the meaning set forth in the first paragraph of this Agreement.

“**Seller Claim**” shall have the meaning set forth in Section 7.2(b).

“**Seller Counsel**” shall have the meaning set forth in Section 7.3(m)(iv).

“**Seller Disclosure Schedule**” shall mean the disclosure schedule of Seller referred to in and delivered to Buyer pursuant to this Agreement.

“**Seller Indemnified Parties**” shall have the meaning set forth in Section 7.2(a).

“**Shared Litigation**” shall have the meaning set forth in Section 7.3(m)(iii).

“**Shared Losses**” shall have the meaning set forth in Section 7.3(m).

“**Shares**” shall have the meaning set forth in the recitals to this Agreement.

“**Significant Relationship**” means the business relationship of the Companies and their Subsidiaries with their suppliers, vendors, customers, and affinity partners who are parties to Company Contracts.

“**Solvent**” with regard to any Person, means that (i) the sum of the assets of such Person, both at a fair valuation and at present fair salable value, exceeds its liabilities, including contingent, subordinated, unmatured, unliquidated, and disputed liabilities; (ii) such Person has sufficient capital with which to conduct its business; and (iii) such Person has not incurred debts beyond its ability to pay such debts as they mature. For purposes of this definition, “**debt**” means any liability on a claim, and “**claim**” means (i) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (ii) a right to an equitable remedy for breach of performance to the extent such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. With respect to any such contingent liabilities, such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

“**Solvency Opinion**” shall have the meaning set forth in Section 4.25.

“**Straddle Period**” shall mean any Tax period that includes but does not end on the Closing date.

“**Straddle Period Tax Return**” shall have the meaning set forth in Section 4.15(a)(ii).

"**Subsidiary**" of any Person means, on any date, any Person (i) the accounts of which would be consolidated with and into those of the applicable Person in such Person's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date or (ii) of which securities or other ownership interests representing at least fifty percent of the equity or at least fifty percent of the ordinary voting power or, in the case of a partnership, at least fifty percent of the general partnership interests or at least fifty percent of the profits or losses of which are, as of such date, owned, controlled or held by the applicable Person or one or more subsidiaries of such Person. Without limiting the foregoing, TRL Group, Inc., a Delaware corporation, shall be deemed to be a Subsidiary of CMG.

"**Support Services**" shall have the meaning set forth in Section 4.13.

"**Surety Bonds**" shall have the meaning set forth in Section 4.12(a).

"**Survival Expiration Date**" shall have the meaning set forth in Section 8.4(a).

"**Tax**" means any foreign, federal, state, county or local income, sales and use, excise, franchise, real and personal property, gross receipt, capital stock, production, business and occupation, disability, employment, payroll, severance, withholding, value added or any similar tax or other tax, duty, fee, assessment or charge imposed by any taxing authority, including any interest, addition of Tax or penalties related thereto.

"**Tax Allocation Statement**" shall have the meaning set forth in Section 4.15(e)(i).

"**Tax Claim**" shall have the meaning set forth in Section 7.4(a).

"**Tax Return**" means any return, report, declaration, information return or other document required to be filed (or otherwise filed) with any Tax authority with respect to Taxes, including any amendments thereof.

"**Terminating Contracts**" shall have the meaning set forth in Section 4.11(a).

"**Trade Secrets**" means all U.S. and foreign trade secrets, proprietary know-how and other confidential and proprietary information, including customer lists, technical information, data, process technology, plans, drawings, and blue prints, in each case, that derive value (economic, strategic or otherwise) from not being generally known to and/or readily ascertainable by any other Person.

"**Trademarks**" means all U.S. and foreign trademarks, service marks, trade names and Internet domain names, slogan, design, picture or any other symbol used to identify any good and/or service, together with the goodwill symbolized by any of the foregoing, and all registrations and applications relating to the foregoing.

"**Transfer Taxes**" means any sales, use, stock transfer, real property transfer, real property gains, transfer, stamp, registration, documentary, recording or similar duties or taxes together with any interest thereon, penalties, fines, costs, fees, additions to tax or additional amounts with respect thereto incurred in connection with the transactions contemplated hereby.

"**Transferors**" means, together, Seller and RCI Europe.

"**Treasury Regulations**" shall have the meaning set forth in Section 4.15(d)(i).

"**TRL Group**" means TRL Group, Inc., a Delaware corporation.

"**WARN Act**" shall have the meaning set forth in Section 4.17.

ARTICLE II
PURCHASE AND SALE OF EQUITY

Section 2.1 **Purchase and Sale of Equity.**

(a) Acquirors and Seller hereby agree that, upon the terms and subject to the satisfaction or waiver, if permissible, of the conditions hereof, at the Closing, Buyer shall purchase from Transferors, and, as applicable, Seller shall, and shall cause RCI Europe to, sell, transfer, assign and deliver to Buyer (in the case of the Shares with full title guarantee), all of the Equity held by Transferors, free and clear of Encumbrances and with all rights attached thereto.

(b) At the Closing, in consideration for the purchase of the Equity pursuant to Section 2.1(a) and the covenants of Seller contained in Section 4.16, Buyer shall pay to Seller by wire transfer through a bank reasonably acceptable to Seller to an account identified by Seller to Buyer not later than two (2) Business Days prior to the Closing Date, (i) in cash $1,750,000,000 (the "**Initial Cash Price**"), as adjusted pursuant to Section 2.3(c) and (d) and 2.1(c) and (d), and (ii) (A) the Parent Preferred Stock, as adjusted pursuant to Section 2.1(c) and (B) the Parent Warrants (the Parent Preferred Stock, the Parent Warrants and the Initial Cash Price, being referred to herein as the "**Closing Consideration**").

(c) In the event that the ratio of (i) funded equity by Apollo and management under the Equity Financing Commitment to (ii) liquidation preference of Parent Preferred Stock (the "**Equity Ratio**") is less than 2.16, then the amount of Parent Preferred Stock to be delivered by Buyer pursuant to Section 2.1(b)(ii) shall be decreased and the amount of Cash to be delivered pursuant to Section 2.1(b)(i) shall be increased so that, upon payment of the Closing Consideration at Closing, the Equity Ratio shall be not less than 2.16.

(d) Beginning on the later of (x) September 30, 2005 and (y) the thirty-first day following the delivery by Seller to Buyer of (i) the Restated Financial Statements and (ii) the unaudited combined balance sheets of the Companies and their Subsidiaries and the related unaudited combined statements of operations and cash flows and changes in combined equity for the four full quarters (not including the quarter ended December 31,2004) preceding the quarter in which the items referenced in this Section 2.1(d)(i) and (ii) are delivered (the "**SAS 100 Quarters**") as to which procedures consistent with SAS 100 shall have been completed, interest shall accrue on the Initial Cash Price at a rate equal to five percent (5%) per annum compounded quarterly. Buyer shall pay the aggregate amount of such interest at the Closing.

Section 2.2 Closing.

(a) The closing of the transactions contemplated by this Agreement (the "**Closing**") shall be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, located at Four Times Square, New York, New York, at 10:00 a.m., New York City time following the satisfaction or waiver, if permissible, of the conditions to Closing set forth in Article V (other than conditions which by their nature can be satisfied only at Closing), at such date as Buyer and Seller mutually agree, which shall be no later than the third Business Day after satisfaction or waiver, if permissible, of the conditions to the Closing set forth in Article V (the "**Closing Date**"), unless another date is agreed to in writing by Buyer and Seller.

(b) ***Deliveries by Seller*.** At the Closing, Seller shall deliver, or cause to be delivered, to Buyer:

(i) a certificate or certificates evidencing the CMG Interests, along with such documentation as may be reasonably required to evidence that such CMG Interests have been duly assigned or transferred to Buyer;

(ii) a certificate or certificates evidencing the Shares of CIH along with a duly executed transfer into the name of Buyer or as it may direct in respect of all of the Shares;

(iii) an irrevocable power of attorney in a form agreed between the parties executed by RCI Europe to enable Buyer (during the period prior to the registration of the transfer of the Shares) to exercise all voting and other rights attaching to the Shares;

(iv) with respect to (A) CMG and its Subsidiaries, corporate minute books and stock register/transfer ledger of CMG to the extent not held at the Real Properties, and (B) CIH and its Subsidiaries, the certificates of incorporation, common seal (if applicable), statutory registers, minute books, share certificate books and, to the extent not held at the Real Properties, books of account and all other books (each certified by the secretary of the relevant company as being duly written up to date);

(v) the Patent Licenses, duly executed by Seller and the Companies;

(vi) the Master Transition Services Agreement, duly executed by Seller and the Companies;

(vii) the New Inter-Company Agreements, duly executed by Seller and the Companies;

(viii) a certificate of an officer of each of Seller, CMG and CIH, dated as of the Closing Date, certifying (A) such Person's Organizational Documents; (B) the incumbency of each officer executing this Agreement and the Ancillary Agreements, as applicable, to which it is a party and any other agreement, document or instrument contemplated hereby or thereby on behalf of such Person to which it is a party; and (C) the resolutions of Seller, CMG and CIH's board of directors or other applicable governing body and shareholders, if applicable, approving this Agreement and the Ancillary Agreements and all other agreements and documents contemplated hereby and thereby;

(ix) certificates of the Secretaries of State or other applicable office or Governmental Entity in states or countries in which CMG and CIH is organized and qualified to do business, dated as of a date not more than thirty (30) Business Days prior to the Closing Date, certifying as to the good standing of each CMG and CIH; provided, however, that with respect to any non-US Person, such certificate shall be as customarily certified by the applicable Governmental Entity;

(x) certificates identified in Section 5.1(a)(iii);

(xi) evidence of satisfaction of all obligations for Indebtedness described in clause (i) of the definition of Indebtedness (including any interest, prepayment premiums or penalties and other fees and charges);

(xii) a duly executed certificate from Seller of non-foreign status in the form and manner that complies with Section 1445(b)(2) of the Code and the Treasury Regulations thereunder; and

(xiii) all other documents required to be delivered by Seller on or prior to the Closing Date pursuant to this Agreement.

(c) ***Deliveries by Acquirors.*** At the Closing, Acquirors shall deliver, or cause to be delivered, to Seller:

(i) the Closing Consideration, by wire transfer of immediately available funds through a bank reasonably acceptable to Seller to an account or accounts designated by Seller prior to Closing;

(ii) the Patent Licenses, duly executed by Buyer and Parent;

(iii) the Master Transition Services Agreement, duly executed by Buyer and Parent;

(iv) the New Inter-Company Agreements, duly executed by Buyer and Parent;

(v) certificates identified in Section 5.2(a)(iii);

(vi) all other documents required to be delivered by Acquiror on or prior to the Closing Date pursuant to this Agreement;

(vii) Stock Certificates representing 100% of the Parent Preferred Shares; and

(viii) The Parent Warrant, duly executed by Parent.

Section 2.3 Closing Consideration Adjustment.

(a) No later than sixty (60) days after the end of the fiscal quarter ended forty five (45) days or more prior to the Closing Date (unless the Closing occurs on or after November 15, 2005, then no later than forty five (45) days after such quarter end), Seller shall deliver a statement (the "**Adjusted EBITDA Statement**") setting forth the LTM Adjusted EBITDA and the calculation thereof.

(b) No later than two Business Days prior to the Closing Date, Seller shall prepare and deliver to Buyer a certificate of an officer of Seller setting forth the aggregate amount of Liabilities of the Companies and their Subsidiaries in respect of (i) the Refund Amount, (ii) Restructuring Costs, (iii) Retention Payments; and (iv) Indebtedness (other than Indebtedness described in subsection (ii) in the definition of Indebtedness) as of June 30, 2005 (collectively, the "**Purchase Price Adjustment Items**").

(c) The Initial Cash Price shall be decreased by the sum of (i) the Purchase Price Adjustment Items plus (ii) the excess, if any, of (A) the payments made by or on behalf of the Companies or their Subsidiaries to Seller and its Affiliates (other than the Companies and their Subsidiaries), net of any payments made by Seller on behalf of the Companies or their Subsidiaries, in each case, other than in connection with an Inter-Company Agreement, during the period from July 1, 2005 through the Closing Date over (B) the amount required to be paid by the Companies or their Subsidiaries to Seller and its Affiliates (other than the Companies and their Subsidiaries) during such period pursuant to the Inter-Company Agreements; provided that all Cash of the Business (other than Restricted Cash) through and including June 30, 2005 shall be paid prior to the Closing Date by the Companies and their Subsidiaries to Seller and its Affiliates (other than the Companies and their Subsidiaries) plus (iii) in the case of any payments made by any Company or any Subsidiary prior to or on the Closing Date in connection with the settlement or resolution the matters listed in Section 7.1(a)(x) and Section 7.1(a)(xi) of the Seller Disclosure Schedule, the amount of such payments less the portion of payments that would have been paid by the Companies and its Subsidiaries pursuant to Section 7.1(a)(x) and Section 7.1(a)(xi) (in accordance with Section 7.1(b) and 7.3(m)) had such matter been settled or resolution happened after the Closing Date.

(d) If LTM Adjusted EBITDA is less than LTM Scheduled EBITDA, then the Initial Cash Price shall be further reduced by an amount equal to the product of (i) seven (7) multiplied by (ii) the excess, if any, of (A) LTM Scheduled EBITDA, over (B) LTM Adjusted EBITDA.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Seller. Seller represents and warrants to Acquirors as of the date hereof and, except for any representations and warranties that speak as of a different specified date, as of the Closing as follows:

(a) ***Due Organization and Good Standing of the Transferors***. Each of the Transferors is duly incorporated, validly existing and in good standing under the Laws of the State of Delaware (in the case of Seller) and is duly incorporated and validly existing under the Laws of England and Wales (in the case of RCI Europe) (as customarily certified by the Registrar of Companies in England and Wales in respect of companies registered in England and Wales).

(b) ***Authorization of Transaction by the Transferors.*** Seller has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and the Ancillary Agreements, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Seller of this Agreement and the Ancillary Agreements and the consummation by each Transferor of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of each Transferor and no other corporate proceedings on the part of each Transferor are necessary to authorize the execution, delivery and performance by each Transferor of this Agreement and the

Ancillary Agreements, as applicable, or to consummate the transactions contemplated hereby or thereby. This Agreement has been duly executed and delivered by Seller and, assuming due authorization, execution and delivery by Buyer, constitutes, and each Ancillary Agreement, when executed and delivered by Seller (assuming due authorization, execution and delivery by the other parties thereto) shall constitute, a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except that such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting the rights and remedies of creditors and general principles of equity (whether considered in a proceeding at law or in equity) and the discretion of the court before which any proceeding therefor may be brought.

(c) Due Organization, Good Standing of and Authorization of Ancillary Agreements by the Companies. CMG is duly formed, validly existing and in good standing under the Laws of the State of Delaware. CIH is duly incorporated, validly existing and in good standing under the Laws of England and Wales (as customarily certified by the Registrar of Companies in England and Wales in respect of companies registered in England and Wales). CMG is qualified or otherwise authorized to act as a foreign limited liability company and is in good standing under the Laws of every other jurisdiction in which such qualification or authorization is necessary under applicable Law, except where the failure to be so qualified or otherwise authorized would not have a Material Adverse Effect. CIH is qualified or otherwise authorized to act as a foreign private company limited by shares under the Laws of every other jurisdiction in which such qualification or authorization is necessary under applicable Law, except where the failure to be so qualified or otherwise authorized would not have a Material Adverse Effect. Each Company has all requisite power and authority to own, lease and operate its respective properties and to carry on its respective businesses as now conducted. Each Company has all requisite power and authority to execute, deliver and perform its obligations under the Ancillary Agreements to which it is a party, and to consummate the transactions contemplated thereby, as applicable. The execution, delivery and performance by each Company of the Ancillary Agreements to which it is a party and the consummation by each Company of the transactions contemplated thereby have been duly and validly authorized by all necessary action on the part of each Company and no other action or proceedings on the part of either Company are necessary to authorize the execution, delivery and performance by either Company of the Ancillary Agreements to which it is a party or to consummate the transactions contemplated thereby. Each Ancillary Agreement, when executed and delivered by each Company party thereto (assuming due authorization, execution and delivery by the other parties thereto) shall constitute, a valid and binding obligation of such Company, enforceable against such Company in accordance with its terms, except that such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting the rights and remedies of creditors and general principles of equity (whether considered in a proceeding at law or in equity) and the discretion of the court before which any proceeding therefor may be brought.

(d) ***Subsidiaries***. Section 3.1(d) of the Seller Disclosure Schedule contains a list of (i) each Subsidiary of CMG, including its name, its jurisdiction of incorporation or formation and other jurisdictions in which it is qualified or authorized to do business, and (ii) each Subsidiary of CIH, including its name, its jurisdiction of incorporation or formation, and other jurisdictions in which it is qualified or authorized to do business. Each Subsidiary of CMG and CIH is validly existing and in good standing in its jurisdiction of incorporation or formation and is in good standing in all other jurisdictions in which it is qualified or authorized to do business (as customarily certified by the applicable Governmental Entity in respect of companies registered in such jurisdictions), except where the failure to be so qualified or otherwise authorized would not have a Material Adverse Effect. Except as set forth in Section 3.1(d)(iii) of the Seller Disclosure Schedule, (A) all of the issued and outstanding Equity Interests of each Subsidiary of CMG and each Subsidiary of CIH is owned directly or indirectly by CMG and CIH, respectively, free and clear of all Encumbrances, and are duly authorized and validly issued, free of preemptive or any other third party rights and, as to Equity Interests of corporate Subsidiaries, are fully paid and non-assessable, (B) there is no subscription, option, warrant, call right, agreement or commitment relating to the issuance, sale, delivery, transfer or redemption by any Subsidiary of CMG or any Subsidiary of CIH (including any right of conversion or exchange under any outstanding security or other instrument) of the share capital, capital stock, partnership capital or equivalent of any Subsidiary of CMG or any Subsidiary of CIH and (C) there are no voting trusts or other agreements or understanding to which any Person who holds outstanding Equity Interests of any Subsidiary of CMG or any Subsidiary of CIH is bound with respect to voting such Equity Interests.

(e) ***Governmental Filings***. No filings or registration with, notification to, or authorization, consent or approval of any Governmental Entity (collectively, "**Governmental Filings**") are required in connection with the execution, delivery and performance of this Agreement or the Ancillary Agreements by Seller, except (i) Governmental Filings under the HSR Act, (ii) Governmental Filings under any applicable antitrust or other competition Laws of other jurisdictions ("**Foreign Antitrust Merger Control Laws**"), (iii) the Governmental Filing required to be made with each of the Insurance Commissioner and the FSA, (iv) Governmental Filings that become applicable as a result of matters specifically related to Buyer or its Affiliates or (v) the Governmental Filings set forth on Section 3.1(e) of the Seller Disclosure Schedule.

(f) ***Capital Structure***.

(i) The issued and outstanding CMG Interests consist solely of CMG Interests. All of the outstanding CMG Interests have been duly authorized and are validly issued, and have not been issued in violation of any preemptive rights, rights of first refusal or other third party rights. CMG has no other Equity Interests authorized, issued or outstanding other than the CMG Interests, and there are no other subscriptions, options, warrants, call rights, agreements, commitments or other rights or arrangements existing or outstanding that provide for the sale or issuance of any of the foregoing by Seller or CMG (other than this Agreement). Seller is the sole record and beneficial owner of all of the outstanding CMG Interests, and, at Closing, the CMG Interests purchased by Buyer shall constitute all of the issued and outstanding Equity Interests of CMG. There are no voting trusts or other agreements or understandings to which Seller is bound with respect to voting the Equity Interests of CMG.

(ii) The authorized share capital of CIH consists of 30,000,000 Shares of which 10,000,000 Shares are issued and outstanding. All of the issued and outstanding Shares of CIH have been duly authorized and validly issued, are fully paid and non-assessable, and have not been issued in violation of any preemptive rights, rights of first refusal or other third party rights. CIH has no other Equity Interests authorized, issued or outstanding other than the Shares, and there are no other subscriptions, options, warrants, call rights, agreements, commitments or other rights or arrangements existing or outstanding that provide for the sale or issuance of any of the foregoing by Seller, RCI Europe or CIH (other than this Agreement). RCI Europe is the sole record and beneficial owner of all of the issued and outstanding Shares and, at Closing, the Shares purchased by Buyer shall constitute all of the issued and outstanding Equity Interests of CIH. There are no voting trusts or other agreements or understandings to which Seller or RCI Europe are bound with respect to voting the Equity Interests.

(g) ***Financial Statements.***

(i) Section 3.1(a)(i) of the Seller Disclosure Schedule contains a true and complete copy of the Financial Statements. Except as set forth in Section 3.1(g)(i) of the Seller Disclosure Schedule, the Financial Statements have been prepared in accordance with GAAP (except as disclosed in the footnotes thereto) and fairly present, in all material respects, the financial position of the Companies and their Subsidiaries as of the dates thereof and their results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal recurring adjustments necessary for a fair presentation of interim results and the absence of notes thereto.

(ii) The Restated Financial Statements will have been prepared in accordance with GAAP and, assuming that the Companies and their Subsidiaries were a stand-alone “registrant” under Regulation S-X will, to Seller’s Knowledge, be in compliance with Regulation S-X and will fairly present, in all material respects, the financial position of the Companies as of the date thereof and their results of operations and cash flows for the periods then ended.

(iii) The Companies maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP.

(iv) As of March 31, 2005, the Companies' combined Restricted Cash was $25,522,601.00.

(h) ***No Conflict or Violation***. Except as set forth in Section 3.1(h) of the Seller Disclosure Schedule, the execution, delivery and performance by Seller of this Agreement and the Ancillary Agreements and the consummation by Seller of the transactions contemplated hereby and thereby do not (i) assuming all Governmental Filings described in Section 3.1(e) have been obtained or made, violate any applicable Law to which any of Seller, the Companies or the Subsidiaries of the Companies are subject; (ii) (A) require a material consent or approval under, (B) in any material respect, conflict with, result in a violation or breach of, or constitute a default under, or (C) result in the acceleration of, or a right to accelerate, terminate or cancel, any Company Contract or Company Lease; or (iii) violate the Organizational Documents of any of Seller or the Companies.

(i) ***Legal Proceedings.***

(i) Except as set forth in Section 3.1(i) of the Seller Disclosure Schedule, there are no Actions pending, or, to the Knowledge of Seller, threatened against the Companies or any Subsidiary of the Companies. Except as set forth in Section 3.1(i) of the Seller Disclosure Schedule, none of the Companies or their Subsidiaries is subject to any judgment, decree, injunction or order of any Governmental Entity. Section 3.1(i) of the Seller Disclosure Schedule lists all judgments in excess of $1,000,000.00 to which the Companies or their Subsidiaries have been subject since January 1, 2002.

(ii) To the Knowledge of Seller, since January 1, 2002, none of the Companies or any of their Subsidiaries has been denied or informed that it was likely to be denied any Permit relating to the administration, underwriting, solicitation or sale of insurance products or the conduct of the business of insurance in any jurisdiction.

(j) ***Personal Property.*** Except as may be reflected in the Financial Statements, the Companies have good and valid title, free and clear of any Encumbrances (except for Permitted Encumbrances), to all the tangible personal property reflected in the Balance Sheet and all tangible personal property acquired since the Balance Sheet Date, except for such tangible personal property as has been disposed of in the ordinary course of business since the Balance Sheet Date. Except for Retained IP, rights under the Inter-Company Agreements and any assets, properties and interests relating to Intellectual Property, which shall be governed exclusively by Section 3.1(s)(ii), (i) the Seller and its Subsidiaries (other than the Companies and their Subsidiaries) do not own or hold any assets, properties or interests (real, personal and mixed, tangible and intangible) or Contracts that are used in or necessary to the conduct of the Business by the Companies and their Subsidiaries as conducted on the date of this Agreement and (ii) following the Closing, assuming the Ancillary Agreements and New Inter-Company

Agreements have been entered into by the parties thereto, the assets of the Companies and their Subsidiaries, in the aggregate, will be sufficient for the conduct of the Business as conducted on the date of this Agreement.

(k) ***Real Property***. None of the Companies or their Subsidiaries owns any real property. Section 3.1(k)(a) of the Seller Disclosure Schedule sets forth (x) the location of all real property (the "**Real Property**") directly or indirectly leased to any of the Companies or their Subsidiaries by a third party pursuant to a lease, sublease or other similar agreement under which any of the Companies or their Subsidiaries is the lessee or sublessee (collectively, the "**Company Leases**") and (y) a list of all Company Leases. Each Company Lease (A) constitutes a valid and binding obligation of the Company or the Subsidiary party thereto and (B) assuming such Company Lease is binding and enforceable against the other parties thereto, is enforceable against the Company or the Subsidiary party thereto, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity), (ii) none of the Companies or their Subsidiaries is, in any material respect, in breach of or default under any Company Lease. True and complete copies of all Company Leases, together with all modifications, extensions, amendments and assignments thereof, if any, have heretofore been furnished or made available to Buyer. The Companies or their Subsidiaries have paid the rents and observed the material terms of the Company Leases. Except as set forth in Section 3.1(k)(b) of the Seller Disclosure Schedule, none of the Companies or their Subsidiaries have subleased, licensed or granted other interests giving any Person any right to the use, occupancy or enjoyment of any Real Property or any portion thereof.

(l) ***Taxes***. Except as set forth in Section 3.1(l) of the Seller Disclosure Schedule:

(i) the Companies and their Subsidiaries have accurately and timely filed (taking into account extensions) all income Tax Returns required to have been filed by them except for such income Tax Returns for which the failure to have filed would not, individually or in the aggregate, have a Material Adverse Effect, and have timely paid all income Taxes shown to be due thereon except for such income Taxes for which the failure to have paid would not, individually or in the aggregate, have a Material Adverse Effect;

(ii) there are no pending, current or, to Seller's Knowledge, threatened claims, actions, suits, proceedings or investigations for the assessment or collection of material income Taxes with respect to the Companies or any of their Subsidiaries except for such claims, actions, suits, proceedings or investigations that would not, individually or in the aggregate, have a Material Adverse Effect;

(iii) there are no liens for Taxes against any of the Companies' assets, other than liens for Taxes not yet due and payable or contested in good faith except for such liens that would not, individually or in the aggregate, have a Material Adverse Effect;

(iv) the Companies or any of their Subsidiaries have not executed or filed with any Tax authority any agreement extending the period for assessment or collection of any material income Taxes;

(v) the Companies and their Subsidiaries have withheld and paid, and will withhold and pay prior to the Closing Date, proper and accurate amounts of Taxes from payments made to its employees, independent contractors, creditors, stockholders and other third parties in compliance in all material respects with all withholding and similar provisions of any Tax laws;

(vi) all U.S. federal pro forma and state income Tax Returns of CMG and its Subsidiaries (other than Subsidiaries that were formed or incorporated outside of the United States) for taxable periods ending December 31, 2001, December 31, 2002 and December 31, 2003 were made available by Seller to the Buyer;

(vii) all documents in the possession of the Companies or their Subsidiaries or to the production of which any of the Companies or their Subsidiaries is entitled or which confer any right or title upon the Companies or their Subsidiaries and which attract stamp or transfer Taxes in the United Kingdom or elsewhere have been duly stamped and all transfer Taxes have been paid and there are no such documents retained outside any territory or jurisdiction which, if brought into a territory or jurisdiction, would attract stamp duty (in the case of documents brought into the United Kingdom) or any similar tax (in the case of documents brought into any other territory or jurisdiction). Neither entering into this Agreement nor the Closing will result in the withdrawal of any relief from stamp duty or stamp duty land tax granted on or before the Closing which will affect the Companies or their Subsidiaries;

(viii) all transactions entered into between the Companies and their Subsidiaries contain terms that are consistent with terms that could have resulted from comparable arrangements with non-affiliated parties negotiating at arm's length, and there have not been circumstances in which any legislation, rule or regulation has previously been applied to any of the Companies or their Subsidiaries causing any Tax authority to make an adjustment to the computation of profits or losses of any Company or Subsidiary for any Tax purposes as a result of any such related-party transaction; and

(ix) on the Closing Date, each of the direct and indirect domestic wholly-owned corporate Subsidiaries of CMG will be a member of the "consolidated group" (within the meaning of Treasury Regulations Section 1.1502-1(h)) of which Seller is the common parent.

(m) ***Absence of Certain Changes***. Except as set forth in Section 3.1(m) the Seller Disclosure Schedule and as otherwise contemplated hereby, from the Balance Sheet Date through the date of this Agreement, there has not occurred any Material Adverse Effect. Except as set forth in Section 3.1(m) of the Seller Disclosure Schedule and as otherwise contemplated hereby, from the Balance Sheet Date through the date of this Agreement, the Companies and their Subsidiaries have conducted the Business in the ordinary course in all material respects, and none of the Companies or their Subsidiaries has:

(i) amended or changed its Organizational Documents;

(ii) declared, set aside or paid any dividend or distribution on or in respect of any of its Equity Interests, or, except for daily cash transfers to Seller made in the ordinary course of business or in connection with Inter-Company Agreements, made any payment or transfer of consideration of any kind to any Affiliate or relative of any such Affiliate, other than salary and ordinary expense reimbursement to employees;

(iii) granted, issued, delivered, pledged encumbered or sold any Equity Interests or any other disposition of any Equity Interests of any of the Companies or their Subsidiaries;

(iv) issued any note, bond, or other debt security or incurred or guaranteed any Indebtedness other than capitalized leases;

(v) amended or modified any material Contract (including, but not limited to, the Inter-Company Agreements) with any officer, director or Affiliate of any of the Companies or their Subsidiaries, other than in the ordinary course of business;

(vi) terminated or canceled or waived any material right under any Company Contract other than any Inter-Company Agreement;

(vii) acquired (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit;

(viii) sold, transferred or otherwise disposed of a material amount of its properties or assets, other than in the ordinary course of business;

(ix) changed its accounting methods or principles theretofore adopted, except as required by GAAP and reflected in the Financial Statements;

(x) made any change to their Tax accounting methods or principles (including any change in depreciation or amortization policies or rates), except as required by Law;

(xi) adopted any material change in the policies of the Companies or their Subsidiaries with regard to the extension of discounts or credit to customers or collection of receivables from customers;

(xii) entered into any Contract to take any of the actions specified in this Section 3.1(m).

(n) ***Company Contracts.***

(i) Section 3.1(n)(i) of the Seller Disclosure Schedule sets forth a list of Contracts in effect as of the date of this Agreement to which any of the Companies or their Subsidiaries is a party, which are in the categories listed below (collectively, the "**Company Contracts**"); provided, however, that a Contract referenced by more than one description need only be listed once on Section 3.1(n) of the Seller Disclosure Schedule:

(1) any joint venture agreement or partnership agreement;

(2) any Contract related to a material acquisition or divestiture of any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit by the Companies or any of their Subsidiaries since January 1, 2002 or prior to such date to the extent any Company or any Subsidiary of and Company has any continuing obligations or Liabilities, other than inventory in the ordinary course of business;

(3) any Contract for the lease of equipment involving payments in excess of $100,000 per year;

(4) any Contract with an insurer, reinsurer, underwriter or other provider who underwrites or otherwise offers insurance, warranty or similar products that are issued or sold directly or indirectly by the Companies or their Subsidiaries;

(5) any material Contract with a provider of data-processing or similar services in connection with marketing of the products or services of the Companies;

(6) any employment, consulting or similar agreement requiring payment by any of the Companies or their Subsidiaries of base annual compensation in excess of $100,000;

(7) any Contract evidencing Indebtedness (other than capitalized leases) of any of the Companies or their Subsidiaries, or under which any of the Companies or their Subsidiaries have issued any note, bond, indenture, mortgage, security interest or other evidence of Indebtedness, or has directly or indirectly guaranteed Indebtedness (other than capitalized leases), liabilities or obligations of any Person (other than any of the Companies or their Subsidiaries);

(8) any license or substantially similar Contract pursuant to which any of the Companies or their Subsidiaries (i) has the right to use any material Company Intellectual Property, other than software and other Intellectual Property that is generally commercially available, or (ii) has granted to any third party any license to use any material Company Intellectual Property;

(9) for the (A) fiscal year ended December 31, 2004, and (B) the twelve- (12) month period ended June 30, 2005 the ten (10) largest Affinity Partner Contracts for CIH and for each of the membership, insurance, package and loyalty solutions business lines of CMG, based on gross revenues from each such partner and (y) Contracts (other than Affinity Partner Contracts) under which CMG made payments, individually or in the aggregate, in excess of $2,000,000;

(10) any Contract for capital expenditures, the acquisition or construction of assets for the benefit and use of any of the Companies or their Subsidiaries, or the provision of services requiring payments by any of the Companies or their Subsidiaries in excess of $2,000,000 during the fiscal year ended December 31, 2005 or any fiscal year thereafter;

(11) any Contract containing a covenant not to compete that impairs the ability of any of the Companies or their Subsidiaries to freely conduct the Business in any geographic area or any material line of business;

(12) any Inter-Company Agreement;

(13) any Contract between the Companies or their Subsidiaries on the one hand and Seller or any of its Affiliates (other than the Companies and their Subsidiaries) on the other hand, other than the Inter-Company Agreements; and

(14) any outstanding binding commitment to enter into any agreement of the type described in subsections (1) through (14) of this Section 3.1(n)(i).

(ii) Except as set forth in Section 3.1(n)(ii) of the Seller Disclosure Schedule, (i) each Company Contract (A) constitutes a valid and binding obligation of the Company or the Subsidiary party thereto and (B) assuming such Company Contract is binding and enforceable against the other parties thereto, is enforceable against the Company or the Subsidiary party thereto, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity), (ii) none of the Companies or their Subsidiaries is, in any material respect, in breach of or default under any Company Contract and (iii) to the Knowledge of Seller, no counterparty is, in any material respect, in breach of or default under any Company Contract.

(o) ***Labor***. No labor strike or work stoppage against any of the Companies or their Subsidiaries has occurred since January 1, 2002, is pending or, to the Knowledge of Seller, threatened, and none of the Companies or their Subsidiaries is subject to any pending labor dispute, arbitration, lawsuit or administrative proceeding which would materially impair the Business, results of operations or the financial condition of the Business as conducted on the date hereof or materially impair Seller's or the Companies' or their Subsidiaries' ability to consummate the transactions contemplated hereby. Except as set forth in Section 3.1(o) of the Seller Disclosure Schedule, employees of the Companies and their Subsidiaries are not represented by any labor union nor are any collective bargaining agreements otherwise in effect with respect to such employees in connection with their employment by any of the Companies or their Subsidiaries and no union organizing activities involving such employees are pending or, to the Knowledge of Seller, threatened.

(p) ***Compliance With Law***.

(i) Except for laws relating to Taxes and Company Plans, which shall be governed exclusively by Section 3.1(l) and Section 3.1(r), respectively, and except as set forth in Section 3.1(p) of the Seller Disclosure Schedule, the Companies and their Subsidiaries since June 30, 2002 have operated and are operating the Business in compliance in all material respects with applicable Laws. Except as set forth in Section 3.1(p) of the Seller Disclosure Schedule, all material approvals, permits and licenses required and/or issued by any Governmental Entity (collectively, "**Permits**") required to conduct the Business, as conducted on the date hereof, are in the possession of one or more of the Companies or their Subsidiaries, as applicable, are in full force and effect and the Business is being operated in all material respects in compliance therewith.

(ii) The Companies and their Subsidiaries take reasonable steps consistent with their internal policies and procedures which, to the extent applicable, are consistent with those generally known to be adopted by other companies in the industries in which the Companies and their Subsidiaries operate, for the physical and electronic protection of personally identifiable information provided by the Companies' and their Subsidiaries' customers from unauthorized disclosure or use. The Companies and their Subsidiaries have previously disclosed to Buyer whether, to the Knowledge of Seller, there have been any breaches of such internal policies and procedures during the past two (2) years, and any known consequences arising directly from such breaches, that have had a Material Adverse Effect.

(iii) The Companies and each of their Subsidiaries are in compliance in all material respects with all applicable Laws and regulations relating to pollution, hazardous substances or protection of human health or the environment, and have obtained and are in compliance in all material respects with all Permits required under such Laws. The Companies and their Subsidiaries have not received notice of any actions, claims or investigations by any Person alleging liability under, or non-compliance with, any such Law.

(q) ***No Undisclosed Liabilities***. Except as reflected or reserved against in the Financial Statements (or the notes thereto), or in Section 3.1(q) of the Seller Disclosure Schedule, none of the Companies or their Subsidiaries had, as of the Balance Sheet Date, any liabilities required by GAAP to be reflected or reserved against on the balance sheet of the Companies and their Subsidiaries or set forth in the notes to audited financial statements. Except as set forth on Section 3.1(q) of the Seller Disclosure Schedule, since the Balance Sheet Date, none of the Companies or their Subsidiaries has incurred any liabilities required by GAAP to be reflected or reserved against on the balance sheet of the Companies and their Subsidiaries or set forth in the notes to audited financial statements.

(r) ***Employee Benefit Plans.***

(i) Section 3.1(r)(i) of the Seller Disclosure Schedule sets forth a list of each material Company Plan. Seller has delivered or made available to the Buyer the following documents to the Buyer with respect to each material Company Plan: (1) correct and complete copies of all documents embodying such Company Plan, including (without limitation) all amendments thereto, and all related trust documents, (2) a written description of any Company Plan that is not set forth in a written document, (3) the most recent summary plan description together with the summary or summaries of material modifications thereto, if any, (4) the most recent annual actuarial valuations, if any, (5) all Internal Revenue Service or Department of Labor determination, opinion, notification and advisory letters received since January 1, 2002, (6) the three most recent annual reports (Form Series 5500 and all schedules and financial statements attached thereto), if any, (7) all material correspondence to or from any Governmental Entity received in the last year, (8) all discrimination tests for the most recent plan year, and (9) all material written agreements and contracts currently in effect, including (without limitation) administrative service agreements, group annuity contracts, and group insurance contracts.

(ii) Seller represents and warrants that:

(1) each Company Plan has been established and administered in all material respects in accordance with its terms and applicable Law, including, as to each Company Plan that is subject to United States Law, ERISA and the Code.

(2) each Company Plan that is an "employee pension benefit plan" (within the meaning of ERISA Section 3(2)) of the Companies and their Subsidiaries has received a currently effective favorable determination letter as to its qualification. No event has occurred or circumstance exists that could reasonably be expected to give rise to disqualification or loss of tax-exempt status of any Company Plan or a related trust. No Company Plan is subject to the provisions of Section 302 or Title IV of ERISA or Section 412 of the Code. No Company Plan provides welfare benefits (including, without limitation, death or medical benefits) with respect to any former or current employee, or any spouse or dependent of any such employee, beyond the employee's retirement or other termination of employment with the Company and its Subsidiaries other than coverage mandated by Part 6 of Title I of ERISA. No Company Plan is a "multiemployer plan" as defined in section 3(37) of ERISA;

(iii) With respect to each Company Plan, (i) no material Action is pending or, to the Knowledge of Seller, threatened and (ii) to the Knowledge of Seller, no facts or circumstances exist that reasonably could give rise to any material Actions;

(iv) Except as contemplated by Section 4.2 or as set forth in Section 3.1(r)(iv) of the Seller Disclosure Schedule, the consummation of the transactions contemplated hereby shall not, either alone or in combination with another event, (i) entitle any current or former employee or officer of any of the Companies and their Subsidiaries to severance pay, unemployment compensation or any other payment or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer. For purposes of the foregoing sentence, the term "payment" shall include (without limitation) any payment, acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits;

(v) With respect to each Company Plan that is not subject to United States Law, (i) each such plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities, and (ii) each such plan that is required to be funded is funded at levels required by applicable Law as of the Closing Date, and to the extent any such plans are not fully funded as of the Closing Date, such underfunding is not material to the Company and its Subsidiaries, and with respect to all other such plans, adequate reserves with respect to all projected benefit obligations as of the Closing Date will have been established, except to the extent not material;

(vi) No Affected Employee has become employed by any of the Companies or their Subsidiaries pursuant to a transfer of an undertaking or business as defined in Council Directive 2001/23/EC of the European Union (the "**Directive**") or any legislation implementing the Directive in any member state of the European Union which occurred during the period of three years immediately preceding the Closing Date and no Affected Employee who became employed by any of the Companies or their Subsidiaries pursuant to such a transfer of an undertaking or business has any right to receive benefits or payments on redundancy or early retirement save for those payable under a Company Plan;

(vii) No Company or Subsidiary has initiated negotiations with employees or received any request from employees pursuant to the United Kingdom's Information and Consultation of Employees Regulations 2004; and

(viii) No Affected Employee has any right to receive any payment or benefit on termination of employment except pursuant to a Company Plan or a "Retention Letter" listed in Section 3.1(r)(i) of the Seller Disclosure Schedule or as otherwise may be required by applicable Law.

(s) ***Intellectual Property.***

(i) Section 3.1(s)(i)(a) of the Seller Disclosure Schedule sets forth a true and complete list of all Company Registered Intellectual Property, and each such item of Company Registered Intellectual Property that is currently used in the Business is, except as set forth on Section 3.1(s)(i)(a) of the Seller Disclosure Schedule, in effect and subsisting and, to the Knowledge of Seller, valid. Commercially reasonable steps have been taken to obtain and maintain each item of Company Registered Intellectual Property that is currently used in the Business and, except as set forth in Section 3.1(s)(i)(b) of the Seller Disclosure Schedule, no filing for Company Registered Intellectual Property that is currently used in the Business is abandoned, canceled or lapsed or, to the Knowledge of Seller, invalid. Except as set forth in Section 3.1(s)(i)(c) of the Seller Disclosure Schedule, no proceeding (including any opposition, interference, invalidation and/or cancellation proceeding or other claim) has been brought against any Company Registered Intellectual Property in the last three (3) years and no such proceeding is either pending or currently threatened in writing or, to the Knowledge of Seller, orally. Except as set forth in Section 3.1(s)(i)(d) of the Seller Disclosure Schedule, with respect to Company Registered Intellectual Property, there are no actions that must be taken by the Companies or their Subsidiaries on or prior to December 31, 2005 regarding the payment of any registration, maintenance or renewal fees or the filing of any responses to any Government Entity.

(ii) The Companies or their Subsidiaries own all right, title and interest to the Company Owned Intellectual Property. Except as set forth in Section 3.1(s)(ii)(a) of the Seller Disclosure Schedule, there are no material forbearances to sue, consents, judgments or orders that: (A) restrict the rights of the Companies or their Subsidiaries (1) to use or enforce any of the Company Owned Intellectual Property or (2) with respect to such material forbearances to sue, consents, judgments or orders to which the Companies or their Subsidiaries are a party, to use any of the Company Licensed Intellectual Property except in accordance with the terms of the license agreements pursuant to which such Company Licensed Intellectual Property was licensed by any of the Companies or their Subsidiaries, or (3) to the Knowledge of Seller pursuant to a written notice from the owner of Company Licensed Intellectual Property, to use any such Company Licensed Intellectual Property in accordance with the terms of the license agreements pursuant to which such Company Licensed Intellectual Property was licensed by any of the Companies or their Subsidiaries, or (B) restrict the conduct of the Business in order to accommodate a third party's Intellectual Property rights. Subject to any necessary third party consents and licenses and except for Retained IP and as set forth in Section 3.1(s)(ii)(b) of the Seller Disclosure Schedule, the Company Intellectual Property includes all Intellectual Property (other than with respect to infringement or other violation of Patents and Trademarks) used or held for use by the Companies and their Subsidiaries in, or necessary to, the conduct of the Business as currently conducted. Except where not material, or as set forth in Section 3.1(s)(ii)(c) of the Seller Disclosure Schedule, (a) the conduct of the Business does not infringe or otherwise violate (1) to the Knowledge of Seller, any Person's Patents or Trademarks, or (2) any Person's other Intellectual Property, and there is no such claim pending or currently threatened in writing, or to the Knowledge of Seller, orally, against any of the Companies or their Subsidiaries, and (b) to the Knowledge of Seller, no Person is infringing or otherwise violating any Company Intellectual Property, and no such claims are pending or currently threatened against any Person by any of the Companies or their Subsidiaries.

(iii) Except as set forth in Section 3.1(s)(iii) of the Seller Disclosure Schedule, or as would not be material, the Companies or their Subsidiaries have not granted to a third party exclusive rights to (a) any of the Company Owned Intellectual Property or (b) distribute or sublicense any of the Company Owned Intellectual Property.

(iv) Except as set forth in Section 3.1(s)(iv) of the Seller Disclosure Schedule or as would not be material, no Public Software has been distributed by the Companies or their Subsidiaries to any third parties in the conduct of the Business as it is currently conducted.

(t) ***Brokers' Fees***. No broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee, expenses or commission in connection with this Agreement or the transactions contemplated hereby for which Buyer or its Affiliates (including the Companies and their Subsidiaries) would be liable.

(u) ***Affiliate Transactions.***

(i) Except as (1) set forth on Section 3.1(u)(i) of the Seller Disclosure Schedule or (2) referred to in clauses (ii) and (iii) of this Section 3.1(u), since the Balance Sheet Date, there have been no material transactions, and as of the date of this Agreement there are no material Contracts, between Seller or any of its Affiliates (other than the Companies and their Subsidiaries), on the one hand, and any of the Companies and their Subsidiaries, on the other hand.

(ii) Section 3.1(u) (ii) of the Seller Disclosure Schedule sets forth, as of the date of this Agreement, all Contracts governing commercial arrangements between Seller or any of its Affiliates (other than the Companies and their Subsidiaries), on the one hand, and any of the Companies and their Subsidiaries, on the other hand (the "**Inter-Company Agreements**"), other than any such Contracts pursuant to which payments of less than $100,000 were made in 2004 and 2005.

(iii) Schedule V hereto sets forth, as of the date of this Agreement, all term sheets relating to the agreements to be in effect after the Closing between Seller or any of its Affiliates (other than the Companies and their Subsidiaries), on the one hand, and any of the Companies and their Subsidiaries, on the other hand (the "**New Inter-Company Agreement Term Sheets**").

(v) ***Suppliers and Customers***. Except in the ordinary course of business since the Balance Sheet Date, to the Seller's Knowledge no Significant Relationship has been canceled or terminated, or threatened to be cancelled or terminated by the supplier, vendor customer or affinity partner party to such relationship.

(w) ***Insurance***. Seller has made available to Buyer descriptions of all insurance polices that are owned by the Companies or their Subsidiaries or that name the Companies or any of their Subsidiaries as an insured, including those that pertain to the Companies' or any of their Subsidiaries' assets, employees or operations. All such insurance policies are in full force and effect, are valid and enforceable, and all premiums due thereunder have been paid. Neither Seller, the Companies nor their Subsidiaries have received any notice of cancellation or modification in coverage amounts of any such insurance policies. Seller has timely reported under any insurance policies all events, circumstances or claims or notices of claims as required under the applicable policies of Seller and its Affiliates for all such events, circumstances, claims or notices, existing prior to Closing, and no insurance companies have denied, disputed or reserved their rights regarding such claims.

(x) ***Disclaimer of Warranties***. NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES TO BUYER IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, EXCEPT AS SPECIFICALLY SET FORTH IN THIS ARTICLE III. ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED, ARE DISCLAIMED BY SELLER.

(y) ***Acquisition of Equity for Investment***. Seller has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of Seller's investment in the Parent Preferred Stock, Parent Common Stock, and Parent Warrants. Seller confirms that it can bear the economic risk of its investment in the Parent Preferred Stock, Parent Common Stock, and Parent Warrants and can afford to lose its entire investment in the Parent Preferred Stock, Parent Common Stock, and Parent Warrants, has been furnished the materials relating to Seller's investment in the Parent Preferred Stock, Parent Common Stock, and Parent Warrants which it has reasonably requested in connection with its investment. Seller is acquiring the Parent Preferred Stock, Parent Common Stock, and Parent Warrants for investment and not with a view toward or for sale in connection with any distribution thereof, or with any present intention of distributing or selling such Equity Interests. Seller agrees that the Parent Preferred Stock, Parent Common Stock, and Parent Warrants may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act, except pursuant to an exemption from such act.

Section 3.2 **<u>Representations and Warranties of Acquirors</u>**. Acquirors represent and warrant to Seller as of the date hereof and, except for any representations and warranties that speak as of a different specified date, as of the Closing as follows:

(a) ***Due Organization and Good Standing of Buyer***. The Acquirors are duly incorporated, validly existing and in good standing under the Laws of the State of Delaware.

(b) ***Authorization of Transaction by Acquirors***. Acquirors have all requisite corporate power and authority to execute, deliver and perform their obligations under this Agreement and the Ancillary Agreements, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Acquirors of this Agreement and the Ancillary Agreements, as applicable, and the consummation by the Acquirors of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of the Acquirors and no other corporate proceedings on the part of the Acquirors are necessary to authorize the execution, delivery and performance by the Acquirors of this Agreement and the Ancillary Agreements or to consummate the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by each of the Acquirors and, assuming due authorization, execution and delivery by Seller, constitutes, and each Ancillary Agreement, when executed and delivered by each of the Acquirors, as applicable (assuming due authorization and delivery by the other parties thereto), shall constitute, a valid and binding obligation of each of the Acquirors, enforceable against each of the Acquirors in accordance with its terms, except that such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting the rights and remedies of creditors and general principles of equity (whether considered in a proceeding at law or in equity) and the discretion of the court before which any proceeding therefor may be brought.

(c) ***Governmental Filings***. No Governmental Filings are required in connection with the execution, delivery and performance of this Agreement or the Ancillary Agreements by the Acquirors, as applicable, except (i) Governmental Filings under the HSR Act, (ii) Governmental Filings under Foreign Antitrust Merger Control Laws, (iii) the Governmental Filings required to be made with the Insurance Commissioner and the FSA, (iv) Governmental Filings that become applicable as a result of matters specifically related to Seller or its Affiliates or (v) such other Governmental Filings the failure of which to be obtained or made would not materially impair the Acquirors' ability to consummate the transactions contemplated hereby.

(d) ***No Conflict or Violation***. The execution, delivery and performance by the Acquirors of this Agreement and the Ancillary Agreements, as applicable, and the consummation by the Acquirors of the transactions contemplated hereby and thereby do not (i) assuming all authorizations, consents and approvals described in Section 3.2(c) have been obtained or made, violate any applicable Law to which the Acquirors are subject; (ii) require a consent, approval or notification under, conflict with, result in a violation or breach of, or constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate or cancel any Contract to which any of the Acquirors is a party; or (iii) violate the Organizational Documents, except with respect the foregoing clauses (i) and (ii) as would not, individually or in the aggregate, have a Material Adverse Effect and would not materially impair the Acquirors' ability to consummate the transactions contemplated hereby.

(e) ***Legal Proceedings***.

(i) As of the date of this Agreement, there are no Actions pending or, to the knowledge of the Acquirors, threatened which challenge the validity or enforceability of this Agreement or seek to enjoin or prohibit consummation of the transactions contemplated hereby. The Acquirors are not subject to any judgment, decree, injunction or order of any Governmental

Entity which would materially impair their ability to consummate the transactions contemplated hereby.

(ii) None of the Acquirors or any of their Affiliates has been denied or informed that it was likely to be denied any Permit relating to the administration, underwriting, solicitation or sale of insurance products or the conduct of the business of insurance in any jurisdiction.

(f) ***Acquisition of Equity for Investment***. Buyer has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of Buyer's purchase of the CMG Interests and the Shares. Buyer confirms that it can bear the economic risk of its investment in the CMG Interests and the Shares and can afford to lose its entire investment in the CMG Interests and the Shares, has been furnished the materials relating to Buyer's purchase of the CMG Interests and the Shares which it has requested, and Seller has provided Buyer the opportunity to ask questions of the officers and management employees of the Companies and to acquire additional information about the business and financial condition of the Companies and their Subsidiaries. Buyer is acquiring the Equity for investment and not with a view toward or for sale in connection with any distribution thereof, or with any present intention of distributing or selling such Equity. Buyer agrees that the CMG Interests and the Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act of 1933, as amended, except pursuant to an exemption from such registration available under such Act.

(g) ***Funding***. Attached hereto as Exhibit B is a true and complete copy of the commitment letter from Credit Suisse, Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (the "**Debt Financing Commitments**"), pursuant to which lenders party thereto have agreed, subject to the terms and conditions set forth therein, to lend the amounts set forth therein for the purposes of funding payment of the Closing Consideration and fees and expenses of Buyer relating to the transactions contemplated by this Agreement (the "**Debt Financing**"). Attached hereto as Exhibit C is a true and complete copy of the equity commitment letter (the "**Equity Financing Commitment**" and together with the Debt Financing Commitments, the "**Financing Commitments**"), pursuant to which certain affiliates of Apollo Management V, L.P. ("**Apollo**") have committed, subject to the terms and conditions set forth therein, to invest the amount set forth therein to purchase Equity Interests of Buyer (the "**Equity Financing**" and together with the Debt Financing, the "**Financing**"). None of the Financing Commitments have been amended or modified prior to the date of this Agreement, and the respective commitments contained in the Financing Commitments have not been withdrawn or rescinded in any respect. The Financing Commitments are in full force and effect. There are no conditions precedent or other contingencies related to the funding of the full amount of the Financing, other than as set forth in or contemplated by the

Financing Commitments. The aggregate proceeds to be disbursed pursuant to the agreements contemplated by the Financing Commitments, will be sufficient for Buyer to pay the aggregate Closing Consideration and to pay all related fees and expenses. The Fee Letter referenced in the Debt Financing Commitments (which has not been made available to Seller) does not contain any provisions that directly or indirectly function as conditions to the funding of such commitments or otherwise make such finding less likely to occur (assuming payment by Buyer of all fees payable thereunder).

(h) ***Brokers' Fees***. No broker, investment banker, financial advisor or other person, is entitled to any broker's, finder's, financial advisor's or other similar fee, expenses or commission in connection with this Agreement or the transactions contemplated for which Seller or any of its Affiliates would be liable.

(i) ***No Reliance***. Buyer acknowledges that it has conducted to its satisfaction an independent investigation of the financial condition, liabilities, results of operations and projected operations of the Companies and their Subsidiaries and the nature and condition of their respective properties and assets and the Business and, in making the determination to proceed with the transactions contemplated by this Agreement and the Ancillary Agreements, has relied solely on the results of its own independent investigation and the representations and warranties set forth in Section 3.1. Buyer acknowledges that none of Seller, the Companies or their Subsidiaries nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Companies or their Subsidiaries, the Business or other matters that is not included in this Agreement. Without limiting the generality of the foregoing, none of Seller, the Companies or their Subsidiaries nor any other Person has made a representation or warranty to Buyer with respect to (a) any projections, estimates or budgets for the Business, the Companies or their Subsidiaries, or (b) any material, documents or information relating to any of the Companies or their Subsidiaries made available to Buyer or its Representatives in any data room or otherwise, except as expressly covered by a representation or warranty set forth in Section 3.1.

(j) ***Disclaimer of Warranties***. NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, ACQUIRORS MAKE NO REPRESENTATIONS OR WARRANTIES TO SELLER IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, EXCEPT AS SPECIFICALLY SET FORTH IN THIS ARTICLE III. ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED, ARE DISCLAIMED BY BUYER.

(k) ***FSA Approval.*** Except as previously disclosed to Seller, neither Buyer nor any of its Affiliates have actual knowledge of any facts or any reason that would cause the FSA to withhold or delay its consent to the proposed acquisition of control (such term having the meaning ascribed thereto in section 179 of FSMA) of Cims Limited by Buyer and each other person that is a proposed controller pursuant to section 184 of FSMA.

(l) ***Capitalization.***

(i) As of the date hereof, the authorized capital stock of Parent consists of (A) 1,000 shares of Parent Common Stock, of which 100 shares are issued and outstanding and (B) 1,000 shares of Parent Preferred Stock, of which no shares are issued and outstanding. Except as contemplated by this Agreement and the transactions contemplated hereby, as of the date hereof, there are no outstanding Equity Interests, options, warrants, rights or agreements or other commitments pursuant to which Parent is or may become obligated to issue any shares of its Equity Interests. All of the outstanding shares of Parent Common Stock have been duly authorized and validly issued, have not been issued in violation of any preemptive rights, rights of first refusal or other third party rights, and are fully paid and nonassessable. All shares of Parent Preferred Stock and Parent Common Stock to be issued pursuant to the transactions contemplated by this Agreement will be, duly authorized, validly issued, fully paid and nonassessable. Other than as set forth above, as of the date hereof, Parent has no other Equity Interests authorized, reserved for issuance, issued or outstanding and there are no voting trusts or other agreements or understandings to which Parent is bound with respect to voting the Parent Preferred Stock or Parent Common Stock.

(ii) At Closing, the issued and outstanding Equity Interests of Parent will consist of (A) the Parent Preferred Shares; (B) Parent Common Stock and/or Parent Preferred Stock issued to affiliates of Apollo and certain members of management of the Companies and their Subsidiaries; (C) shares of Parent Common Stock issuable (x) upon exercise of options issued pursuant to an option plan and/or (y) pursuant to a deferred compensation plan, in each case, of the Companies and their Subsidiaries; and (D) shares of Parent Common Stock issuable pursuant to the Parent Warrant.

(m) ***Investment Company.*** Parent is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(n) ***Private Offering.*** No form of general solicitation or general advertising was used by Parent or its representatives in connection with the offer or sale of the Parent Preferred Stock. Subject in part to the truth and accuracy of each of Parent’s representations and warranties set forth in section 3.2 hereof, no registration of the Parent Preferred Stock, pursuant to the provisions of the Securities Act or any state securities or “blue sky” laws, will be required by the offer, sale or issuance of the Parent Preferred Stock. Parent agrees that neither it, nor anyone acting on its behalf, shall offer to sell the Parent Preferred Stock or any other securities of Parent so as to require the registration of the Parent Preferred Stock pursuant to the provisions of the Securities Act or any state securities or “blue sky” laws, unless such Parent Preferred Stock or other securities are so registered.

(o) ***Reservation of Parent Common Stock.*** Prior to the Closing, Parent will have available for issuance such number of its authorized but unissued shares of (i) Parent Common Stock as will be sufficient to permit the exercise in full of all Parent Warrants and (ii) Parent Preferred Stock as will be sufficient to permit the issuance of Parent Preferred Shares as contemplated by this Agreement. All shares of (i) Parent Common Stock issuable pursuant to the terms of the Parent Warrants, when issued upon exercise thereof, with payment therefor in accordance with the terms thereof, and (ii) Parent Preferred Shares, in each case, issuable pursuant to this Agreement, shall be duly and validly issued and fully paid and nonassessable, not subject to preemptive rights and shall be free and clear of all Encumbrances.

ARTICLE IV
COVENANTS

Section 4.1 Conduct of the Companies' Business.

(a) Seller agrees that, during the period from the date of this Agreement until the earlier of the Closing or the termination of this Agreement, except as (1) required by applicable Law, (2) set forth in Section 4.1 of the Seller Disclosure Schedule or (3) consented to by Buyer in writing (which consent shall not be unreasonably withheld or delayed), Seller shall cause each of the Companies and their Subsidiaries to:

(i) conduct their respective businesses and operations in the ordinary course of business and in accordance with applicable Law, except as expressly contemplated by this Agreement;

(ii) use commercially reasonable efforts to keep available the services of their respective employees and maintain the relations and good will with suppliers, customers, affinity partners, creditors, employees, agents and others having business relationships with the Companies and their Subsidiaries;

(iii) maintain the assets of the Companies and their Subsidiaries in good repair, order and condition, maintain insurance that is reasonable, in both scope and amount, in light of the risks attendant to the Business, replace in accordance with past practice inoperable or worn out assets with modern assets of comparable quality, invest in capital expenditures in the ordinary course of business and, in the event of a casualty, loss or damage to any of such assets prior to the Closing Date, repair or replace such assets, unless otherwise consented to by Buyer in writing;

(iv) promptly notify Buyer in writing upon receipt of Knowledge that there has been an occurrence, or failure to occur, of any event, which occurrence or failure to occur has caused any representation or warranty of

Seller that is contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Closing as if such representation and warranty were made at such time.

(v) maintain, in all material respects, in good standing all permits, and authorization of any Governmental Entity related to the Business and any applications therefor;

(vi) pay all Pre-Closing Tax Period Taxes that become due and payable during such period, or contest such Pre-Closing Tax Period Taxes in good faith with appropriate reserves held in accordance with GAAP; and

(vii) spend as least 80% of the cumulative amounts set forth in Section 4.1(a)(vii) of the Seller Disclosure Schedule.

(b) In addition, subject to the foregoing Section 4.1(a), Seller shall procure that each of the Companies and their Subsidiaries shall not:

(i) authorize or effect any amendment to or change its Organizational Documents in any respect;

(ii) except in connection with the Inter-Company Agreements, declare, set aside or pay any dividend or distribution on or in respect of any of its Equity Interests, or make any payment or transfer of consideration of any kind to any Affiliate or relative of any such Affiliate, other than salary and ordinary expense reimbursement to employees;

(iii) issue or authorize the issuance of any Equity Interests or grant any options, warrants, or other rights to purchase or obtain any of its Equity Interests or issue, sell or otherwise dispose of any of its Equity Interests;

(iv) issue any note, bond, or other debt security, or create, incur, assume or guarantee any Indebtedness or any capitalized lease obligation;

(v) except in the ordinary course of business and other than the New Inter-Company Agreements, enter into any Contract, or amend, modify or waive any right under any existing Contract, in each case, with any Affiliate of the Companies;

(vi) other than in the ordinary course of business, enter into, accelerate, terminate, modify or cancel or waive any material right under any Company Contract;

(vii) except in the ordinary course of business, sell, lease, transfer or otherwise dispose of any of the material property or assets of the Business other than pursuant to existing Contracts or commitments;

(viii) make any capital expenditure, or commitments therefor, in excess of $3,000,000;

(ix) cancel, compromise or settle any material claim, or intentionally waive or release any material rights, of any of the Companies or their Subsidiaries, except in respect of any Excluded Litigation Matter;

(x) adopt, enter into, amend, alter, or terminate any Company Plan or any employment agreement with any executive level employee or grant or agree to grant any increase in the wages, salary, bonus or other compensation, remuneration or benefits of any executive-level employee of any of the Companies or their Subsidiaries, except as required under applicable Law, any existing Company Plan or any existing employment agreement;

(xi) except with respect to the elimination of any reserve relating exclusively to a matter to be assumed by Seller prior to Closing, make any changes to their accounting methods or principles, other than as may be required by Law, GAAP or generally accepted accounting principles in the jurisdictions of incorporation of the relevant Company or Subsidiary;

(xii) make any material Tax election or changes to their Tax accounting methods or principles, other than as required by Law, or settle or compromise any material liability relating to Taxes of the Companies or their Subsidiaries;

(xiii) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit;

(xiv) adopt any material change in the policies or practices of the Companies or their Subsidiaries with regard to the extension of discounts or credit to customers or collection of receivables from customers; and

(xv) agree or otherwise commit to take any of the actions prohibited by the foregoing clauses (i) through (xiv).

(c) Seller agrees, during the period from the date of this Agreement until the earlier of the Closing or the termination of this Agreement, (i) not to directly or indirectly sell or otherwise dispose of any of its Equity Interests in the Companies or any of their Subsidiaries; (ii) not to copy, reproduce or in any way retain or use, other than as expressly permitted by the Inter-Company Agreement, or New Inter-

Company Agreements, any portion of the Company Intellectual Property (unless Seller has an independent right to such Company Licensed Intellectual Property) (including source code) in a manner that would infringe or otherwise violate the Company Intellectual Property; (iii) not to copy the source code of the Loyalty Open Logic Architecture platform; (iv) to assign to the Companies or the Subsidiaries Intellectual Property that is owned by the Seller and is used exclusively by the Companies and their Subsidiaries as of the Closing Date; and (v) to perform in all material respects its obligation under and as set forth in the Inter-Company Agreements.

Section 4.2 Employment Matters.

(a) Immediately after the Closing, each of the Companies and their Subsidiaries shall continue to employ all individuals who are employees of any of the Companies or their Subsidiaries on the Closing Date, including employees not actively at work due to injury, vacation, military duty, disability or other leave of absence (the "**Affected Employees**"). Until the first anniversary of the Closing Date, Buyer shall provide employee benefits and compensation to Affected Employees that are no less favorable in the aggregate than those provided to such persons immediately prior to the Closing Date whether arising under a Company Plan or any plan sponsored by Seller or any of its Affiliates (other than the Companies and their Subsidiaries); provided, however, that Buyer shall not be obligated to provide for equity awards or grants, and equity awards or grants or awards made pursuant to the Cendant Corporation 2003 Long Term Incentive Plan prior to the Closing Date shall not be taken into account in determining the compensation and benefits of Affected Employees. Periods of employment with any of the Companies or their Subsidiaries (including, without limitation, any current or former Affiliate of the Companies or any predecessor, to the extent previously recognized under the Company Plans), shall be taken into account for purposes of determining, as applicable, the eligibility for participation and vesting of any employee under all employee benefit plans offered by Buyer or a Subsidiary of Buyer to the Affected Employees, including vacation plans or arrangements, 401(k) or other retirement savings plans and any severance or welfare plans. Buyer shall (i) waive any limitation on medical coverage of any Affected Employees due to pre-existing conditions under the applicable medical plan of Buyer or a Subsidiary of Buyer to the extent such limitation did not apply to the Affected Employee under the medical employee benefit plan of any of the Companies or their Subsidiaries or their Affiliates that covered the Affected Employee on the Closing Date, and (ii) credit each Affected Employee with all deductible payments and co-payments paid by such employee under the medical employee benefit plan of the Companies or their Affiliates prior to the Closing Date during the year in which the Closing occurs for the purpose of determining the extent to which any such employee has satisfied his or her deductible and whether he or she has reached the out-of-pocket maximum under any medical plan of Buyer or a Subsidiary of Buyer for such year.

(b) The Affected Employees shall not accrue benefits under any Company Plan not sponsored by the Companies on and after the Closing Date. Prior to the Closing Date, (i) the Companies shall withdraw, effective as of the Closing Date, from any Company Plan not sponsored by the Companies (the "**Retained Company Plans**"), in the manner, if any, that such Company Plan specifies for withdrawal of a participating employer, and (ii) the Sellers shall take all actions necessary or appropriate to cause the Companies and Subsidiaries to have no further obligations or liabilities under any Retained Company Plan on and after the Closing Date.

(c) Notwithstanding the general provisions of Section 4.2(a), until at least December 30, 2006, Buyer shall, and shall cause its Affiliates to, provide each Affected Employee with severance benefits that are no less favorable than those that would have been provided to such Affected Employee immediately prior to the Closing Date under the Cendant Corporation Severance Pay Plan for Non-Officer Employees or, if applicable, the severance benefits set forth on Section 4.2(c) of the Seller Disclosure Schedule, each as in effect on the Closing Date.

(d) Buyer shall take all actions necessary to assume and honor the Company Plans other than the Retained Company Plans. Buyer shall be solely responsible for all liabilities relating to the amendment, termination or alleged termination of any Company Plan other than the Retained Company Plans.

(e) Buyer shall, within two Business Days, notify Seller of the termination of employment and whether such termination is for Cause (as defined in the applicable Retention Letter) of any individual who is party to a "Retention Letter" listed on Section 3.1(r)(i) of the Seller Disclosure Schedule.

Section 4.3 Publicity. Buyer and Seller agree to communicate with each other and cooperate with each other prior to any public disclosure of the transactions contemplated by this Agreement. Buyer and Seller agree that no public release or announcement concerning the terms of the transactions contemplated hereby shall be issued by any party without the prior consent of Buyer and Seller, except as such release or announcement, upon the advice of outside counsel, may be required by Law or the rules and regulations of any stock exchange upon which the securities of Seller are listed, in which case the party required to make the release or announcement shall allow the other parties reasonable time to comment on such release or announcement in advance of such issuance.

Section 4.4 Confidentiality

(a) Buyer and its Representatives (as such term is defined in the Confidentiality Agreement between Seller and Apollo, dated January 10, 2005 (the "**Confidentiality Agreement**")) shall treat all nonpublic information obtained in connection with this Agreement and the transactions contemplated hereby as confidential in accordance with the terms of the Confidentiality Agreement. The terms of the Confidentiality Agreement are hereby incorporated by reference and shall continue in full force and effect until the Closing, at which time such Confidentiality Agreement shall terminate. If this Agreement is, for any reason, terminated prior to the Closing, the

Confidentiality Agreement shall continue in full force and effect as provided in Section 6.2 hereof in accordance with its terms. Notwithstanding the fact that Seller is not a party to the letter related to the Equity Financing Commitment, Seller shall treat all information contained in such letter and the transactions contemplated thereby as confidential in accordance with the terms of the confidentiality provision contained therein.

(b) From and after the Closing except as required by Law, regulation or stock exchange rule, (i) Buyer shall, and shall cause each of the Companies and their Subsidiaries to, keep confidential and not use for any purpose all nonpublic information regarding Seller or its Affiliates (other than the Companies and their Subsidiaries) of which the Companies and their Subsidiaries are aware; and (ii) Seller shall, and shall cause each of its Affiliates to, keep confidential and not use for any purpose all nonpublic information regarding Buyer or its Affiliates (including the Companies and their Subsidiaries) of which Seller or its Affiliates may be aware.

Section 4.5 **<u>Access to Information; Financial Statements</u>**.

(a) Subject to Section 4.4 hereof, Seller shall cause its officers, directors, employees, auditors and other agents to afford the officers, directors, employees, auditors and other agents of Buyer reasonable access during normal business hours to the officers, directors, employees, auditors, agents, properties, offices and other facilities of Seller, the Companies and their respective Subsidiaries and their books and records, and shall furnish Buyer with such financial, operating and other data and information with respect to the Business (including management reports), as Buyer, through its officers, employees or agents, may reasonably request, including without limitation, auditors' work papers (subject to execution by Buyer of customary agreements). In exercising its rights hereunder, Buyer shall conduct itself so as not to unreasonably interfere in the conduct of the business of the Companies and their Subsidiaries prior to Closing. Buyer acknowledges and agrees that any contact by Buyer and its agents and representatives with officers, employees, customers or agents of the Companies and their Subsidiaries hereunder shall be arranged and supervised by representatives of Seller, unless Seller otherwise expressly consents with respect to any specific contact. Notwithstanding anything to the contrary set forth in this Agreement, neither Seller nor any of its Affiliates (including the Companies and their Subsidiaries) shall be required to disclose to Buyer or any agent or representative thereof any (i) information relating to any sale or divestiture process conducted by Seller or its Affiliates for the Companies or the Business or Seller's or its Affiliates' (or their representatives') evaluation of the Companies or the Business in connection therewith, including projections, financial or other information relating thereto or (ii) information if doing so would violate any Company Contract or Law to which Seller or any of its Affiliates (including the Companies and their Subsidiaries) is a party or is subject or which would result in a loss of the ability to successfully assert a claim of privilege (including without limitation, the attorney-client and work product privileges) or (iii) consolidated, combined, unitary or similar Tax Return of which Seller or any of its Affiliates (other than any of the Companies or their Subsidiaries) is the common parent (other than schedules relating solely to the Company and their Subsidiaries) or any other information relating to Taxes or Tax Returns other than information relating solely to the Companies and/or their Subsidiaries, it being understood that the Seller shall make reasonable efforts, through redaction or otherwise, to maximize the delivery of information hereunder.

(b) Seller shall cause each of the Companies and their Subsidiaries to provide to Buyer the Monthly Financial Reports within fifteen (15) Business Days following the end of each calendar month prior to the Closing.

(c) Prior to Closing, Seller shall cause each of the Companies and their Subsidiaries to provide to Buyer within sixty (60) days following the end of the calendar quarter ended June 30, 2005, or within forty-five (45) days following the end of each calendar quarter thereafter ending forty-five (45) days or more prior to Closing, (i) the S-X Quarterly Financial Statements, (ii) the comparative figures for the corresponding quarter in the prior fiscal year and the corresponding elapsed portion of the prior fiscal year, (iii) the comparative figures from the budget for such quarter and the corresponding elapsed portion of the fiscal year and (iv) a detailed explanation of significant trends and variances (collectively, the "**Quarterly Financial Statements**"). The Quarterly Financial Statements shall be prepared in accordance with GAAP, consistently applied (except as disclosed in the footnotes thereto), contain condensed notes thereto (consistent with Form 10-Q disclosure), and fairly present, in all material respects, the combined financial position of the Companies and their Subsidiaries as of the dates thereof and their combined results of operations, changes in combined equity and cash flows for the periods then ended, in each case, as if such quarter end was the Companies' and their Subsidiaries' fiscal year end.

(d) Without limiting the foregoing, for a period of five years following the Closing, upon request by Buyer, Seller shall provide reasonable access to the books, records, manuals, historical financial data and other materials of Seller and its Affiliates relating to the Business, including without limitation to allow Buyer to (i) consummate any financing transaction, including without limitation, any public or private offering of equity, debt or other securities or (ii) make any filings or registrations under the Securities Act of 1933, any state blue sky laws or any rules promulgated thereunder, or any similar act or regulations of any Governmental Entity. Without limiting the foregoing, Seller shall, and shall cause its Affiliates to reasonably cooperate and assist Buyer with any such financing transactions, filings or registrations. Such cooperation and assistance shall include, without limitation, delivering management representation letters and using its commercially reasonable efforts to cause its auditors to reissue audit and review opinions. Buyer shall reimburse Seller and its Affiliates for any out-of-pocket costs and expenses incurred by Seller in connection with this Section 4.5(d) and shall indemnify Seller and its Affiliate for any Liabilities in connection therewith (except to the extent resulting from breach by Seller of this Agreement).

Section 4.6 **Post-Closing Litigation and Other Matters**.

(a) Notwithstanding anything to the contrary contained in this Agreement, from and after the Closing Date, Seller shall (i) assume and retain all responsibility for, (ii) shall retain Liability for all Losses arising out of and (iii) shall have the exclusive right to control the defense and settlement of the Actions (in each case, including all Actions arising out of or relating to the same facts and circumstances giving rise to such original Actions) set forth on Section 4.6(a) of the Seller Disclosure Schedule (the "**Excluded Litigation Matters**"). Seller shall have the exclusive right to control the defense and settlement of all Excluded Litigation Matters in which Seller or the Companies are defendants. Following the Closing Date, Buyer shall, and shall cause the Companies and their Subsidiaries to, maintain all records and materials (in whatever form maintained, whether documentary, electronically stored or otherwise) pertinent to any Excluded Litigation Matters. Buyer shall, and shall cause the Companies and their Subsidiaries to, reasonably cooperate with Seller and its counsel in the investigation, defense and settlement of such Excluded Litigation Matters. Without limiting the generality of the foregoing, Buyer shall, and shall cause the Companies and their Subsidiaries to, (i) provide Seller with reasonable access at reasonable hours to all books and records and personnel, including the Affected Employees and (ii) permit employees and personnel, including the Affected Employees, to respond to reasonable requests for interviews, depositions, trial or hearing or other testimony, interrogatories and other information in connection with Excluded Litigation Matters and any proceedings in connection therewith.

(b) From and after the Closing Date, except as set forth in Section 4.6(a), Buyer shall cause the Companies and their Subsidiaries to retain or assume all responsibility for and retain or assume liability for all Losses (other than any Losses for which Buyer is indemnified under Article VII) arising out of, and in respect of clause (i) below, the Companies and their Subsidiaries shall have the exclusive right to control the defense and settlement of and in respect of Clause (ii) below, the Companies and their Subsidiaries shall perform all of their covenants and obligations under, (i) all Actions set forth on Section 4.6(b) of the Seller Disclosure Schedule, (the "**Business Litigation Matters**") regardless of whether Seller or any of its Affiliates (other than any of the Companies or their Subsidiaries) are party thereto or otherwise named therein and (ii) all Company Contracts and Company Leases to which any of the Companies or their Subsidiaries is a party (the "**Business Contract Matters**") regardless of whether Seller or any of its Affiliates (other than any of the Companies or their Subsidiaries) are party thereto or guarantors thereof. Nothing contained in this Section 4.6(b) shall limit the rights of the Buyer under ARTICLE VII.

Section 4.7 **Filings and Authorizations, Including HSR Act Filing**.

(a) Seller, on the one hand, and Buyer, on the other hand, shall, and shall cause its Affiliates to, promptly file or cause to be filed all necessary Governmental Filings, including, but not limited to, (i) filing as soon as practicable, but in no event later than ten (10) days following the date of this Agreement, all necessary Governmental Filings under each of, (w) the HSR Act, and (x) the FSA Notices with the FSA ; (ii) filing as promptly as practicable, but in no event later than ten (10) days following the date of this Agreement, the Form A with the Insurance Commissioner; and (iii) filing as promptly as practicable after the date of this Agreement but in no event later than ten (10) days following the date of this Agreement (provided Seller has delivered to Buyer the information referred to in Section 4.7(c)), all necessary Governmental Filings under any Foreign Antitrust Merger Control Laws, and (iv) submissions of additional information reasonably requested by any Governmental Entity. Each of Buyer and Seller further agrees that it shall, and shall cause its Affiliates to, comply with any applicable post-Closing notification or other requirements of the Insurance Commissioner, the FSA or of any antitrust, trade competition, investment or control reporting or similar Law or regulation of any Governmental Entity with competent jurisdiction. Each of Buyer and Seller agrees to cooperate with and promptly to consult with the other party or its counsel with respect to any filing with any Governmental Entity.

(b) In addition to the agreements set forth in (a) above, the parties shall use their commercially reasonable efforts to obtain the consents, approvals, waivers or other authorizations from Governmental Entities, including without limitation, any approvals required by the Insurance Commissioner or the FSA in connection with Buyer’s acquisition of the control of Safecard and Cims Limited, respectively, and antitrust clearance under the HSR Act and any Foreign Antitrust Merger Control Laws, are obtained as promptly as practicable and that any reasonable conditions set forth in or established by any such consents, approvals, waivers or other authorizations from Governmental Entities are wholly satisfied. Furthermore, Buyer shall make promptly, and in any event within any time period as the FSA may from time to time prescribe, any filing required to be made to the FSA, and provide the FSA with such information as it may require, in order to consider approving the proposed acquisition of control (such term having the meaning ascribed thereto in section 179 of FSMA) of Cims Limited by Buyer and each other person that is a proposed controller pursuant to section 184 of FSMA.

(c) Seller shall promptly provide Buyer with all information regarding the Business that is within Seller’s control and is reasonably necessary to complete the required forms in connection with the necessary Governmental Filings under the Foreign Antitrust Merger Control Laws in Austria and Germany.

(d) Buyer shall promptly notify Seller of the satisfaction of the conditions set forth in Section 5.1(b) and Section 5.1(c).

(e) Notwithstanding anything to the contrary contained herein, in the event that the Insurance Commissioner has not approved Buyer’s acquisition of control statement relating to the acquisition of control of Safecard by the fifth (5^{th}) Business Day prior to the Closing Date, then (i) Seller shall, subject to receipt of all necessary insurance regulatory approvals, non-disapprovals or waivers of regulatory requirements, as applicable, cause Cendant Membership Services Holdings Subsidiary LLC to immediately distribute all of the outstanding shares of stock of Safecard to CMG and, immediately following such distribution, shall cause CMG to distribute all of the outstanding shares of stock of Safecard to Seller, (ii) Safecard shall be deemed to not be a "Subsidiary" under this Agreement, and (iii) Seller shall take all actions reasonably necessary or appropriate to run-off and wind-up the activities of Safecard, provided that Seller may not terminate, cancel, refuse to renew or otherwise cease to provide coverage or increase the premiums under the Safecard policies in effect at the time of such distributions until the earlier of (1) such time Buyer has procured comparable coverage to replace the coverage afforded under the Safecard policies and afford adequate coverage to Safecard's policyholder(s) or (2) the date which is the 90th day following the Closing Date.

Section 4.8 **Director and Officer Liability; Indemnification**. Buyer agrees to cause the Company to assume and comply with the obligations of Seller under paragraph 2.1(e) of that certain Amended and Restated Stockholders Agreement dated as of January 30, 2004 by and among TRL Group Inc. (formerly known as Trilegiant Corporation), a Delaware corporation and a Subsidiary of CMG, Seller and the other parties named therein.

Section 4.9 **Reasonable Best Efforts**. Upon the terms and subject to the conditions herein provided, except as otherwise provided in this Agreement, and without limiting the obligations of the parties under Section 4.7, each of the parties hereto agrees to use its reasonable best efforts to take or cause to be taken all action, to do or cause to be done and to assist and cooperate with the other party hereto in doing all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated hereby, including, but not limited to: (i) the satisfaction of the conditions precedent to the obligations of any of the parties hereto; (ii) the obtaining of applicable consents, waivers or approvals of any third parties; (iii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the performance of the obligations hereunder; and (iv) the execution and delivery of such instruments, and the taking of such other actions as the other party hereto may reasonably require in order to carry out the intent of this Agreement. Notwithstanding the foregoing, none of Seller, the Companies or any of their respective Affiliates shall be obligated to make any payments or otherwise pay any consideration to any third party to obtain any applicable consent, waiver or approval, unless the payment of such consideration is required by applicable Law or the terms of the applicable Contract.

Section 4.10 **Insurance**.

(a) After the Closing, Seller will continue to provide Buyer with access to historic Occurrence Based Policies of Seller and its Subsidiaries that include coverage for the Companies and their Subsidiaries for periods prior to the Closing `Date and shall reasonably cooperate with Buyer and take commercially reasonable actions as may be necessary or advisable to assist Buyer in submitting claims for pre-Closing occurrences to which such policies are responsive; provided that Buyer shall be responsible for any deductibles or co-payments legally due and owing relating to such claims and Seller shall not be required to maintain such policies beyond their current terms.

(b) Buyer acknowledges that under Claims Made Policies of Seller and its Subsidiaries (other than the Companies and their Subsidiaries) all insurance coverage for the Companies and their Subsidiaries for any occurrence, act, omission or event occurring and Liability or condition arising after Closing shall terminate as of the Closing and, following the Closing, except as otherwise provided herein, no claims may be brought against any Claims Made Policy of Seller and its Subsidiaries (other than those of the Companies and their Subsidiaries). Seller shall purchase, prior to the Closing Date, run off/tail coverage for the Companies and their Subsidiaries covering any occurrence, act, omission or event occurring and Liability or condition existing prior to Closing that were covered prior to the Closing under Seller's and its Subsidiaries' (other than the Companies and their Subsidiaries) Claims Made Insurance policies. Such run off/tail coverage will provide coverage for claims made or reported a minimum of six years after the Closing Date and will be reasonably satisfactory to Buyer in form and substance.

(c) Seller's obligations under Section 4.10(a) shall include, without limitation, Seller assigning or causing the relevant Subsidiary to assign to Buyer or one or more of its Subsidiaries rights in respect of its historic Occurrence Based Policies, providing timely written notice of such claims to the third party insurer (with a copy of any such notice to be given by Seller to Buyer) and providing information regarding any such claim as may be required by the applicable insurance policy or required by or requested by the applicable third party insurer. Seller shall provide to the Companies and their Subsidiaries access to pre-Closing insurance and updated loss summaries, for a period of five years of Closing.

Section 4.11 Termination of Agreements; Other Assets.

(a) On and as of the Closing, except for (i) the Ancillary Agreements, (ii) the New Inter-Company Agreements and (iii) those Contracts, if any, set forth on Section 4.11(a) of the Seller Disclosure Schedule, ((i), (ii), and (iii) collectively, the "**Continuing Agreements**") all Contracts, written or oral, between any of the Companies or their Subsidiaries, on the one hand, and Seller or any of its Affiliates (other than any of the Companies and their Subsidiaries), on the other hand (the "**Terminating Contracts**") shall be terminated without any further force and effect, and there shall be no further Liabilities or obligations of any of the relevant parties thereunder.

(b) Except as set forth on Section 4.11(b) of the Seller Disclosure Schedule, all inter-company accounts, whether payables or receivables, between Seller or any of its Affiliates (other than any of the Companies and their

Subsidiaries), on the one hand, and any of the Companies and their Subsidiaries, on the other hand, as of the Closing shall be eliminated (by way of capital contribution, cash settlement or as otherwise determined by Seller in its sole discretion) prior to the Closing Date.

(c) Subject to any necessary consents, Seller shall cause and shall cause its Subsidiaries (other than the Companies and their Subsidiaries) to cause all assets and property related exclusively to the Business (other than Cash as to which an adjustment is made pursuant to Section 2.3(c)) which are held by Seller and its Affiliates (other than the Companies and their Subsidiaries) to be transferred to one of the Companies or one of their Subsidiaries without any consideration.

(d) (i) With respect to software currently used by the Companies or their Subsidiaries and for which licenses for such software were purchased under any of the "Master License Agreements" set forth in Section 3.1(n)(i)(8) of the Seller Disclosure Schedule (the "**Master Software Agreements**"; and such licenses purchased thereunder for use by the Companies or their Subsidiaries, the "**Existing Licenses**"), Seller will (A) seek, in accordance with Section 4.26 of this Agreement, any necessary consents to assign the Existing Licenses (but for avoidance of doubt, not to assign the Master Software Agreements) to the Companies, and (B) use commercially reasonable efforts to assist the Companies in obtaining agreements for acquisition of new software and for maintenance renewals to replace such Master Software Agreements; provided, however, that Seller makes no representations, warranties or covenants that pricing or other terms under such replacement agreements will be comparable to those contained in the Master Software Agreements.

(ii) With respect to software used by Seller or its Affiliates (other than the Companies or their Subsidiaries) to provide services under the Master Transition Services Agreement, and for which the Companies or their Subsidiaries will have to obtain a replacement license to use such software in their businesses upon termination or expiration of the Master Transition Services Agreement, Seller will use commercially reasonable efforts to assist the Companies in obtaining such replacement license agreements; provided, however, that Seller makes no representations, warranties or covenants that pricing or other terms under such replacement agreements will be comparable to those contained in Seller's own agreements with the applicable vendors of such software.

(iii) Other than with respect to (A) costs for third party consents for Seller and its Affiliates (other than the Companies and their Subsidiaries) to operate such software described in 4.11(d)(i) and 4.1(d)(ii) above under the Master Transition Services Agreement on behalf of the Companies and their Subsidiaries (which costs are governed by Section 4.26 of this Agreement) and (B) costs for third party consents required pursuant to Section 4.11(d)(i)(A) above (Seller and Buyer agree that Seller shall pay for 50% and the Companies shall pay for 50% of any out-of-pocket fees required to obtain any such consents required by Section 4.11(d)(i)(A), and Buyer agrees that such payment obligations shall be subject to the provisions of Section 4.26(c)), the Companies will be responsible for the costs associated with such replacement agreements described in Sections 4.11(d)(i)(B) and 4.11(d)(ii).

Section 4.12 **Debt; Release of Guarantees**.

(a) Prior to the Closing Date, Seller and Buyer shall cooperate and shall use their respective reasonable best efforts to, effective as of the Closing Date, (i) terminate or cause to be terminated, or cause Buyer or one of its Affiliates to be substituted in all respects for Seller and any of its Affiliates or former Affiliates (other than any of the Companies and their Subsidiaries) (collectively, the "**Released Parties**") in respect of all obligations of the Released Parties under, any guarantee of or relating to obligations or liabilities (including under any Contract, letter of credit or Company Lease) of any of the Companies and their Subsidiaries in each case listed on Section 4.12 of the Seller Disclosure Schedule ("**Guarantees**") and (ii) cause Buyer or one of its Affiliates to have Surety Bonds (and any necessary collateral, indemnity or other agreements associated therewith) issued on behalf of Buyer or one of its Affiliates in replacement of all Surety Bonds (and all collateral, indemnity and other agreements associated therewith) listed on Section 4.12 of the Seller Disclosure Schedule issued on behalf of the Released Parties for the benefit of any of the Companies or their Subsidiaries (the "**Surety Bonds**"). In the case of the failure to do so by the by the Closing Date, then, Seller and Buyer shall continue to cooperate and use their respective reasonable best efforts to terminate, or cause Buyer or one of its Affiliates to be substituted in all respects for the Released Parties in respect of, all obligations of the Released Parties under any such Guarantees and to replace Surety Bonds issued on behalf of Released Parties with Surety Bonds issued on behalf of Buyer or one of its Affiliates, and Buyer shall (i) obtain a letter of credit on behalf of Buyer or one if its Affiliates, (ii) indemnify and hold harmless the Released Parties for any losses arising from such Guarantees and Surety Bonds and (iii) not permit any of the Companies or their Subsidiaries or Affiliates to (A) renew or extend the term of or (B) increase its obligations under, or transfer to another third party, any loan, lease, Contract or other obligation for which any Released Party is or would reasonably be expected to be liable under such Guarantee and Surety Bond. To the extent that any Released Party has performance obligations under any such Guarantee or Surety Bond, Buyer shall use reasonable best efforts to (i) perform such obligations on behalf of such Released Party or (ii) otherwise take such action as reasonably requested by Seller so as to put such Released Party in the same position as if Buyer, and not such Released Party, had performed or were performing such obligations.

(b) Seller shall take all necessary action to insure that the Companies and their Subsidiaries have no Indebtedness (other than with respect of capital leases) immediately prior to and at the Closing except to the extent otherwise requested by Buyer.

Section 4.13 Provision of Certain Services. Buyer acknowledges that the Companies and their Subsidiaries currently receive from Seller and its Affiliates certain administrative and corporate services and benefits of a type generally provided to other businesses and Subsidiaries of Seller ("**Support Services**"). Seller and Buyer acknowledge that, except as provided in the Master Transition Services Agreement, Support Services shall cease at Closing, and all agreements and arrangements in respect thereof shall terminate as of the Closing Date, with no further obligation of any party thereto.

Section 4.14 Use of Certain Marks.

(a) Following the Closing, Buyer shall cause the Companies and their Subsidiaries to, as soon as practicable, but in no event later than nine (9) months following the Closing Date, cease to (i) make any use of any names or Trademarks that include the terms (A) "Cendant" or "Cendant Corporation," or any Trademarks set forth in Section 4.14(a) of the Seller Disclosure Schedule, and (B) any names or Trademarks related thereto or containing or comprising the foregoing, including any names or Trademarks confusingly similar thereto or dilutive thereof (the "**Cendant Marks**"), and (ii) hold themselves out as having any affiliation with Seller or any of its Affiliates; provided, however, that the Companies and their Subsidiaries may make use of Cendant Marks in accordance with the express terms of any applicable Affinity Partner Contract between Seller or any of its Subsidiaries (other than the Companies and their Subsidiaries), on the one hand, and the Companies or any of their Subsidiaries, on the other hand. In furtherance thereof, as soon as practicable but in no event later than six (6) months following the Closing Date, Buyer shall cause each of the Companies and the Subsidiaries to remove, strike over or otherwise obliterate all Cendant Marks from all assets and other materials owned by the Companies and their Subsidiaries, including, without limitation, any vehicles, business cards, schedules, stationery, packaging materials, displays, signs, promotional materials, manuals, forms, websites, email, computer software and other materials and systems. Any use by the Companies or any of their Subsidiaries of any of the Cendant Marks as permitted in this Section 4.14(a) is subject to their compliance with the quality control requirements and guidelines in effect for the Cendant Marks as of the Closing Date.

(b) Following the Closing, Seller shall and shall cause its Affiliates to, as soon as practicable, but in no event later than nine (9) months following the Closing Date, cease to (i) make any use of any names or Trademarks set forth in Section 4.14(b) of the Seller Disclosure Schedule, and (B) any names or Trademarks related thereto or containing or comprising the foregoing, including any names or Trademarks confusingly similar thereto or dilutive thereof (the "**Company Marks**"), and (ii) hold themselves out as having any affiliation with the Companies or any of their Affiliates; provided, however, that Seller and its Affiliates may make use of Company Marks in accordance with the express terms of any applicable Contract between Seller or any of its Subsidiaries (other than the Companies and their Subsidiaries), on the one hand, and the Companies or any of their Subsidiaries, on the other hand. In furtherance thereof, as soon as practicable but in no event later than six (6) months following the Closing Date, Seller shall cause its Affiliates to remove, strike over or otherwise obliterate all Company Marks from all assets and other materials owned by Seller or its Affiliates, including, without limitation, any vehicles, business cards, schedules, stationery, packaging materials, displays, signs, promotional materials, manuals, forms, websites, email, computer software and other materials and systems. Any use by Seller or its Affiliates of any of the Company Marks as permitted in this Section 4.14(b) is subject to their compliance with the quality control requirements and guidelines in effect for the Company Marks as of the Closing Date.

Section 4.15 Tax Matters.

(a) ***Tax Return Preparation***.

(i) To the extent not filed prior to the Closing Date, the Seller shall prepare (or cause to be prepared) all Tax Returns that are required to be filed by each of the Companies and their Subsidiaries for all Pre-Closing Tax Periods (each, a "**Pre-Closing Period Tax Return**"). All such Pre-Closing Period Tax Returns shall be prepared in a manner that is consistent with the prior practice of the Companies and their Subsidiaries, except as reasonably approved by Buyer. Buyer shall allow Seller access to any and all data and information necessary for the preparation of such Pre-Closing Period Tax Returns and shall cooperate fully with the Seller in the preparation of such Pre-Closing Period Tax Returns; provided, that no employee of Buyer, any Company or any Company Subsidiary shall be required to sign any such Tax Return without, at the request of such employee, being fully indemnified by Seller for any liability incurred as a consequence of signing such Tax Return. With respect to each Pre-Closing Period Tax Return filed after the Closing Date, no later than thirty days prior to the due date (taking into account any valid extensions thereof) ("**Due Date**") for the filing of such Pre-Closing Period Tax Return, the Seller shall submit, or cause to be submitted, to the Buyer for its review drafts of such Pre-Closing Period Tax Return (together with all related work papers). Within ten days following Buyer's receipt of such Pre-Closing Period Tax Return, Buyer shall have the right to object to such Pre-Closing Period Tax Return (by written notice to the Seller). If Buyer does not object by written notice to the Seller within such time period, such Pre-Closing Period Tax Return shall be deemed to have been accepted and agreed upon, and final and conclusive, for purposes of this Section 4.15(a)(i). If Buyer objects to such Pre-Closing Period Tax Return, it shall notify the Seller of such disputed item (or items) (in such written notice) and the basis for its objection and the Buyer and Seller shall act in good faith to resolve any such dispute as promptly as practicable. If the Buyer and Seller have not reached agreement regarding such dispute, the dispute shall be presented to the Independent Accounting Firm, whose determination shall be binding upon both Buyer and Seller, provided, however, that (i) such determination shall be limited to whether the disputed item is consistent with past practices, if applicable, and (ii) the Buyer and Seller shall require the Independent Accounting Firm to make a determination within ten (10) days but in no event later than five (5) days prior to the Due Date of such Pre-Closing Period Tax Return. With respect to each such Pre-Closing Period Tax Return, no later than two (2) days prior to the Due Date of such Pre-Closing Period Tax Return, (x) the Seller shall submit to the Buyer final drafts of such Pre-Closing Period Tax Return and (y) the Seller shall pay to the Buyer an amount equal to the liability for Taxes that are shown to be due and payable on the face of such Pre-Closing Period Tax Return. The Buyer shall cause the applicable Company or Subsidiary (as the case may be) to file each Pre-Closing Period Tax Return and pay to the applicable Tax authority all amounts shown to be due and payable on the face of such Pre-Closing Period Tax Return.

(ii) The Buyer shall prepare (or cause to be prepared) all Tax Returns that are required to be filed by each of the Companies and their Subsidiaries for all Straddle Periods (each, a "**Straddle Period Tax Return**"). All such Straddle Period Tax Returns shall be prepared and filed in a manner that is consistent with the prior practice of the Companies and their Subsidiaries, except as required by applicable Law. With respect to each Straddle Period Tax Return, no later than thirty days prior to the Due Date for the filing of such Straddle Period Tax Return, the Buyer shall submit, or cause to be submitted, to the Seller for its review drafts of such Straddle Period Tax Return (together with all related work papers), and shall notify Seller of Buyer's calculation of the Taxes of such Straddle Period allocated to the Interim Period of such Straddle Period (in accordance with this Agreement). Within ten days following Seller's receipt of such Straddle Period Tax Return (and the calculation of the Taxes allocated to the Interim Period of the Straddle Period), Seller shall have the right to object to such Straddle Period Tax Return or calculation (by written notice to the Buyer). If Seller does not object by written notice to the Buyer within such time period, such Straddle Period Tax Return and calculation shall be deemed to have been accepted and agreed upon, and final and conclusive, for purposes of this Section 4.15(a)(ii). If Seller objects to such Straddle Period Tax Return and/or calculation of the Taxes allocated to the Interim Period of the Straddle Period (in accordance with this Agreement), it shall notify the Buyer of such disputed item (or items) (in such written notice) and the basis for its objection and the Seller and Buyer shall act in good faith to resolve any such dispute as promptly as practicable. If the Seller and Buyer have not reached agreement regarding such dispute, the dispute shall be presented to the Independent Accounting Firm, whose determination shall be binding upon both Seller and Buyer, provided, however, that the Seller and Buyer shall require the Independent Accounting Firm to make a determination within ten (10) days but in no event later than five (5) days prior to the Due Date of such Straddle Period Tax Return. With respect to each Straddle Period Tax Return, no later than two (2) days prior to the Due Date of such Straddle Period Tax Return, Seller shall pay to the Buyer an amount equal to the Seller's portion of the liability for Taxes of such Straddle Period (that are shown to be due and payable on the face of such Straddle Period Tax Return) that are allocable to the

Interim Period in accordance with this Agreement. The Buyer shall cause the applicable Company or Subsidiary (as the case may be) to file each Straddle Period Tax Return and pay to the applicable Tax authority all amounts shown to be due and payable on the face of such Straddle Period Tax Return.

(iii) Notwithstanding anything to the contrary in this Agreement, each party shall be responsible for its own costs and expenses incurred in connection with this Section 4.15(a), provided, however, that all costs and expenses of the Independent Accounting Firm shall be paid fifty percent by the Seller and fifty percent by the Buyer.

(b) ***Tax Refunds***. The Buyer shall pay or cause to be paid to the Seller (a) all refunds of Taxes paid by the Companies or their Subsidiaries for a Pre-Closing Tax Period that are received by the Companies or their Subsidiaries after the Closing, and (b) a portion of all refunds of Taxes paid by the Companies or their Subsidiaries for any Straddle Period (such portion to be allocated consistent with the principles set forth in this Agreement) that are received by the Companies or their Subsidiaries after the Closing, in each case, (i) net of any Taxes imposed on or attributable to such refund and (ii) other than refunds attributable to a carryback of net operating losses attributable to periods beginning after the Closing Date or the portion of any Straddle Period beginning after the Closing Date.

(c) ***Tax Matters Cooperation***. Buyer and Seller shall, and shall cause their respective Affiliates (including in the case of the Buyer, the Companies and their Subsidiaries) to, cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns of or attributable to any of the Companies or their Subsidiaries and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Seller and Buyer shall, and shall cause their respective Affiliates (including in the case of the Buyer, the Companies and their Subsidiaries) to, (i) retain all books and records with respect to Tax matters pertinent to each of the Companies and their Subsidiaries relating to any taxable period beginning on or before the Closing Date until expiration of the statute of limitations (and, to the extent notified by Buyer or Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority and (ii) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, shall allow the requesting party to take possession of such books and records.

(d) ***Section 338(h)(10) Elections.***

(i) Seller and Buyer agree that an election under Section 338 of the Code (or similar provision of the Law of any state or other Taxing jurisdiction) shall not be made with respect to any of the Companies or their Subsidiaries in connection with the transactions contemplated by this Agreement, provided, however, that, Buyer and Seller shall jointly make a timely and effective election provided for by Section 338(h)(10) of the Code and Section 1.338(h)(10)-1 of the United States Treasury regulations promulgated under the Code ("**Treasury Regulations**") and any comparable election under state, local or foreign Tax Law with respect to the acquisition by Buyer (which, for U.S. federal income tax purposes, qualifies as a "qualified stock purchase" by Buyer) of the stock of each of the direct and indirect domestic wholly-owned corporations being acquired pursuant to this Agreement (each, an "**Election**" and, collectively, the "**Elections**"). Buyer and Seller shall, and shall cause their respective Affiliates (including, in the case of the Buyer, the Companies and their Subsidiaries) to, cooperate with each other to take all actions necessary and appropriate, including filing such additional forms, returns, elections, schedules and other documents as may be required, to effect and preserve timely Elections in accordance with the provisions of Section 338(h)(10) of the Code and Section 1.338(h)(10)-1 of the Treasury Regulations (and any comparable provisions of state, local or foreign Tax Law) or any successor provisions. Unless required by a final, non-appealable, decision of a court of competent jurisdiction, Buyer and Seller shall, and shall cause their respective Affiliates (including, in the case of the Buyer, the Companies and their Subsidiaries) to, report the acquisition by Buyer of the stock of such domestic corporations consistently with the Elections made and shall take no position inconsistent therewith in any Tax Return, any proceeding before any Tax authority or otherwise. Notwithstanding anything to the contrary in this Agreement, in the event that the Internal Revenue Service or other Taxing authority challenges Seller's treatment of any acquisition of a wholly-owned domestic corporate Subsidiary of CMG as a "qualified stock purchase" (within the meaning of Section 338(d)(3) of the Code), Buyer shall (i) reimburse Seller for its out of pocket costs in contesting such challenge, or (ii) assume and control the defense of such challenge at its own costs and expense, and with participation by Seller.

(ii) Unless required by a final, non-appealable decision of a court of competent jurisdiction, Buyer and Seller shall, and shall cause their respective Affiliates (including, in the case of the Buyer, the Companies and their Subsidiaries) to, (i) be bound by the Elections, the Tax Allocation Statement and Section 338(h)(10) Allocation Statement (each as finally determined pursuant to Section 4.15(e)) for purposes of determining any Taxes, (ii) prepare and file their respective Tax Returns on a basis consistent with the Elections and such allocation statements and (iii) take no position inconsistent with the Elections or any such allocation statements in any Tax Return, any proceeding before any Tax authority or otherwise. In the event that any of the allocations determined pursuant to Section 4.15(e) is disputed by any Tax authority, the party receiving notice of the dispute shall promptly notify the other party concerning resolution of the dispute. Buyer and its Affiliates shall provide to Seller information reasonably determined by Buyer to enable Seller to support the Tax filing position that, for U.S. federal income Tax purposes, the direct and indirect acquisition of any of the Companies or their Subsidiaries qualifies as a "qualified stock purchase" (within the meaning of Section 338 of the Code).

(e) ***Closing Consideration Allocation.***

(i) In connection with the purchase and sale of the Equity of the Companies, as promptly as possible after Closing, Buyer shall provide to Seller a statement (a "**Tax Allocation Statement**") specifying the allocation of the purchase price for U.S. federal income tax purposes (as adjusted pursuant to payments made between Buyer and Seller pursuant to this Agreement) among the assets held (for U.S. federal income tax purposes) by CMG and CIH (solely for purposes of this Section 4.15(e)(i), without regard to the Elections) and the covenants of Seller contained in Section 4.16. Within fifteen business days following the receipt of such Tax Allocation Statement, Seller shall have the right to object to such statement (by written notice to Buyer). If Seller does not object by written notice to the Tax Allocation Statement within such time period, such statement shall be deemed to have been accepted and agreed upon, and final and conclusive, for all purposes of this Agreement; provided, however, that such objection shall only be that the Tax Allocation Statement is materially inconsistent with Schedule 4.15(e)(i). If Seller objects to a Tax Allocation Statement presented by Buyer, it shall notify the Buyer of such disputed item (or items) (in such written notice) and the basis for its objection and Buyer and Seller shall act in good faith to resolve any such dispute within the thirty day period thereafter. If, within thirty days of Seller's delivery of a notice of objection to a Tax Allocation Statement, the parties have not reached an agreement regarding such allocations, the dispute shall be presented to the Independent Accounting Firm that will determine which parties' proposed allocation is more consistent with Schedule 4.15(e)(i) and such allocation shall then become the final "Tax Allocation Statement". The parties shall cause the Independent Accounting Firm to make a determination within thirty days but in no event later than five days prior to the Due Date of any Tax Return for which such allocation would be relevant. The fees and expenses of such accounting firm shall be paid fifty percent by Seller and fifty percent by Buyer. In the event any Closing Consideration adjustment occurs pursuant to the terms of this Agreement, Buyer shall provide Seller a revised Tax Allocation Statement consistent with Schedule 4.15(e)(i) and the principles of this Section 4.15(e)(i) shall apply to each such revised statement.

(ii) In connection with an Election, as promptly as practicable after the Closing, Buyer shall provide to Seller a statement (a "**Section 338(h)(10) Allocation Statement**") specifying the proposed manner in which the "aggregate deemed sales price", as defined in Treasury Regulations Section 1.338-4, shall be allocated among the assets of each such Subsidiary for which an Election is made, which allocations shall be made in accordance with Section 338(b) of the Code and any applicable Treasury Regulations and shall be consistent with the Tax Allocation Statement determined pursuant to Section 4.15(e)(i) hereof. Within fifteen business days following the receipt of such Section 338(h)(10) Allocation Statement, Seller shall have the right to object that such statement is not consistent with Schedule 4.15(e)(ii) (by written notice to Buyer). If Seller does not object by written notice to a Section 338(h)(10) Allocation Statement within such time period, such statement shall be deemed to have been accepted and agreed upon, and final and conclusive, for all purposes of this Agreement; <u>provided, however</u>, that such Section 338(h)(10) Allocation Statement shall be subject to adjustment upon and as a result of any Closing Consideration adjustment pursuant to this Agreement. If Seller objects to a Section 338(h)(10) Allocation Statement presented by Buyer, it shall notify the Buyer of such disputed item (or items) (in such written notice) and the basis for its objection and Buyer and Seller shall act in good faith to resolve any such dispute for the thirty day period thereafter. If, within thirty days of Seller's delivery of a notice of objection to a Section 338(h)(10) Allocation Statement, the parties have not reached an agreement regarding such allocations, the dispute shall be presented to the Independent Accounting Firm that will determine which of the parties' proposed allocations are more consistent with Schedule 4.15(e)(ii), and such allocation shall become the final Section 338(h)(10) Allocation Statement. The parties shall endeavor to cause the accounting firm to make a determination within thirty days but in no event later than five days prior to the date the Internal Revenue Service Forms 8023 and 8883 are required to be filed under applicable Law. The fees and expenses of such accounting firm shall be paid fifty percent by Seller and fifty percent by Buyer. In the event any Closing Consideration adjustment occurs pursuant to the terms of this Agreement, Buyer shall provide Seller a revised Section 338(h)(10) Allocation Statement consistent with Schedule 4.15(e)(ii) and the principles of this Section 4.15(e)(ii) shall apply to each such revised statement.

(f) ***Limitations on Actions Affecting Pre-Closing Taxes***. Neither Buyer nor any of its Affiliates (including, after the Closing, any of the Companies or their Subsidiaries) shall, without the prior written consent of Seller, (i) make or change any Tax election (other than the Elections) with respect to any of the Companies or their Subsidiaries applicable to any Pre-Closing Tax Period or Straddle Period, (ii) amend, file or otherwise modify any Tax Return relating to any Pre-Closing Tax Period or Straddle Period of any of the Companies or their Subsidiaries except as contemplated by Section 4.15(a), and (iii) take any other action that relates or is attributable to or that affects any Pre-Closing Tax Period or Straddle Period, in each case, that results in any increased Tax liability of any of the Companies or their Subsidiaries (or Seller or any of its Affiliates) (or a reduction in a refund) or reduction in a Tax asset of the Seller, its Affiliates or any of the Companies or their Subsidiaries in respect of a Pre-Closing Tax Period or Straddle Period.

Section 4.16 Non-Competition; Non-Hire; Non-Solicitation.

(a) For a period of seven years from and after the Closing Date, Seller shall not, and shall cause each of its Subsidiaries not to, directly or indirectly, engage in or own any interest (other than an interest of less than five percent of the voting securities of a publicly traded company) in a Competitive Business; provided, however, that nothing set forth in this Section 4.16(a) shall (i) prohibit another Person (or its successor) from engaging in a Competitive Business from and after the time at which Seller or any of its Subsidiaries acquires an interest in such Person, by acquisition of securities or assets, joint venture, merger or other business combination, if (A) such Competitive Business generates less than $200,000,000 in annual revenues in the aggregate or (B) such Person engages in a Competitive Business that generates more than $200,000,000 in annual revenues in the aggregate and is a business unit of an entity acquired by Seller or any of its Subsidiaries and is divested by Seller (or the relevant Subsidiary) within twelve (12) months after such acquisition; (ii) be deemed to apply to any then existing business of a Person (or any of its Affiliates) that acquires control of Seller or one of its Subsidiaries or that acquires all or substantially all of the assets of Seller or one of its Subsidiaries or merges with Seller in a “merger of equals”; or (iii) prohibit, limit or in any way restrict the ability of Seller and its Subsidiaries to engage in a Competitive Business in connection with any of its businesses, products, services or activities as of the date hereof (assuming the Companies and their Subsidiaries were not direct or indirect Subsidiaries of Seller on the date hereof) including any evolution (by acquisition, organic growth or otherwise) thereof, in each case, in the travel, travel content, travel distribution, lodging, timeshare exchange, timeshare sales and marketing, vacation rental, vacation property management, real estate, relocation, real estate settlement services, mortgage and vehicle rental and services industries.

(b) Other than with respect to those employees set forth on Section 4.16(b) of the Seller Disclosure Schedule, for a period of three years from and after the Closing Date, Seller shall not, and shall cause each of its Subsidiaries not to hire or attempt to hire any employee of Buyer, the Companies or their Subsidiaries.

(c) As used in this Agreement, “**Competitive Business**” means any entity or business that markets, provides or makes available, (i) affinity-based membership programs, (ii) affinity-based insurance products, or (iii) benefit packages as an enhancement to financial institution or other customer accounts, in each case, on a fee or commission basis and in a manner that competes with the Business as conducted on the date of this Agreement or on the Closing Date. Notwithstanding anything to the contrary contained herein, “Competitive Business” does not include any entity or business engaged in or any activity, product, or service related to the administration of points-based or other loyalty programs including any such points-based or other loyalty program developed and marketed, directly or indirectly, by any of Seller and its Subsidiaries (other than the Companies and their Subsidiaries) solely to the extent used for their own consumers (including individual consumers of Seller's and its Subsidiaries' franchisees) as an outsourcer, service provider or other similar arrangement and for online travel agencies and airlines.

(d) For a period of five (5) years from and after the Closing Date, Buyer, the Companies and their Subsidiaries and any Person (or any of its Affiliates) that acquires control of any of such entities or that acquires all or substantially all of the assets of any of such entities or merges with Buyer in a "merger of equals," shall not, directly or indirectly, engage in the non-membership based, direct to consumer online travel distribution business, including through private label or affiliate relationships, in a manner which utilizes any content or booking or packaging engine of Seller or its Subsidiaries made available by Seller or any of its Subsidiaries to Buyer, the Companies and their Subsidiaries and is competitive to Seller's online travel businesses, including without limitation, Orbitz, CheapTickets, lodging.com, Flairview, octopustravel.com and ebookers.com.

(e) Neither party hereto will take any action with the intent or effect of directly or indirectly circumventing the terms of this Section 4.16.

Section 4.17 __**Compliance with WARN Act and Similar Statutes**__. Buyer shall not, and shall cause the Companies and their Subsidiaries not to, at any time within ninety days after the Closing Date, effectuate (i) a "plant closing" (as defined in the Worker Adjustment and Retraining Notification Act of 1988 (the "**WARN Act**")) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of the Companies and their Subsidiaries or (ii) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of the Companies and their Subsidiaries; or, in the case of clauses (i) and (ii), any similar action under applicable state, local or foreign statute, common law, rule or regulation requiring notice to employees in the event of a plant closing or layoff. For the avoidance of doubt, Buyer shall be responsible for notices or payments due to any employees, and all notices, payments, fines or assessments due to any Governmental Entity pursuant to any applicable federal, state, local or foreign statute, common law, rule or regulation with respect to the employment, discharge or layoff of any employees by Buyer, the Companies or any Subsidiary of the Companies after the Closing, including but not limited to the WARN Act or any comparable state or local law and any rules or regulations as have been issued in connection with the foregoing.

Section 4.18 __**Buyer's Financing Activities**__.

(a) Buyer acknowledges and agrees that Seller and its Affiliates have no responsibility for any financing that Buyer may raise in connection with the transactions contemplated hereby including with respect to any offering materials and other documents prepared by or on behalf of or utilized by Buyer or its Affiliates, or Buyer's financing sources, in connection with Buyer's financing activities in connection with the transactions contemplated hereby which include any information provided by Seller or any of its Affiliates (including the Companies and their Subsidiaries), including any offering memorandum, banker's book or similar document used, or any other written offering materials used (collectively, "**Offering Materials**").

(b) Buyer shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to (i) maintain in effect the Financing set forth therein (including by consummating the Equity Financing pursuant to the terms and conditions of the Equity Financing Commitment), (ii) enter into definitive financing agreements with respect to the Debt Financing as contemplated by the Debt Financing Commitments (the "**Financing Agreements**"), so that the Financing Agreements are in effect as promptly as practicable but in any event no later than the Closing Date and (iii) consummate the Financing at or prior to Closing. Buyer shall provide to the Seller copies of all documents relating to the Debt Financing and shall keep the Seller reasonably informed of material developments in respect of the financing process relating thereto. In the period between the date hereof and the Closing Date, Seller shall, upon request of Buyer, use all reasonable efforts to cause the Companies and their Subsidiaries, along with their respective auditors and consultants, to reasonably cooperate with Buyer and its Affiliates in satisfying any condition to financing set out in Buyer's agreements with banks and other lenders. Such cooperation shall include, without limitation, preparations for the obtaining or release of any liens, providing access to properties and other assets for third party appraisals, obtaining any required consents of landlords and lenders of the Companies and their Subsidiaries, preparations for the implementation of a new cash management system and attending roadshows by the management of the Companies and their Subsidiaries in respect of offering of debt or equity securities and the preparation of financial statements and financial data complying with Regulation S-X and Regulation S-K under the Securities Act. Buyer shall promptly, upon request by Seller, reimburse the Seller for all reasonable, documented out of pocket expenses incurred by the Company or their Subsidiaries in connection with such cooperation; <u>provided</u>, that Seller must obtain the written consent of Buyer prior to incurring such expenses in excess of $100,000.00.

(c) Buyer covenants and agrees that, in the event that the Initial Cash Price is reduced pursuant to the adjustment set forth in Section 2.3(d), then the amount of the aggregate commitment pursuant to the Debt Financing Commitments shall be reduced by 89% of the amount by which the Initial Cash Price is reduced pursuant to Section 2.3(d).

Section 4.19 <u>Resignations</u>. Seller shall either deliver the written resignations of each director or manager, as applicable, of the Companies and their Subsidiaries or cause each such director or officer to be removed effective as of the Closing Date, except as may be requested by Buyer.

Section 4.20 Certain Assets. The assets described in Section 4.20 of the Seller Disclosure Schedule are not part of the Business and shall be transferred promptly to Seller, if, and when received by the Companies or any of their Subsidiaries.

Section 4.21 New Inter-Company Agreements. (a) Buyer and Seller agree to negotiate in good faith final agreements with respect to the arrangements contemplated by the New Inter-Company Term Sheets (the "**New Inter-Company Agreements**"). To the extent that the parties are not able to negotiate and execute a final agreement with respect to any arrangement contemplated by a New Inter-Company Term Sheet as of the Closing, the parties agree to be bound by the terms of the applicable New Inter-Company Term Sheet. To the extent that any subject matter is not covered by a New Inter-Company Term Sheet, Seller, the Companies and their Subsidiaries will continue to perform their obligations in accordance with past practice prior to the date hereof. The parties agree to submit any and all disputes between them arising under or in relation to this Section 4.21 to mediation with a mediator approved by the parties. If the parties resolve their disputes through mediation, the Parties shall share the costs of mediation evenly but pay their own attorneys' fees and other expenses related to mediation.

(b) The New Inter-Company Agreement Term Sheets set forth on Section 4.21(b)(i) of the Seller Disclosure Schedule shall contain the provisions set forth in Schedule 4.21(b)(ii) of the Seller Disclosure Schedule.

Section 4.22 Restated Financial Statements. On or prior to sixty (60) days after the date hereof, Seller shall deliver to Buyer the Restated Financial Statements.

Section 4.23 Reservation of Parent Common Stock. From and after the date of this Agreement, Parent shall at all times reserve and keep available for issuance upon exercise of the Parent Warrant such number of its authorized but unissued shares of Parent Common Stock as will be sufficient to permit the exercise in full of the Parent Warrant.

Section 4.24 Retention Payments. Buyer agrees to pay Seller all Retention Payments that are forfeited on or prior to the first anniversary of the Closing Date by or otherwise not paid to any employee party thereto in accordance with the Retention Letters promptly following such forfeiture by wire transfer of immediately available funds (it being understood that any such payments that are rolled over into equity securities or other securities of the Buyer will be deemed paid unless forfeited on or prior to the first anniversary of the Closing Date).

Section 4.25 Solvency. Buyer agrees to use commercially reasonable efforts to deliver to Seller an opinion addressed to Seller of a reputable third party appraisal firm reasonably acceptable to Seller, dated as of the Closing Date, that, following consummation of the transactions contemplated hereby, the Company and its Subsidiaries will be Solvent and that such transactions do not otherwise "impair the capital of the corporation” within the meaning of Section 160(a) of the Delaware General Corporation Law (the “**Solvency Opinion**”).

Section 4.26 __Consents__. (a) Seller agrees to use its reasonable best efforts to obtain prior to the Closing all consents and approvals required under any Company Contract or Company Lease in connection with the execution, delivery and performance of this Agreement and the Ancillary Agreements. Seller and Buyer agree that Seller shall pay for 50% and the Companies shall pay for 50% of any out-of-pocket fees required to obtain such consents or approvals.

(b) With respect to the Master Transition Services Agreement, Seller agrees to use its reasonable best efforts to obtain prior to the Closing all consents and approvals required under any Contract of Seller or its Affiliates that is material to the services provided under the Master Transition Services Agreement. Seller and Buyer agree that Seller shall pay for 50% and the Companies shall pay for 50% of any out-of-pocket fees required to obtain such consents or approvals.

(c) In the event that this Agreement is terminated, Buyer shall reimburse Seller promptly following such termination for all such out-of-pocket fees paid by the Companies.

Section 4.27 __Florida Filing__. As promptly as practicable, but in no event later than ten (10) days after the date hereof, Seller shall cause Trilegiant Corporation, an indirect Subsidiary of CMG, to file with the Florida Office of Insurance Regulation its application for discount medical plan provider organization registration.

Section 4.28 __Further Assurances__. On and after the Closing Date, Seller and Buyer shall cooperate and use their respective reasonable best efforts to take or cause to be taken all appropriate actions and do, or cause to be done, all things necessary or appropriate to consummate and make effective the transactions contemplated hereby, including the execution of any additional documents or instruments of any kind, the transfer of assets or property, the obtaining of consents which may be reasonably necessary or appropriate to carry out any of the provisions hereof and the taking of all such other actions as such party may reasonably be requested to take by the other party hereto from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby.

ARTICLE V
CONDITIONS OF PURCHASE

Section 5.1 __Conditions to Obligations of Buyer__. The obligations of Buyer to effect the Closing shall be subject to the following conditions except to the extent waived in writing by Buyer:

(a) ***Representations and Warranties and Covenants of Seller.***

(i) The representations and warranties of Seller contained in this Agreement, without giving effect to any materiality or Material Adverse Effect qualifications therein, shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except for representations and warranties that expressly speak as of an earlier date, which representations and warranties shall be true as of such specified date), except for such failures to be true and correct as would not in the aggregate have a Material Adverse Effect or prevent or materially delay consummation by Seller of the transactions contemplated by this Agreement;

(ii) Seller shall have in all material respects performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by it at or prior to the Closing; and

(iii) Seller shall have delivered to Buyer a certificate of Seller, dated the Closing Date, to the effect of the foregoing clauses (i) and (ii).

(b) ***FSA Approval***. Either (i) the FSA shall have notified Buyer in writing that it has approved the proposed acquisition of control (such term having the meaning ascribed thereto in section 179 of FSMA) of Cims Limited by Buyer and each other person that is a proposed controller pursuant to section 184 of FSMA; or (ii) the period for consideration (as defined in section 183(1) of FSMA) in respect of Buyer's and such persons' proposed acquisition of control of Cims Limited shall have expired without the FSA having served a warning notice on Buyer or any other person that is a proposed controller under section 183(1)(b) of FSMA.

(c) ***Waiting Periods***. All waiting periods applicable under the HSR Act shall have expired or been terminated. All waiting periods applicable to the transaction under any Foreign Antitrust Merger Control Laws shall have expired or been terminated, except in jurisdictions in which the failure of such waiting periods to have expired or been terminated, individually or in aggregate, is not reasonably likely to (i) have a Material Adverse Effect or (ii) subject the parties hereto or any of their respective directors or officers to criminal liability if the transactions contemplated hereby were to be consummated (the "**Excepted Jurisdictions**").

(d) ***No Prohibition***. No statute, rule or regulation shall have been enacted or promulgated by any Governmental Entity which prohibits the consummation of the transactions contemplated hereby, and there shall be no order or injunction of a court of competent jurisdiction in effect preventing the consummation of the transactions contemplated hereby.

(e) ***Material Adverse Effect*****.** A Material Adverse Effect shall not have occurred.

(f) ***Financing.*** Buyer shall have received the proceeds of the financings described in the Commitment Letters.

(g) ***TRL Group.*** Seller shall own 100% of the outstanding Equity Interests of TRL Group.

(h) ***Consent.*** The consent identified in Section 5.1(f) of the Seller Disclosure Schedules shall have been obtained.

Section 5.2 Conditions to Obligations of Seller. The obligations of Seller to effect the Closing shall be subject to the following conditions except to the extent waived in writing by Seller:

(a) ***Representations and Warranties and Covenants of Buyer.***

(i) The representations and warranties of Buyer contained in this Agreement, without giving effect to any materiality or Material Adverse Effect qualifications therein, shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except for representations and warranties that expressly speak as of an earlier date, such representations and warranties shall be true as of such specified date), except for such failures to be true and correct as would not in the aggregate prevent or materially delay consummation by Buyer of the transactions contemplated by this Agreement;

(ii) Buyer shall have in all material respects performed all obligations and complied with all covenants required by this Agreement to be performed or complied with by it at or prior to the Closing; and

(iii) Buyer shall have delivered to Seller a certificate of Buyer, dated the Closing Date to the effect of the foregoing clauses (i) and (ii).

(b) ***State Approval***. The Insurance Commissioner shall have approved of Buyer’s acquisition of control statement relating to the acquisition of control (as such term is defined in Section 26.1-10-01 of the North Dakota Insurance Code) of Safecard by Buyer.

(c) ***FSA Approval***. Either (i) the FSA shall have notified Buyer in writing that it has approved the proposed acquisition of control (such term having the meaning ascribed thereto in section 179 of FSMA) of Cims Limited by Buyer and each other person that is a proposed controller pursuant to section 184 of FSMA; or (ii) the period for consideration (as defined in section 183(1) of FSMA) in respect of Buyer’s and such persons’ proposed acquisition of control of Cims Limited shall have expired without the FSA having served a warning notice on Buyer or any other person that is a proposed controller under section 183(1)(b) of FSMA.

(d) ***Waiting Periods***. All applicable waiting periods under the HSR Act shall have expired or been terminated. All waiting periods applicable to the transaction under any Foreign Antitrust Merger Control Laws shall have expired or been terminated, except in the Excepted Jurisdictions.

(e) ***No Prohibition***. No statute, rule or regulation shall have been enacted or promulgated by any Governmental Entity which prohibits the consummation of the transactions contemplated hereby, and there shall be no order or injunction of a court of competent jurisdiction in effect preventing the consummation of the transactions contemplated hereby.

(f) ***Solvency Opinion***. Buyer shall have delivered to Seller the Solvency Opinion.

ARTICLE VI
TERMINATION

Section 6.1 **Termination of Agreement**. This Agreement may be terminated at any time prior to the Closing Date as follows:

(a) by mutual written consent of Buyer and Seller;

(b) by the written notice of Seller to Buyer if the Closing shall not have occurred on or before December 26, 2005 (the "**Outside Date**"); provided, however, that the right to terminate this Agreement under this Section 6.1(b) shall not be available to Seller if the failure of Seller to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date; or

(c) by the written notice of Buyer to Seller if the Closing shall not have occurred on or before the Outside Date; provided, however, that the right to terminate this Agreement under this Section 6.1(c) shall not be available to Buyer if the failure of Buyer to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date.

Section 6.2 **Effect of Termination**. In the event of termination of this Agreement by a party hereto pursuant to Section 6.1 hereof, written notice thereof shall forthwith be given by the terminating party to the other parties hereto, and this Agreement shall thereupon terminate and become void and have no effect, and the transactions contemplated hereby shall be abandoned without further action by the parties hereto, except that the provisions of Section 4.4 and Article VIII (other than Section 8.4) and shall survive the termination of this Agreement; provided, however, that such termination shall not relieve any party hereto of any liability for any breach of this Agreement (other than non-willful breaches of representations, warranties and covenants, as to which no party shall be liable hereunder).

ARTICLE VII
INDEMNIFICATION

Section 7.1 **Obligations of Seller**.

(a) If the Closing occurs, subject to the terms of this Article VII and Section 8.14, Seller agrees to indemnify and hold harmless Buyer and its Affiliates and each of their respective directors and officers the ("**Buyer Indemnified Parties**") from and against actual losses, damages, liabilities, claims, costs and expenses (including reasonable attorney's fees, interest, penalties, judgments, settlements, and Taxes (collectively, "**Losses**")) incurred by any such indemnified party by reason of: (i) any breach or failure to be true and correct of any of the representations or warranties of Seller in this Agreement (other than to the extent that any such breach or failure to be true and correct is subject to indemnification under Section 7.3(m)) without giving effect to any materiality or Material Adverse Effect qualifications therein; (ii) any breach in any material respect of any of the covenants or agreements of Seller in this Agreement (other than Section 4.1(a)(iv); (iii) any Excluded Litigation Matter; (iv) any Pre-Closing Taxes; (v) each of the four (4) French Labor Court matters set forth under the heading entitled "French Labor Matters" in Section 3.1(o) of the Seller Disclosure Schedule; (vi) any Taxes imposed on the Companies or their Subsidiaries for any period ending on or prior, or that includes, the Closing Date as a result of being a member of an affiliated, consolidated, combined or unitary group of which Seller or any of its Affiliates other than the Companies or their Subsidiaries was a member on or prior to the Closing Date, including pursuant to Treasury Regulations Section 1.1502-6 or similar state, local or non-United States Law, (vii) any Liability of the Companies and their Subsidiaries unrelated to the Business and arising solely because they are or were Affiliates of Seller and its Affiliates (other than the Companies and their Subsidiaries); (viii) any Liability resulting from the Commission Purchase Agreement between Long Term Preferred Care, Inc. and Lion 2004 Receivables Trust dated as of December 30, 2004; (ix) any use by Seller or any of its Affiliates of the Company Marks; (x) the litigation set forth on Section 7.1(a)(x) of the Seller Disclosure Schedule; and (xi) the litigation set forth on Section 7.1(a)(xi) of the Seller Disclosure Schedule ("**7.1(a)(xi) Losses**"). Notwithstanding the foregoing, it is understood and agreed that Losses shall not include any change in marketing practices of the Business or the consequences thereof.

(b) The obligation of Seller to indemnify a Buyer Indemnified Party for Losses is subject to the following limitations: (i) Buyer Indemnified Parties shall not be entitled to make a claim against Seller for indemnification under Section 7.1(a)(i) ("**Buyer Claim**") unless and until the aggregate amount of Losses incurred by the Buyer Indemnified Party with respect to an event or occurrence and all other events or occurrences arising from the same or similar circumstances or facts exceeds $100,000 (a "**Base Claim**"); (ii) Seller shall not be required to provide indemnification to any Buyer Indemnified Party pursuant to Section 7.1(a)(i) unless the aggregate amount of Losses incurred by all the Buyer Indemnified Parties in respect of Buyer Claims constituting Base Claims exceeds $15,000,000 (the "**Basket**"), and then the Buyer Indemnified Parties shall be entitled to indemnification for only the amount in excess of the Basket; and (iii) in no event shall the aggregate amount of Losses for which Seller is obligated to indemnify the Buyer Indemnified Parties pursuant to Section 7.1(a)(i) exceed $275,100,000 (reduced, in the event of a reduction in the Initial Cash Price pursuant to Section 2.3(d), by an amount equal to fifteen (15%) percent of the amount of such reduction) (the "**Ceiling**"); provided, however, the foregoing monetary limitations in clauses (i) through and including (iii) above shall not apply to claims in respect of breaches or inaccuracies in the representations made by Seller in Sections 3.1(a), (b), (c), (f) and (t) and in the second sentence of Section 3.1(d). With respect to claims for indemnification pursuant to Section 7.1(a)(x), the aggregate amount of Losses for which Seller is obligated to indemnify the Buyer Indemnified Parties shall not exceed 90% of the aggregate amount of all such Losses. With respect to claims for indemnification pursuant to Section 7.1(a)(xi), the aggregate amount of Section 7.1(a)(xi) Losses for which Seller is obligated to indemnify the Buyer Indemnified Parties shall not exceed 80% of the lesser of (A) the aggregate amount of all such Section 7.1(a)(xi) Losses or (B) the Grid Cap, as then in effect. Notwithstanding anything to the contrary contained in this Agreement, Seller shall not be required to indemnify and hold harmless the Buyer Indemnified Parties from and against any Losses (x) resulting from any breach of representation or warranty set forth in this Agreement that relates or is attributable to any of the Companies or their Subsidiaries not having historic Tax attributes (including basis of assets, net operating loss carryovers and credit carryovers), (y) resulting from any breach of representation or warranty (other than the representation set forth in Section 3.1(l)(ix)) set forth in this Agreement relating or attributable to Taxes or the indemnities set forth in Sections 7.1(a)(iv) and (vi), other than liabilities for Pre-Closing Taxes and the Taxes described in Section 7.1(a)(vi), and related out of pocket costs and expenses, and (z) related or attributable to Taxes imposed on any of the Parent, Buyer, the Companies and/or their Affiliates as a result of a breach by the Parent, Buyer or any of their Affiliates (including, after the Closing, the Companies or their Subsidiaries) of their obligations, covenants and agreements contained in this Agreement.

Section 7.2 Obligations of Acquirors.

(a) If the Closing occurs, subject to the terms of this Article VII and Section 8.14, Acquirors, jointly and severally agree to indemnify and hold harmless Seller, RCI Europe, their respective Affiliates and each of their respective directors and officers (collectively, the "**Seller Indemnified Parties**") from and against Losses incurred by any Seller Indemnified Party by reason of (i) any breach of any of the representations or warranties (in each case, when made) of any of the Acquirors in this Agreement; (ii) any breach in any material respect of any of the covenants or agreements of any of the Acquirors in this Agreement; (iii) any Business Litigation Matter or Business Contract Matter; (iv) any use by Parent, Buyer or any of its Affiliates of the Cendant Marks; (v) any Liability of Seller arising solely because it is an Affiliate of the Companies and their Subsidiaries or any Liability of Seller arising solely because it was an Affiliate of the Companies and their Subsidiaries.

(b) The obligation of Acquirors to indemnify the Seller Indemnified Parties for Losses is subject to the following limitations: (i) no Seller Indemnified Parties shall be entitled to make a claim against Buyer for indemnification under Section 7.2(a)(i) ("**Seller Claim**") unless and until the aggregate amount of Losses incurred by the Seller Indemnified Parties with respect to an event or occurrence and all other events or occurrences caused by the same circumstances constitutes a Base Claim; (ii) Buyer shall not be required to provide indemnification to any Seller Indemnified Party pursuant to Section 7.2(a)(i) unless the aggregate amount of Losses incurred by all the Seller Indemnified Parties in respect of Seller Claims constituting Base Claims exceeds the Basket, and then the Seller Indemnified Parties shall be entitled to indemnification for only the amount in excess of the Basket; and (iii) in no event shall the aggregate amount of Losses for which Buyers are obligated to indemnify the Seller Indemnified Parties pursuant to Section 7.2(a)(i) of this Agreement exceed the Ceiling, provided, however, the foregoing monetary limitations in clauses (i) through and including (iii) above shall not apply to claims in respect of breaches or inaccuracies in the representation and warranties made by Buyer in Section 3.2(b).

Section 7.3 Indemnification Procedures.

(a) In the event that any Action is commenced by a third party involving a claim for which a party required to provide indemnity hereunder (an "**Indemnifying Party**") may be liable to a party entitled to indemnification (an "**Indemnified Party**") hereunder (an "**Asserted Liability**"), the Indemnified Party shall promptly notify the Indemnifying Party in writing of such Asserted Liability (the "**Claim Notice**"); provided that no delay on the part of the Indemnified Party in giving any such Claim Notice shall relieve the Indemnifying Party of any indemnification obligation hereunder except to the extent that the Indemnifying Party is prejudiced by such delay. The Indemnifying Party shall have sixty days from its receipt of the Claim Notice (the "**Notice Period**") to notify the Indemnified Party whether or not the Indemnifying Party desires, at the Indemnifying Party's sole cost and expense and by counsel of its own choosing, to defend against such Asserted Liability. If the Indemnifying Party undertakes to defend against such Asserted Liability, (i) the Indemnifying Party shall use its reasonable best efforts to defend and protect the interests of the Indemnified Party with respect to such Asserted Liability, (ii) the Indemnifying Party shall consult with the Indemnified Party prior to any significant decision, strategy or action in relation thereto, to the extent affecting non-monetary interests of the Indemnified Party and (iii) the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, consent to any settlement unless such settlement (x) requires only the payment of money and (y) provides for a full and unconditional release of the Indemnified Party. Notwithstanding the foregoing, in any event, the Indemnified Party shall have the right to control, pay or settle any Asserted Liability which the Indemnifying Party shall have undertaken to defend so long as the Indemnified Party shall also waive any right to indemnification therefor by the Indemnifying Party. If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnified Party shall fully cooperate with the Indemnifying Party and its counsel in the investigation, defense and settlement thereof. This Section 7.3(a) does not apply to any matter referred to in Section 7.3(b), (c), (d), (e), or (m).

(b) With respect to the litigation set forth on Section 7.1(a)(x) of the Seller Disclosure Schedule, from the date hereof until September 30, 2006, Seller shall have the exclusive right to control such litigation (it being understood that (i) Seller shall undertake to defend such litigation and shall use its reasonable best efforts to defend and protect the interests of Buyer with respect to such litigation, (ii) during the time set forth in this Section 7.3(b), Seller shall consult with Buyer prior to any significant decision, strategy or action in relation to such litigation; and (iii) Seller shall not, without the prior written consent of Buyer, consent to any settlement of such litigation). Buyer shall cooperate fully with Seller and its counsel in the investigation, defense and settlement of such litigation.

(c) With respect to the litigation set forth on Section 7.1(a)(x) of the Seller Disclosure Schedule, following the expiration of the date in Section 7.3(b), Buyer shall have the exclusive right to control such litigation (it being understood that (i) Buyer shall undertake to defend such litigation and shall use its reasonable best efforts to defend and protect the interests of Seller with respect to such litigation, (ii) during the time set forth in this Section 7.3(c), Buyer shall consult with Seller prior to any significant decision, strategy or action in relation to such litigation, to the extent affecting monetary interests of Seller; and (iii) Buyer shall not, without the prior written consent of Seller, consent to any settlement of such litigation). Seller shall cooperate fully with Buyer and its counsel in the investigation, defense and settlement of such litigation.

(d) With respect to the litigation set forth on Sections 7.1(a)(xi) of the Seller Disclosure Schedule, at all times, Buyer shall have the exclusive right to control such litigation (it being understood that (i) Buyer shall consult with Seller prior to any significant decision, strategy or action in relation to such litigation, to the extent affecting monetary interests of Seller; and (ii) Buyer shall not, without the prior written consent of Seller, consent to any monetary settlement of such litigation). Seller shall cooperate fully with Buyer and its counsel in the investigation, defense and settlement of such litigation.

(e) With respect to the Shared Litigation, at all times, Buyer shall have the exclusive right to control such litigation.

(f) If the Indemnifying Party does not undertake within the Notice Period to defend against such Asserted Liability, then the Indemnified Party shall have the right to control the investigation and defense and may settle or take any other actions the Indemnified Party deems reasonably advisable without in any way waiving or otherwise affecting the Indemnified Party's rights to indemnification pursuant to this Agreement. The Indemnified Party and the

Indemnifying Party agree to make available to each other, their counsel and other representatives, all information and documents available to them which relate to such claim or demand. The Indemnified Party and the Indemnifying Party and the Companies and their respective employees also agree to render to each other such assistance and cooperation as may reasonably be required to ensure the proper and adequate defense of such claim or demand.

(g) In calculating amounts payable to an Indemnified Party, the amount of any indemnified Losses shall be determined without duplication of any other Loss for which an indemnification claim has been made under any other representation, warranty, covenant, or agreement and shall be computed net of (i) payments recoverable by the Indemnified Party under any insurance policy with respect to such Losses, (ii) any prior or subsequent recovery by the Indemnified Party from any Person with respect to such Losses and (iii) any Tax benefit actually realized by the Indemnified Party with respect to such Losses. To the extent that a Tax benefit is actually realized within three years following the Due Date of the applicable Tax Return that first takes into account the deduction, loss or other Tax attribute generated as a result of the Loss(es) than gave rise to the indemnity payment, then no later than 30 days after the applicable Tax Return has been filed for the applicable period, the indemnified party shall pay to the indemnifying party in immediately available funds the amount of the Tax benefit that is actually realized as a result of the Losses that gave rise to the indemnification (i.e., the reduction in Taxes that would have been otherwise due and payable but for the incurrence of the Losses that gave rise to the indemnification).

(h) Claims for indemnification pursuant to Section 7.1(a)(i), and Section 7.2(a)(i) shall not be made after the Survival Expiration Date. Claims for indemnity pursuant to Section 7.1(a)(ii) and Section 7.2(a)(ii) shall not be made after the expiration of the applicable covenant as determined in accordance with Section 8.4(b). Claims for indemnification under the other sub-sections of Sections 7.1 and 7.2 shall not be made after the thirtieth day following the expiration of the applicable statute of limitations (taking into account valid extensions) of the subject matter of the claim that gave rise to the Losses. Notwithstanding anything to the contrary contained in this Agreement, any timely filed claim for indemnity for which notice has been given prior to the end of the applicable survival period shall survive until the claim has been finally resolved.

(i) To the extent that Seller makes any payment pursuant to this Article VII in respect of Losses for which Buyer or any of its Affiliates have a right to recover against a third party (including, without limitation, an insurance company), Seller shall be subrogated to the right of Buyer or any of its Affiliates to seek and obtain recovery from such third party; provided, however, that if Seller shall be prohibited from such subrogation, Buyer or its Affiliates, as applicable, shall seek recovery from such third party on Seller's behalf and pay any such recovery to Seller.

(j) Subject to Section 8.12, the remedies provided in this Article VII shall be deemed the sole and exclusive remedies of the parties, from and after the Closing Date, with respect to this Agreement.

(k) For all Tax purposes, the parties agree to treat indemnity payments made pursuant to this Agreement and other payments made between the Buyer and the Seller pursuant to the terms of this Agreement as an adjustment to the Closing Consideration to the extent permitted by applicable Law and to use their reasonable best efforts to ensure that, to the extent necessary in order to secure such treatment under applicable Law, all such payments are made from the actual selling entity to the actual purchasing entity of the Shares or Equity Interests to which the indemnity payment relates; provided, however, that if the Internal Revenue Service or any other Tax authority challenges the treatment of the receipt of any indemnity or other payment made hereunder as an adjustment to the Closing Consideration, the indemnified party shall use its reasonable best efforts to uphold the characterization of any such indemnity payment as an adjustment to the Closing Consideration, and shall keep the other party reasonably informed of all developments. To the extent that the treatment of the indemnification payment as an adjustment to the Closing Consideration is finally determined to be erroneous, any indemnity payment hereunder shall, subject to Section 7.3(g) and to the final sentence of this Section 7.3(k), be increased to take into account the amount of Taxes resulting from the receipt of such indemnification payment. If a party to this Agreement assigns the benefit of this Agreement, the other relevant parties shall only be liable to take into account Taxes resulting from the receipt of an indemnification payment to the extent that those other parties would have been liable to take into account Taxes of an equivalent amount if no such assignment had occurred.

(l) Notwithstanding anything to the contrary contained in this Agreement, Sections 7.3 (a) and (b) shall not apply to any Tax Claim (as defined herein).

(m) Notwithstanding anything to the contrary contained herein, subject to the terms of this paragraph (m) and the Grid, Seller agrees to indemnify any Buyer Indemnified Party from and against any Losses incurred by reason of the following (the "**Shared Losses**"): (A) any breach or failure to be true and correct of the representations and warranties set forth in Section 3.1(i), without giving effect to any materiality or Material Adverse Effect qualifications therein, which occurs after the date of this Agreement if the facts and circumstances giving rise to such breach or failure to be true and correct relate to the Business and constitute a breach or violation of Section 3.1(p); (B) any breach or failure to be true and correct of the representations and warranties set forth in Section 3.1(p), without giving effect to any materiality or Material Adverse Effect qualifications therein, to the extent relating to the Business and (C) the litigation set forth in Section 7.3(m) of the Seller Disclosure Schedule. Such indemnification obligations shall be subject to the following:

(i) Seller and Buyer shall be liable for, and shall indemnify the other to the extent necessary to give effect to, the allocations reflected in the grid set forth on Section 7.3(m)(i) of the Seller Disclosure Schedule (the "**Grid**"). The amount set forth in Bracket F of the Grid represents the maximum amount to which allocations of liability between Seller and Buyer shall apply and above which Buyer shall have one hundred percent (100%) of the liability for Shared Losses (as adjusted pursuant to the following sentence, the "**Grid Cap**"). The Grid Cap shall be reduced on a dollar-for-dollar basis by the aggregate amount paid or payable by both Buyer and Seller in respect of Section 7.1(a)(xi) Losses, whether paid prior to or after the Closing Date. An example of such reduction is set forth in Section 7.3(m)(i) of the <u>Seller Disclosure Schedule</u>.

(ii) The amounts set forth on the Grid shall be separate from and shall not be affected by any amounts that may be applied against the Basket or the Ceiling pursuant to this Article VII.

(iii) Counsel of record to the Companies and their Subsidiaries ("**Counsel of Record**") in any lawsuit that could lead to Shared Losses and for which indemnity is available hereunder (any such lawsuits, together with any lawsuit arising from such lawsuits, the "**Shared Litigation**") shall communicate and consult with all parties in connection with the defense of such lawsuit.

(iv) Seller shall be free to retain at its own expense counsel to monitor the lawsuit ("**Seller Counsel**"). Counsel of Record shall communicate and consult with any Seller Counsel.

(v) Counsel of Record and Seller Counsel shall make available to each other and other such counsel and any party confidential oral information and memoranda or other documents related to the defense of the Shared Litigation ("**Defense Materials**") to the extent that they deem it prudent and consistent with the objectives of the joint defense provided for herein.

(vi) The Defense Materials obtained by counsel for any party shall remain confidential and shall be protected from disclosure to any third party except as provided herein.

(n) Claims for indemnification pursuant to Section 7.3(m) shall not be made after April 15, 2007. Notwithstanding anything to the contrary contained in this Agreement, any timely filed claim for indemnity pursuant to Section 7.3(m) for which notice has been given prior to April 15, 2007 shall survive until the claim has been finally resolved.

Section 7.4 <u>Tax Indemnification Procedures</u>.

(a) If a notice of deficiency, proposed adjustment, adjustment, assessment, audit, examination or other administrative or court proceeding, suit, dispute or other claim of any of the Companies or their subsidiaries (a "**Tax Claim**") shall be delivered or sent to or commenced or initiated against any of the Companies or their Subsidiaries by any Tax authority with respect to Taxes or Tax Returns of the Companies or their Subsidiaries for which Buyer may reasonably be entitled to indemnification from Seller pursuant to Section 7.1 of this Agreement, Buyer shall promptly notify Seller in writing of the Tax Claim, and shall include a copy of the relevant Tax Claim notice and other related information; provided, that the failure to so notify Seller shall only reduce its indemnity obligations hereunder to the extent it is actually prejudiced thereby.

(b) Tax Claims relating to Pre-Closing Tax Periods. With respect to Tax Claims of or relating to Taxes of any of the Companies or their Subsidiaries for any Pre-Closing Tax Period, Seller may, upon written notice to Buyer, assume and control the defense of such Tax Claim at its own cost and expense and with its own counsel and may (i) pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Tax authority, or (ii) either pay (A) the Tax claimed and sue for a refund where applicable Law permits such refund suits or (B) contest, settle or compromise the Tax Claim in any permissible manner, and Buyer shall, and shall cause its Affiliates (including the Companies and their Subsidiaries) to, cooperate with Seller in pursuing such Tax Claim and shall provide to Seller (and its employees and other agents) applicable powers of attorney. If Seller elects to assume the defense of any such Tax Claim, notwithstanding anything to the contrary contained in this Section 7.4, (i) Seller shall not enter into any settlement with respect to any such Tax Claim without Buyer's prior written consent (which consent shall not be unreasonably withheld or delayed) if such settlement could reasonably be expected to increase the Tax liability of Buyer (or any of its Affiliates including the Companies or their Subsidiaries) for any Tax period beginning on or after the Closing date (for this purpose, any reduction of Tax attributes relating to any Pre-Closing Tax Period or Interim Period shall be ignored), (ii) Seller shall keep Buyer reasonably informed of all material developments and events relating to such Tax Claim (including promptly forwarding copies to Buyer of any related correspondence and shall use reasonable efforts to provide Buyer with any opportunity to review and comment on any material correspondence before Seller sends such correspondence to any Tax authority), and (iii) Buyer may at its own cost and expense and with its own counsel, participate (including participation in any relevant meetings and conference calls) in (but not to control) the defense of such Tax Claim. In connection with any Tax Claim of or relating to any of the Companies or their Subsidiaries for any Pre-Closing Tax Period that Seller has not elected to control pursuant to this Section 7.4, such contest shall be controlled by Buyer and Seller agrees to cooperate with Buyer and its Affiliates in pursuing such contest, provided, however, that none of Buyer or any of its Affiliates (including the Companies or their Subsidiaries) shall enter into any settlement with respect to any Tax Claim relating to a Pre-Closing Tax Period without the prior written consent of Seller, which consent shall not be unreasonably withheld or delayed, and provided, further, that Buyer and its Affiliates (including the Companies and their Subsidiaries) shall keep Seller informed of all material developments and events relating to such Tax Claim (including promptly forwarding copies to Seller of any related correspondence and shall use reasonable efforts to provide Seller with an opportunity to review and comment on any material correspondence before Buyer sends such correspondence to any Tax authority) and Seller, at its own cost and expense and with its own counsel, shall have the right to participate in (including in any relevant meetings and conference calls) but not control the defense of such Tax Claims.

(c) Tax Claims relating to Straddle Periods. Buyer and Seller shall jointly control (at each party's own cost and expense) all proceedings in connection with any Tax Claim relating to a Straddle Period. The parties agree to cooperate fully with each other in pursuing any such Tax Claim and neither Buyer nor Seller shall (or shall permit any of their Affiliates to) settle a Tax Claim relating to a Straddle Period without the other party's prior written consent, which consent shall not be unreasonably withheld or delayed.

ARTICLE VIII
MISCELLANEOUS

Section 8.1 **Assignment; Binding Effect**. This Agreement and the rights hereunder are not assignable unless such assignment is consented to in writing by both Buyer and Seller and, subject to the preceding clause, this Agreement and all the provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors or permitted assigns. Notwithstanding the forgoing, Buyer shall be permitted, without the consent of Seller, to make an assignment to (i) an Affiliate or (ii) a lender (or agent thereof), for security purposes, provided that, notwithstanding any such assignment, Buyer shall remain responsible for all of its obligations pursuant to this Agreement.

Section 8.2 **Choice of Law**. This Agreement shall be governed by an interpreted and enforced in accordance with the Laws of the State of New York (other than the words "full title guarantee" in Section 2.1(a) which shall be interpreted in accordance with the Laws of England) without regard to the conflicts of laws rules thereof.

Section 8.3 **Consent to Jurisdiction and Service of Process**. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST THE PARTIES ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, SHALL BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK, COUNTY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, THE PARTIES, IRREVOCABLY (I) ACCEPT GENERALLY AND UNCONDITIONALLY THE EXCLUSIVE JURISDICTION AND VENUE OF THESE COURTS; (II) WAIVE ANY OBJECTIONS WHICH SUCH PARTY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (I) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM; (III) AGREE THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN

RECEIPT REQUESTED, TO SUCH PARTY AT THEIR RESPECTIVE ADDRESSES PROVIDED IN ACCORDANCE WITH SECTION 8.5; AND (IV) AGREE THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER SUCH PARTY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT.

Section 8.4 Survival.

(a) The representations and warranties contained herein shall survive the Closing and terminate on April 15, 2007; provided, however, that the representations and warranties made by (i) Seller in Sections 3.1(a), (b), (c), (f) and (t) and the second sentence of Section 3.1(d) and by Buyer in Sections 3.2(a), (b) and (i) shall survive the Closing without any time limit; and (ii) Seller in Section 3.1(l) shall survive the Closing until 90th day after the expiration of the applicable statute of limitations (as applicable in each case, the "**Survival Expiration Date**").

(b) All covenants and agreements contained herein which by their terms are to be performed in whole or in part, or which prohibit actions, subsequent to the Closing Date, shall survive the Closing in accordance with their terms. All other covenants and agreements contained herein shall not survive the Closing and shall thereupon terminate, except that claims for indemnification in respect of any breach thereof may be made at any time prior to the Survival Expiration Date. Notwithstanding the foregoing, if a notice of breach is delivered prior to the end of the applicable survival period, the claim shall survive until the claim has been finally resolved.

Section 8.5 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally, when sent by confirmed cable, telecopy, telegram or facsimile, when sent by overnight courier service or when mailed by certified or registered mail, return receipt requested, with postage prepaid to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to Buyer, to:

Affinity Acquisition, Inc.
c/o Apollo Management, L.P.
9 West 57th Street — 43rd Floor
New York, NY 10019
Telephone: 212-515-3202
Telecopy: 212-515-3263
Attn: Marc Becker

with copies, in the case of notice to Buyer, to:

O'Melveny & Myers LLP
7 Times Square
New York, NY 10036
Telephone: 212-408-2491
Telecopy: 212-326-2061
Email: aweinstein@omm.com
Attn: Adam Weinstein, Esq.

If to Parent, to:

Affinity Acquisition Holdings, Inc.
c/o Apollo Management, L.P.
9 West 57th Street — 43rd Floor
New York, NY 10019
Telephone: 212-515-3202
Telecopy: 212-515-3263
Attn: Marc Becker

with copies, in the case of notice to Buyer, to:

O'Melveny & Myers LLP
7 Times Square
New York, NY 10036
Telephone: 212-408-2491
Telecopy: 212-326-2061
Email: aweinstein@omm.com
Attn: Adam Weinstein, Esq.

If to Seller, to:

Cendant Corporation
9 West 57th Street
New York, New York 10019
Attn: Eric J. Bock, Esq.
Fax: (212) 413-1922

with copies, in the case of notice to Seller, to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attn: David Fox, Esq.
Patricia Moran, Esq.
Fax: (212) 735-2000

Section 8.6 **Headings**. The headings contained in this Agreement are inserted for convenience only and shall not be considered in interpreting or construing any of the provisions contained in this Agreement.

Section 8.7 **Fees and Expenses**. Except as otherwise specified in this Agreement, each party hereto shall bear its own costs and expenses (including investment advisory and legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided that Seller shall be responsible for all Transfer Taxes (as well as the filing of all Tax Returns with respect thereto) and all costs and expenses of the Companies and their Subsidiaries (other than pursuant to Section 4.26) to the extent incurred in connection with the transactions contemplated by this Agreement.

Section 8.8 **Entire Agreement**. This Agreement (including the Exhibits and Schedules hereto), and the Ancillary Agreements constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to such subject matter; provided, however, this Agreement shall not supersede the terms and provisions of the Confidentiality Agreement, which shall survive and remain in effect until expiration or termination thereof in accordance with its terms and this Agreement.

Section 8.9 **Interpretation**.

(a) When a reference is made to an Article, Section or Schedule, such reference shall be to an Article, Section or Schedule of or to this Agreement unless otherwise indicated.

(b) Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(c) Unless the context requires otherwise, words using the singular or plural number also include the plural or singular number, respectively, and the use of any gender herein shall be deemed to include the other genders.

(d) References to “dollars” or “$” are to U.S. dollars.

(e) The terms “hereof,” “herein,” “hereby,” “hereto” and derivative or similar words refer to this entire Agreement.

(f) This Agreement was prepared jointly by the parties hereto and no rule that it be construed against the drafter will have any application in its construction or interpretation.

Section 8.10 **Waiver and Amendment**. This Agreement may be amended, modified or supplemented only by a written mutual agreement executed and delivered by Seller and Buyer. Except as otherwise provided in this Agreement, any failure of any party to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligations, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

Section 8.11 **Third-party Beneficiaries**. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein express or implied shall give or be construed to give to any Person, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder.

Section 8.12 **Specific Performance**. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 8.13 **Severability**. If any provision of this Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 8.14 **No Consequential Damages**. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL SELLER OR BUYER BE LIABLE UNDER THIS AGREEMENT FOR PUNITIVE DAMAGES OR ANY SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND OR NATURE, INCLUDING WITH RESPECT TO MARKETING PRACTICES, REGARDLESS OF THE FORM OF ACTION THROUGH WHICH SUCH DAMAGES ARE SOUGHT (IT BEING UNDERSTOOD THAT TO THE EXTENT BUYER OR SELLER IS ACTUALLY LIABLE TO ANY THIRD PARTY FOR ANY DAMAGES, SUCH LIABILITY SHALL INCLUDE LIABILITY FOR PUNITIVE, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES THAT CONSTITUTE LOSSES UNDER ARTICLE VIII).

Section 8.15 **Reliance**. Each party hereto shall be entitled to rely upon, and shall be deemed to have relied upon, all representations, warranties and covenants of each other party set forth in this Agreement that have been or are made in favor of such party, notwithstanding any investigation or examination conducted with respect to, or any knowledge acquired (or capable of being acquired) about the accuracy or inaccuracy of or compliance with, any representation, warranty, covenant, agreement, undertaking or obligation made by or on behalf of the parties hereto.

Section 8.16 **Counterparts; Facsimile Signatures**. This Agreement may be executed in any number of counterparts, each of which when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument binding upon all of the parties hereto notwithstanding the fact that all parties are not signatory to the original or the same counterpart. For purposes of this Agreement, facsimile signatures shall be deemed originals.

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

CENDANT CORPORATION

By: /s/ Eric J. Bock
Name: Eric J. Bock
Title: Executive Vice President - Law and Corporate Secretary

AFFINITY ACQUISITION, INC.

By: /s/ Marc Becker
Name: Marc Becker
Title: President

AFFINITY ACQUISITION HOLDINGS, INC.

By: /s/ Marc Becker
Name: Marc Becker
Title: President

Exhibit 10.3

[***] designates portions of this document that have been omitted pursuant to a request for confidential treatment filed separately with the Securities and Exchange Commission.

EXECUTION COPY

AMENDMENT NO. 1 dated as of October 17, 2005 (this **"Amendment"**) to the **PURCHASE AGREEMENT** dated as of July 26, 2005 (**the "Original Agreement"**), by and among **CENDANT CORPORATION**, a Delaware corporation (the **"Seller"**), **AFFINITY ACQUISITION, INC.** (now known as **AFFINION GROUP, INC.**), a Delaware corporation (the **"Buyer"**); **AFFINITY ACQUISITION HOLDINGS, INC.** (now known as **AFFINION GROUP HOLDINGS, INC.**), a Delaware corporation and the parent corporation of Buyer (the **"Parent"** and together with Buyer, the **"Acquirors"**).

RECITALS

WHEREAS, capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Original Agreement;

WHEREAS, Seller, Parent and Buyer are parties to the Original Agreement providing for the acquisition by Buyer of all of the Equity of CMG and CIH, each a subsidiary of Seller;

WHEREAS, Section 8.10 of the Original Agreement provides that the Original Agreement may be amended by a written instrument executed and delivered by each of Seller and Buyer; and

WHEREAS, the parties desire to amend the Original Agreement as provided herein (the Original Agreement, as so amended, being referred to herein as the "**Agreement**").

NOW THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and in the Original Agreement, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS

1.1 Amendments to Section 1.1

(a) Section 1.1 of the Original Agreement is hereby amended to delete the definition of "Cash" and insert the definition set forth below:

"Cash" means all cash and cash equivalents of the Companies and their Subsidiaries (other than Restricted Cash), as determined in accordance with GAAP, plus the $28,208,979 non-GAAP cash included in the intercompany accounts.

(b) Section 1.1 of the Original Agreement is hereby amended by inserting the following new definitions in alphabetical order in such section:

"Agreement" shall have the meaning set forth in the Recitals hereto.

“Applicable Period” shall have the meaning set forth in Section 2.5.

[***]

“Cash Reconciliation Schedule” shall have the meaning set forth in Section 2.5.

“Cash Repatriation Schedule” shall have the meaning set forth in Section 2.4.

“Costs” shall have the meaning set forth in Section 2.4(c).

“Dispute Notice” shall have the meaning set forth in Section 2.5.

“Final Cash Statement” shall have the meaning set forth in Section 2.5(g).

“Foreign Cash” shall have the meaning set forth in Section 2.4(a).

[***]

“Indemnified Loan” shall have the meaning set forth in Section 2.4(c).

“Indemnified Transactions” shall have the meaning set forth in Section 2.4(a).

“Inter-Company Accounts” shall have the meaning set forth in Section 2.5(c)(i).

“June 30 Cash” shall have the meaning set forth in Section 2.4.

“Net Due” shall have the meaning set forth in Section 2.5(c)(iv).

[***]

“Preliminary Cash Statement” shall have the meaning set forth in Section 2.5.

[***]

“Sample Statement” shall have the meaning set forth in Section 2.5( ).

“Supplemental Bonuses” means $3,552,500.00.

1.2 Amendment to Section 2.1

(a) Section 2.1(c) of the Original Agreement is hereby amended by deleting the word “Cash” in the first sentence of such section and inserting in lieu thereof the phrase “the Initial Cash Price”.

1.3 Amendments to Section 2.3

(a) Section 2.3(b) of the Original Agreement is hereby amended by deleting the word "and" after the phrase "Retention Payments;" in such section and inserting immediately after the phrase "June 30, 2005" the phrase "; and (v) Supplemental Bonuses."

(b) Section 2.3(c) of the Original Agreement is hereby amended and restated in its entirety as set forth below:

"(c) The Initial Cash Price shall be decreased by the sum of: (i) the Purchase Price Adjustment Items; plus (ii) the difference, if any, of (A) the sum of the payments made by or on behalf of the Companies or their Subsidiaries to Seller and its Affiliates (other than the Companies and their Subsidiaries), net of any payments made by Seller or its Affiliates (other than the Companies and their Subsidiaries) on behalf of the Companies or their Subsidiaries in respect of the period from July 1, 2005 through August 31, 2005, and (B) the difference between (1) the amount required to be paid by the Companies or their Subsidiaries to Seller and its Affiliates (other than the Companies and their Subsidiaries) in respect of such period pursuant to the Inter-Company Agreements and (2) the amount required to be paid by Seller and its Affiliates (other than the Companies and their Subsidiaries) to the Companies or their Subsidiaries in respect of such period pursuant to the Inter-Company Agreements; provided that all Cash of the Business (other than Restricted Cash) through and including June 30, 2005 shall be paid prior to the Closing Date by the Companies and their Subsidiaries to Seller and its Affiliates (other than the Companies and their Subsidiaries); plus (iii) in the case of any payments made by any Company or any Subsidiary prior to or on the Closing Date in connection with the settlement or resolution the matters listed in Section 7.1(a)(x) and Section 7.1(a)(xi) of the Seller Disclosure Schedule, the amount of such payments less the portion of payments that would have been paid by the Companies and its Subsidiaries pursuant to Section 7.1(a)(x) and Section 7.1(a)(xi) (in accordance with Section 7.1(b) and 7.3(m)) had such matter been settled or resolution happened after the Closing Date; plus (iv) the aggregate amount of all the payments made to stockholders of TRL Group other than Seller and its Subsidiaries by any of the Companies or their Subsidiaries to satisfy the condition set forth in Section 5.1(g) but only to the extent, if any, that such payments were not funded by Seller or any of its Subsidiaries (other than the Companies and their Subsidiaries); plus (v) all payments made by any of the Companies or their Subsidiaries after June 30, 2005 in respect of legal fees and expenses incurred in respect of the Excluded Litigation Matters and 80% of all payments made by any of the Companies or their Subsidiaries after June 30, 2005 in respect of legal fees and expenses incurred in respect of the litigation set forth on Section 7.1(a)(xi) of the Seller Disclosure Schedule."

1.4 Amendment to Add New Section 2.4

The Original Agreement is hereby amended by inserting a new Section 2.4 as set forth below:

"**2.4 Cash Repatriation**

(a) As provided in the proviso to clause (ii)(B) of Section 2.3(c), all Cash of the Business (other than Restricted Cash) through and including June 30, 2005 ("**June 30 Cash**") is to be paid prior to the Closing Date by the Companies and their Subsidiaries to Seller and its Affiliates (other than the Companies and their Subsidiaries). Schedule I to this Amendment (the "**Cash Repatriation Schedule**") sets forth for purposes of this Section 2.4 (i) the aggregate amount of June 30 Cash, (ii) the amount of June 30 Cash that is held in Subsidiaries of CIH in jurisdictions outside of the United States ("**Foreign Cash**") and (iii) the steps pursuant to which the Foreign Cash shall be transferred to Seller or one of its Affiliates (such steps, together with the loan from UK newco to CIMS Limited UK made in connection with the transactions contemplated by the steps (**"Indemnified Loan"**) and the unwinding of the Indemnified Loan, collectively, the **"Indemnified Transactions"**).

(b) The parties understand and agree that (i) the Foreign Cash shall be transferred to Seller or one of its Affiliates pursuant to the steps outlined on the Cash Repatriation Schedule and (ii) notwithstanding anything to the contrary set forth in the Agreement, the execution and delivery of all documents, and the performance of all actions, contemplated by, or necessary or advisable, to effectuate the steps set forth on, the Cash Repatriation Schedule shall not constitute a breach or violation of any of the terms of, or cause a failure to be satisfied of any condition under, the Agreement.

(c) Seller shall pay all stamp duties, capital and transfer Taxes required to be paid with respect to the Indemnified Loan and capital contributions set forth in the Cash Repatriation Schedule before the Closing Date. Notwithstanding any other provisions of this Agreement, including any of the limitations on indemnification or remedies contained herein, Seller share bear all out-of-pocket costs (**"Costs"**) of the Indemnified Transactions, whether incurred before or after the Closing Date, and shall indemnify and hold Buyer and its Affiliates harmless against all such Costs. (For the avoidance of doubt, Costs shall not include the principal amount of, and interest with respect to, the Indemnified Loan.) Such Costs shall include, but not be limited to, (i) any Cost that would not have been incurred if the Indemnified Transactions had not occurred, including, but not limited to any incremental Tax Cost incurred by Buyer or any of its Affiliates as a result of the Indemnified Transactions, (ii) any Costs associated with the repayment of the Indemnified Loan, whether by actual repayment or by distributing the Indemnified Loan as a dividend or otherwise to a noteholder's direct and indirect shareholders, (iii) any Taxes, including withholding Taxes, charged (whether incurred by a Party to the Indemnified Loan or otherwise) with respect to payments on, or deemed payments on, or the distribution of, the Indemnified Loan, and (iv) any accounting, legal, or similar documentation or approval Costs associated with the Indemnified Transactions. In calculating the forgoing, Buyer shall be entitled to include any current Tax Cost incurred by Buyer or any of its Affiliates as a result of the existence of the Indemnified Loan, and shall be required to reduce such Tax Cost only by the amount of any net Tax benefit actually realized in the year such Tax Cost is incurred. For the purpose of this Section 2.4(c), (i) Buyer shall not be required to project the use of Tax benefits or deductions in future years, or otherwise take into account Tax benefits or deductions that are not actually realized, to reduce Costs otherwise payable pursuant to this Section 2.4(c) as a consequence of the

Indemnified Transactions, (ii) Buyer shall be required to take into account in determining Costs payable pursuant to this Section 2.4(c), or pay to Seller, all Tax benefits (including Tax benefits carried forward from a prior year) resulting from the Indemnified Transactions that are actually realized during any taxable periods ending on or prior to December 31, 2007 and have not previously been taken into account to reduce the amount of Costs that are indemnified pursuant hereto, (iii) Buyer and its affiliates shall be entitled to treat all other items of tax deduction, credit, depreciation or amortization as being used before any such Tax benefit from the Indemnified Transactions is used, and (iv) Buyer shall not be obligated to reimburse the Seller for any net Tax benefit received by Buyer or its Affiliates in excess of the aggregate Costs that Seller is obligated to indemnify Buyer hereunder. All calculations of Costs required to be made pursuant to this clause shall be made by Buyer in good faith, and shall be binding on the Seller absent manifest error, provided however, that Buyer shall provide such calculations of Costs to the Seller for its review and Buyer will consider in good faith all comments provided by Seller. Subject to the foregoing, Seller shall deliver any Costs requested by Buyer pursuant to this clause within 5 days written demand therefor.

(d) If, in the reasonable determination of the Buyer (based upon written advice of counsel to Buyer and after consultation with Seller and due consideration of Seller’s opinion), the then outstanding principal of and accrued but unpaid interest with respect to the Indemnified Loan cannot be eliminated in full on or prior to August 31, 2006 under applicable Law in a structure as proposed by Seller by means of (A) distributions by Subsidiaries of CIMs Limited (UK) of (i) Distributable Cash, (ii) all or a portion of the Indemnified Loan and/or (iii) stock of the new UK company, (B) share redemptions by Subsidiaries of CIMs Limited (UK) using as consideration therefor solely (i) Distributable Cash, (ii) all or a portion of the Indemnified Loan and/or (ii) stock of the new UK company, and/or (C) a liquidation, merger or dissolution of the new UK company with or into CIMs Limited (UK) after the distributions or redemptions contemplated by clauses (A) and (B), in each case, in a manner that would not decrease the applicable reserves or capital surplus generated solely after June 30, 2005 or the ability of Subsidiaries of CIMs Limited (UK) to make distributions or redeem securities based solely on profits generated after June 30, 2005 assuming, for these purposes, that the Business Day immediately preceding the Closing Date was the last day of each such Subsidiaries’ fiscal year, then Seller will pay to the new UK company formed in connection with the Indemnified Transactions or as directed by Buyer in immediately available funds an amount equal to the portion of the then outstanding principal of and accrued but unpaid interest with respect to the Indemnified Loan that cannot be so eliminated. For purposes of this Section 2.4(d), with respect to each Subsidiary of CIMS Limited (UK), “Distributable Cash” shall mean an amount of Cash that is not in excess of the amount of Cash reflected on the books and records of such Subsidiary as of June 30, 2005 (reduced by the amount of Restricted Cash as of June 30, 2005 and the amount, if any, of Cash previously transferred pursuant to the Cash Repatriation Schedule and increased by the amount, if any, of Distributable Cash received by such Subsidiary pursuant to this Section 2.4).

(e) Buyer shall, and shall cause its Subsidiaries (including CIH and its Subsidiaries) to, cooperate with, and take any action reasonably requested by, Seller to effect the transactions contemplated by this Section 2.4."

1.5 Amendment to Add New Section 2.5

The Original Agreement is hereby amended by inserting a new Section 2.5 as set forth below:

"**2.5 Cash Reconciliation**

(a) The parties acknowledge and agree as follows:

(i) Seller is entitled to retain all Cash of the Business (other than Restricted Cash) as of June 30, 2005. All Cash of the Business from and after such date shall be retained by the Companies, other than net amounts payable to or by Seller and its Affiliates (other than the Companies and its Subsidiaries) by or to the Companies and their Subsidiaries in accordance with the Intercompany Agreements (the "Closed Loop").

(ii) The Closed Loop shall be calculated for the period from and including July 1, 2005 through and including August 31, 2005 pursuant to the adjustment set forth in Section 2.3(c)(ii). The calculation of such adjustment is reflected in the schedules set forth in Schedule II to this Amendment (the "**Cash Reconciliation Schedule**"), which sets forth the Net Due amount for which adjustment shall be made pursuant to Section 2.3(c)(ii).

(iii) The Closed Loop shall be calculated for the period from and including September 1, 2005 through and including the date immediately prior to the Closing Date pursuant to the adjustment set forth below in this Section 2.5.

(b) Within forty-five (45) days following the Closing Date, Buyer shall prepare and deliver to Seller a statement for the period from and including September 1, 2005 through and including the date immediately prior to the Closing Date, setting forth, the following (the "**Preliminary Cash Statement**"):

(i) reconciliations of the inter-company accounts of Seller and its Subsidiaries (other than the Companies and their Subsidiaries), on the one hand, and the Companies and their Subsidiaries, on the other hand ("**Inter-Company Accounts**");

(ii) activity flowing through the Inter-Company Accounts, broken out between cash activity and non-cash activity;

(iii) cash activity through the Inter-Company Accounts broken out between (x) net inter-company agreement activity, (y) net cash transfer activity and (z) net payments made by Seller on behalf of the Business; and

(iv) a reconciliation of the net amount due to/due from Seller in accordance with Section 2.5(a)(iii) (the "**Net Due**") with supporting documentation for items (i) — (iii) above.

(c) The Preliminary Cash Statement shall be prepared and the Net Due amount shall be calculated using the same policies, procedures and methodologies used in preparing the Cash Reconciliation Schedule and consistent with Section 2.3(c).

(d) Seller shall have thirty (30) days following receipt of the Preliminary Cash Statement to review the Preliminary Cash Statement and to notify Buyer in writing if it disputes the amount of the Net Due set forth on the Preliminary Cash Statement (the "**Dispute Notice**"), specifying the reasons therefore in reasonable detail.

(e) In connection with Buyer's preparation of the Preliminary Cash Statement and Seller's review of such statement, Buyer and its Representatives and Seller and its Representatives, as applicable, shall have reasonable access, during normal business hours and upon reasonable notice, to all business and financial records, relevant work papers, schedules, memoranda and other documents and to finance personnel of Buyer or Seller, as applicable, the Companies and their Subsidiaries and any other information which Buyer or Seller, as applicable, reasonably requests, and Buyer shall, and shall cause the Companies and their Subsidiaries to, and Seller shall and shall cause its Subsidiaries to cooperate reasonably with Buyer or Seller and their respective Representatives, as applicable, in connection therewith.

(f) In the event that Seller shall deliver a Dispute Notice to Buyer, Buyer and Seller shall cooperate in good faith to resolve the dispute over such disputed items as promptly as practicable and, upon such resolution, if any, any adjustments to the Preliminary Cash Statement shall be made in accordance with the agreement of Buyer and Seller. If Buyer and Seller are unable to resolve any such disputed items within ten (10) Business Days (or such longer period as Buyer and Seller shall mutually agree in writing) of Seller's delivery of such Dispute Notice, such disputed items shall be resolved by the Independent Accounting Firm, and such determination shall be final and binding on the parties. Any expenses relating to the engagement of the Independent Accounting Firm in respect of its services pursuant to this Section 2.5(d) shall be shared equally by Buyer and Seller. The Independent Accounting Firm shall be instructed to use reasonable best efforts to perform its services within thirty (30) days of submission of the Preliminary Cash Statement to it and, in any case, as promptly as practicable after such submission. The Preliminary Cash Statement, (i) if no Dispute Notice has been timely delivered by Seller, as originally submitted by

Buyer, or (ii) if a Dispute Notice has been timely delivered by Seller, as determined pursuant to the resolution of such dispute in accordance with this Section 2.5(d), shall be, respectively, the "**Final Cash Statement.**"

(g) If the Final Cash Statement shows a Net Due payable to the Companies and their Subsidiaries, then Seller shall pay to CMG the amount of the Net Due. If the Final Cash Statement shows a Net Due payable to Seller, then Buyer shall pay or cause CMG to pay to Seller the amount of the Net Due. The payment of the Net Due as set forth herein shall be made on or before the fifth (5^{th}) Business Day following the date on which the Preliminary Cash Statement becomes the Final Cash Statement pursuant to the last sentences of Section 2.5(f), together with interest thereon from the Closing Date to the date of payment, at a floating rate equal to the U.S. dollar prime rate per annum, as quoted by Banc of America Securities LLC from time to time during such period. Such interest shall be calculated based on a year of 365 days and the number of days elapsed since the Closing Date."

(h) Seller and Buyer shall pay or cause to be paid to or as directed by the other any cash that it or its Affiliates (other than, in the case of Seller, the Companies and their Subsidiaries) receives or has received after June 30, 2005, whether before or after the Closing, from third parties in respect of the business activities of the other party.

1.6 Amendment to Section 4.12

Section 4.12(a) of the Original Agreement is hereby amended by deleting the phrase "(i) obtain a letter of credit on behalf of Buyer or one of its Affiliates," in the second sentence of such section and inserting in lieu thereof the phrase "(i) obtain prior to December 31, 2005, a letter of credit in an amount to be mutually agreed upon by Buyer and Seller, on behalf of Buyer or one of its Affiliates."

1.7 Amendment to Section 4.21

Section 4.21(b) of the Original Agreement is hereby amended and restated in its entirety as set forth below:

"All of the New Inter-Company Agreement Term Sheets set forth in Schedule V shall contain the Universal Provisions set forth in Schedule V; and the New Inter-Company Term Sheets that are marketing services term sheets (other than Marketing 8 and 9 term sheets) shall contain the provisions set forth in Schedule 4.21(b)(ii) of the Seller Disclosure Schedule."

1.8 Amendment to Section 4.24

Section 4.24 of the Original Agreement is hereby amended and restated in its entirety as set forth below:

"Buyer agrees to pay Seller all Retention Payments and Supplemental Bonuses that are forfeited on or prior to the first anniversary of the Closing Date by or otherwise not paid to any employee party thereto in accordance with the Retention Letters or Supplemental Bonus Letters, as applicable, promptly following such forfeiture by wire transfer of immediately available funds (it being understood that any such payments that are rolled over into equity securities or other securities of the Buyer will be deemed paid unless forfeited on or prior to the first anniversary of the Closing Date)."

1.9 Amendment to Add New Section 4.29

(a) The Original Agreement is hereby amended by inserting new Section 4.29 as set forth below:

[***]

1.10 Amendment to Section 5.1

(a) Section 5.1(g) of the Original Agreement is hereby amended by deleting the word "Seller" and inserting in lieu thereof the words "CMG or one of its Subsidiaries."

(b) Section 5.1(h) of the Original Agreement is hereby amended by deleting the reference to Section "5.1(f)" and inserting in lieu thereof "5.1(h)."

1.11 Amendment to Section 7.3

The Original Agreement is hereby amended by inserting a new Section 7.3(o) as set forth below:

"The parties acknowledge that certain state attorneys general or other Governmental Authorities have joined or indicated an intention to join the Actions set forth in Section 7.1(a)(xi) of the Seller Disclosure Schedule and that additional state attorneys general or other Governmental Authorities may hereafter join such Actions. The parties agree that all amounts paid or payable in connection with such Actions that are not allocated to a specific state or Action (in a judgment, order, decree, settlement agreement, invoice or otherwise) shall be allocated between Shared Losses and Section 7.1(a)(xi) Losses in the same proportion as such amounts that are allocated to a specific state or Action (in a judgment, order, decree, settlement agreement, invoice or otherwise)."

1.12 Amendment to Seller Disclosure Schedules

(a) Section 3.1(i)(A) of the Seller Disclosure Schedule to the Original Agreement is hereby amended by deleting the date "7/10/01" contained at the end of the reference to *Pederson* *v. Trilegiant Corporation* under the heading “Consumer Class Actions Alleging Unfair and Deceptive Marketing Practices” and inserting the date “11/15/01” in lieu thereof.

(b) Section 4.11(a) of the Seller Disclosure Schedule to the Original Agreement is hereby amended and restated in its entirety as set forth on Annex I hereto.

(c) Section 4.12 of the Seller Disclosure Schedule to the Original Agreement is hereby amended and restated in its entirety as set forth on Annex II hereto.

(d) Section 4.21(b)(ii)(a)(1) of the Seller Disclosure Schedule to the Original Agreement is hereby amended by inserting the phrase “the applicable Cendant party shall have the right to terminate at will following the effective date upon at least” immediately after the phrase “in the case of Marketing (6),” in the first sentence of such section.

ARTICLE II
MISCELLANEOUS

2.1 No other Amendments or Waivers

Except as modified by this Amendment, the Original Agreement shall remain in full force and effect, enforceable in accordance with its terms. Except as expressly set forth herein, this Amendment is not a consent to any waiver or modification of any other terms or conditions of the Original Agreement or any of the instruments or documents referred to in the Original Agreement and shall not prejudice any right or rights which the parties thereto may now or hereafter have under or in connection with the Agreement or any of the instruments or documents referred to therein. After the date hereof, any reference to the Original Agreement shall mean the Original Agreement as amended hereby.

2.2 Effectiveness

This Amendment shall be effective upon the execution and delivery hereof by Seller and Buyer in accordance with Section 8.10 of the Original Agreement.

2.3 Counterparts and Facsimile Execution

This Amendment may be executed in any number of counterparts, each of which when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument binding upon all of the parties hereto notwithstanding the fact that all parties are not signatory to the original or the same counterpart. For purposes of this Amendment, facsimile signatures shall be deemed original and the Parties agree to exchange original signatures as promptly as possible.

2.4 Choice of Law

This Amendment shall be governed by and interpreted and enforced in accordance with the Laws of the State of New York without regard to the conflicts of laws rules thereof.

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 1 to the Original Agreement as of the date first above written.

AFFINION GROUP HOLDINGS, INC.

By: /s/ Marc Becker
Name: Marc Becker
Title: Chairman

AFFINION GROUP, INC.

By: /s/ Marc Becker
Name: Marc Becker
Title: Chairman

CENDANT CORPORATION

By: /s/ David B. Wyshner
Name: David B. Wyshner
Title: Executive Vice President and Treasurer

Exhibit 10.4

Dear Cendant Worldwide Associates with LTIP Awards:

Our recent announcement that Cendant will soon transform into 4 separate publicly traded companies (the “Transaction”) is huge news for our shareholders and the financial markets, but we are also aware that this is significant news for all of our worldwide employees. Mr. Silverman, the Senior Management Team, and the Cendant Board of Directors realize that significant changes and extra effort lie directly ahead for our key management employees.

The first step in our communication and retention plan is to provide you with information regarding our planned treatment of your outstanding Long Term Incentive Plan (“LTIP”) awards in connection with the Transaction. By providing you with special vesting for your 2003, 2004 and 2005 annual LTIP awards (including special interim grants for new hires and welcome grants for acquired business units), Senior Management and the Board of Directors expect that you will remain focused on your daily operational duties, provide extra effort toward restructuring and preparing Cendant for the Transaction, and maintain a positive and encouraging posture for the benefit of your direct report employees, all of this notwithstanding your questions and uncertainties regarding the future.

Cendant’s Compensation Committee has approved special vesting rights for all participants as follows:

(1) Upon completion of the Transaction, 50% of all unvested outstanding LTIP awards which had not previously vested will become vested; and

(2) the remaining 50% of unvested outstanding LTIP awards will become vested at the earlier of six months following completion of the Transaction and December 31, 2006.

For these purposes, performance-based awards (including dividend equivalent units relating to restricted stock units) will vest at 100% attainment of Total Unit Growth targets (the Compensation Committee has determined that completion of the Transaction will not constitute a “Change of Control” within the meaning of the LTIP plan documents, and thus awards relating to “above-target” attainment of Total Unit Growth will not vest and will be cancelled upon completion of the Transaction).

Depending on how the Transaction is ultimately structured, awards may vest (and the “above target” portion may be cancelled) at earlier times, but so long as the Transaction is completed by December 31, 2006, awards will not vest any later than as described above. Also, awards scheduled to vest at earlier times in accordance with regular vesting schedules will vest in accordance with those regular vesting schedules. If for any reason the Transaction is not completed by December 31, 2006, the existing terms of your award will continue to apply.

Generally, you will receive the special vesting described above only if you remain employed with Cendant (or one of the newly created entities) through each of the respective vesting dates. However, you will receive the special vesting if, during the pendency of the Transaction (or following its completion), your employment terminates because of your death or Disability (as defined in the applicable LTIP plan documents) or your employment is terminated by Cendant (or one of the newly created entities) because of the elimination of your position in connection with the Transaction. You will not receive the special vesting if, prior to the applicable vesting date, you resign from your employment or you are terminated for below-expectation job performance or a violation of the Cendant Code of Conduct.

Finally, to receive the special vesting, you must execute the acknowledgement and consent below (which will evidence your consent to the terms and conditions set forth in this letter, including the cancellation of all of your LTIP awards relating to the "above-target" attainment of Total Unit Growth as described above). Please return a signed copy of the acknowledgement and consent to:

Cendant Corporation
One Campus Drive
Parsippany, New Jersey USA

At this crucial and exciting time in Cendant's history, Senior Management thanks each of you for your continued attention towards building and creating stockholder value and entrusts that you will view next 12 to 18 months as a unique and special opportunity to be part of a team of "Company Founders." This is not the end of Cendant, but an exciting new beginning.

Very truly yours,

Terry Conley,
Executive Vice President, Human Resources
and Corporate Services

ACKNOWLEDGEMENT AND CONSENT

I hereby acknowledge and consent to the treatment of my outstanding LTIP awards as set forth above.

____
Signature:

Name:
Date:

Exhibit 12

Cendant Corporation and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Earnings before fixed charges:		
Income before income taxes and minority interest	$ 1,465	$ 1,664
Plus: Fixed charges	658	732
Amortization of capitalized interest	4	5
Less: Minority interest in pre-tax income of subsidiaries that have not incurred fixed charges	–	6
Capitalized interest	5	4
Earnings available to cover fixed charges	$ 2,122	$ 2,391
Fixed charges (a):		
Interest, including amortization of deferred financing costs (b)	$ 547	$ 623
Interest portion of rental payment	111	109
Total fixed charges	$ 658	$ 732
Ratio of earnings to fixed charges	3.22x	3.27x

(a) Consists of interest expense on all indebtedness (including amortization of deferred financing costs and capitalized interest) and the portion of operating lease rental expense that is representative of the interest factor. Interest expense on all indebtedness is detailed as follows:

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Related to the debt under management programs incurred by the Company's vehicle rental business	$ 230	$ 210
All other	317	413

(b) Does not include interest expense from discontinued operations of $11 million and $67 million for the nine months ended September 30, 2005 and 2004, respectively.

* * *

Exhibit 15

November 1, 2005

Cendant Corporation
9 West 57th Street
New York, New York

We have made reviews, in accordance with the standards of the Public Company Accounting Oversight Board (United States), of the unaudited interim financial information of Cendant Corporation and subsidiaries for the periods ended September 30, 2005 and 2004, as indicated in our report dated November 1, 2005; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, is incorporated by reference in Cendant Corporation's Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, 333-86469, 333-51586, 333-59246, 333-65578, 333-65456, 333-65858, 333-83334, 333-84626, 333-86674 and 333-87464 on Form S-3 and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-80834, 333-09633, 333-09637, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303, 333-78475, 333-51544, 333-38638, 333-64738, 333-71250, 333-58670, 333-89686, 333-98933, 333-102059, 333-22003, 333-114744, 333-120557, and 333-124925 on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statements prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP
New York, New York

* * *

Exhibit 31.1

CERTIFICATIONS

I, Henry R. Silverman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cendant Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2005

/s/ HENRY R. SILVERMAN

CHIEF EXECUTIVE OFFICER

Exhibit 31.2

I, Ronald L. Nelson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cendant Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2005

/s/ RONALD L. NELSON

PRESIDENT AND CHIEF FINANCIAL OFFICER

Exhibit 32

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cendant Corporation (the "Company") on Form 10-Q for the period ended September 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henry R. Silverman, as Chief Executive Officer of the Company, and Ronald L. Nelson, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Henry R. Silverman

Henry R. Silverman
Chief Executive Officer
November 2, 2005

/s/ Ronald L. Nelson

Ronald L. Nelson
President and Chief Financial Officer
November 2, 2005