PHH CORP
Form PRER14A
August 06, 2007

Table of Contents

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO. 1)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X]	Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))	
[ ] Definitive Proxy Statement	
[ ] Definitive Additional Materials	
[ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-2.	

PHH Corporation

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value $0.01 per share (the Common Stock), of PHH Corporation

---

(2) Aggregate number of securities to which transaction applies:

53,506,822 shares of Common Stock outstanding as of June 11, 2007; 3,406,374 options to purchase shares of Common Stock; and restricted stock units with respect to 1,467,068 shares of Common Stock.

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value was calculated based upon the sum of (i) 53,506,522 shares of Common Stock multiplied by $31.50 per share; (ii) 3,406,374 options to purchase shares of Common Stock multiplied by $12.12 per option (the difference between $31.50 and the weighted average exercise price of $19.38 per share); and (iii) restricted stock units with respect to 1,467,068 shares of Common Stock multiplied by $31.50 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was calculated by multiplying the sum from the preceding sentence by 0.0000307.

---

(4) Proposed maximum aggregate value of transaction: $1,772,977,872.10

---

(5) Total fee paid: $54,430.42

[X] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

(4) Date Filed:

Table of Contents

[l], 2007

Dear Fellow Stockholder:

You are cordially invited to attend a special meeting of stockholders of PHH Corporation to be held on [l], 2007 starting at [l]:00 a.m. local time, at the [l] located at [l]. At the special meeting, you will be asked to consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of March 15, 2007, by and among PHH Corporation, General Electric Capital Corporation and Jade Merger Sub, Inc., pursuant to which Jade Merger Sub, Inc. will merge with and into PHH Corporation. If the merger agreement is approved and the merger is consummated, you will be entitled to receive $31.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock owned by you, as more fully described in the accompanying proxy statement.

PHH Corporation s board of directors, after consideration of a variety of factors, including the unanimous recommendation of a special committee of independent non-employee directors, has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of our stockholders and approved the merger agreement, and the transactions contemplated by the merger agreement, including the merger. **Our board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement and the merger.**

Your vote is very important. The merger agreement and the merger must be approved by the affirmative vote of the holders of at least a majority of our common stock outstanding on the record date and entitled to vote at the special meeting. More information about the merger is contained in the accompanying proxy statement. We encourage you to read the accompanying proxy statement in its entirety, because it describes the terms of the merger, the documents related to the merger and related transactions, and provides specific information about the special meeting.

Whether or not you plan to attend the special meeting, please complete, sign, date and promptly return the proxy card in the enclosed prepaid return envelope, or, if you prefer, follow the instructions on your proxy card for telephonic or Internet proxy authorization, as soon as possible. **If you do not vote or do not instruct your broker, bank or other nominee how to vote, it will have the same effect as voting against the proposal to approve the merger agreement and the merger**.

If you sign, date and send us your proxy but do not indicate how you want to vote, your proxy will be voted FOR the proposal to approve the merger agreement and the merger.

Our board of directors appreciates your time and attention in reviewing the accompanying proxy statement. Thank you in advance for your cooperation and continued support. We look forward to seeing you at the special meeting.

Sincerely,

A. B. Krongard
Non-Executive Chairman of the Board

Terence W. Edwards
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or

accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The proxy statement is dated [1], 2007, and is first being mailed to stockholders on or about [1], 2007.

Table of Contents

PHH CORPORATION
3000 Leadenhall Road
Mt. Laurel, New Jersey 08054

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On [ ], 2007

To Our Stockholders:

A special meeting of stockholders of PHH Corporation, a Maryland corporation, will be held on [l], 2007 starting at [l] a.m., local time, at the [l] located at [l], for the following purposes:

1. to consider and vote upon a proposal to approve the merger of Jade Merger Sub, Inc., an indirect wholly owned subsidiary of General Electric Capital Corporation, with and into PHH Corporation pursuant to the Agreement and Plan of Merger (the ***merger agreement***), dated as of March 15, 2007, by and among PHH Corporation, General Electric Capital Corporation and Jade Merger Sub, Inc. A copy of the merger agreement is attached as ***Annex A*** to the accompanying proxy statement;

2. to consider and vote on a proposal to approve any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies; and

3. to consider and vote upon such other business as may properly come before the special meeting or any adjournments or postponements thereof.

Our board of directors has specified the close of business on [l], 2007 as the record date for the purpose of determining our stockholders who are entitled to receive notice of and to vote at the special meeting. Only our stockholders of record at the close of business on the record date are entitled to notice of and to vote at the special meeting.

Our board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of our stockholders and approved the merger agreement and the transactions contemplated by the merger agreement including the merger.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE MERGER AGREEMENT AND THE MERGER.

Please note that, under the Maryland General Corporation Law, as amended (the ***MGCL***), holders of shares of our common stock are not entitled to appraisal or dissenters rights in connection with the merger because our common stock is listed on the New York Stock Exchange (the ***NYSE***).

The merger agreement and the merger must be approved by the affirmative vote of the holders of at least a majority of our common stock outstanding on the record date and entitled to vote at the special meeting. **Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy or submit your proxy by telephone or via the Internet prior to the special meeting to ensure that your shares of common stock will be represented at the special meeting if you are unable to attend.**

If you have Internet access, we encourage you to record your vote via the Internet. The failure of any stockholder to vote on the proposal to approve the merger agreement and the merger will have the same effect as a vote against the proposal. If you fail to return your proxy card or fail to submit your proxy by telephone or via the Internet and you fail to attend the special meeting, your shares will not be counted for purposes of determining whether a quorum is present at the meeting, but will not affect the outcome of the vote regarding the adjournment proposal, if necessary. If you are a stockholder of record, voting in person at the special meeting will revoke any previously submitted proxy. If you hold your shares through a bank, broker or other custodian, you must obtain a legal proxy from such custodian in order to vote in person at the special meeting.

Table of Contents

Please note that space limitations make it necessary to limit attendance at the special meeting only to stockholders as of the record date (or their authorized representatives) holding admission tickets or other evidence of ownership of our common stock. The admission ticket is detachable from your proxy card. If your shares are held by a bank or broker, please bring to the special meeting your statement evidencing your beneficial ownership of common stock and valid photo identification. The list of stockholders entitled to vote at the special meeting will be available for inspection at our principal executive offices at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054 during ordinary business hours at least [l] days before the special meeting.

By Order of the Board of Directors

William F. Brown
Senior Vice President, General Counsel and Secretary

Table of Contents

TABLE OF CONTENTS

Table of Contents

Page

Table of Contents

SUMMARY TERM SHEET

The following summary highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. References to we, us, our, PHH Corporation, or the Company in this proxy statement refer to PHH Corporation and its subsidiaries and does not include certain joint ventures in which we, directly or indirectly through our subsidiaries, own interests unless otherwise indicated or the context otherwise requires.

The Parties to the Merger (Page [l])

PHH Corporation

PHH Corporation, a Maryland corporation, is a leading outsource provider of residential mortgages and vehicle fleet management services. We conduct our business through three operating segments, a mortgage production segment, a mortgage servicing segment and a fleet management services segment. Our mortgage production segment originates, purchases and sells mortgage loans through PHH Mortgage Corporation, its subsidiaries and affiliates (collectively, ***PHH Mortgage***), which includes PHH Home Loans, LLC (***PHH Home Loans***). Our mortgage servicing segment services mortgage loans that either PHH Mortgage or PHH Home Loans originates. Our mortgage servicing segment also purchases mortgage servicing rights (***MSRs***) and acts as a subservicer for certain clients that own the underlying MSRs. In this proxy statement, we refer to our mortgage production and servicing segments collectively as our ***mortgage business.*** Our fleet management services segment provides commercial fleet management services to corporate clients and government agencies throughout the United States and Canada through PHH Vehicle Management Services Group LLC, doing business as PHH Arval (***PHH Arval***). PHH Arval is a fully integrated provider of fleet management services with a broad range of offerings, including management and leasing of vehicles and other fee-based services for vehicle fleets. In this proxy statement, we refer to the operations conducted by our fleet management services segment as our ***fleet management business.***

For more information about us, please visit our website at www.phh.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. Our common stock is publicly traded on the NYSE under the symbol PHH. Our executive offices are located at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054 and our telephone number is (856) 917-1744.

General Electric Capital Corporation

General Electric Capital Corporation (***GE Capital***) was incorporated in 1943 in the State of New York under the provisions of the New York Banking Law relating to investment companies. On July 2, 2001, GE Capital reincorporated and changed its domicile from New York to Delaware. All outstanding common stock of GE Capital is owned by General Electric Capital Services, Inc., the common stock of which is in turn wholly owned directly or indirectly by General Electric Company. Through its division GE Capital Solutions Fleet Services, GE Capital offers a broad range of financial services throughout North America with more than 934,265 commercial vehicles under lease and service management.

Additional information about GE Capital Solutions Fleet Services is available on its website at http://www.gecapsol.com. The information contained on this website is not incorporated into, and does not form a part

of, this proxy statement or any other report or document on file with or furnished to the Securities and Exchange Commission (the ***SEC***). GE Capital s principal executive office is located at 3135 Easton Turnpike, Fairfield, Connecticut, and its telephone number is (203) 373-2211.

Jade Merger Sub, Inc.

Jade Merger Sub, Inc. (the ***merger sub***), a Maryland corporation, is currently a wholly owned subsidiary of GE Capital. Merger sub was formed exclusively for the purpose of effecting the merger. Merger sub has not carried

Table of Contents

on any activities to date other than those incident to its formation and the negotiation and execution of the merger agreement and the consummation of the transactions contemplated thereby. Merger sub s principal executive offices are located at [l], and its telephone number is [l].

The Merger (Page [l])

The merger agreement provides that merger sub will merge with and into the Company (the ***merger***). We will be the surviving corporation (the ***surviving corporation***) in the merger. Upon completion of the merger, you will be entitled to receive $31.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own. See Exchange and Payment Procedures beginning on page [l]. We refer to this amount in this proxy statement as the ***merger consideration*** . As a result of the merger, PHH Corporation will cease to be an independent, publicly traded company and will be wholly owned by GE Capital. Our common stock will no longer be listed on any stock exchange or quotation system and will be delisted from the NYSE. The registration of our common stock under the Securities Exchange Act of 1934, as amended (the ***Exchange Act***) will be terminated upon application to the SEC. Additionally, in conjunction with the merger, GE Capital entered into a separate agreement with Pearl Mortgage Acquisition 2 L.L.C. (the ***Mortgage Business Purchaser***) to sell our mortgage business. We refer to this agreement as the ***mortgage business sale agreement*** in this proxy statement. The mortgage business sale agreement includes provisions that affect the merger agreement and the transactions contemplated thereby, including the merger, and is further described in the section of this proxy statement captioned Mortgage Business Sale Agreement beginning on page [l]. The Mortgage Business Purchaser was formed solely to effect the acquisition of our mortgage business and is an affiliate of The Blackstone Group (***Blackstone***).

We have been informed that at the closing, GE Capital will assume and/or repay all of our outstanding indebtedness which, as of March 31, 2007, aggregated approximately $7,834 million. The assumption and/or repayment of such indebtedness, when taken together with the aggregate merger consideration payable by GE Capital in the merger and the aggregate consideration to be received by holders of stock options and restricted stock units, would, assuming the closing of the merger occurred on March 31, 2007, have resulted in the effective payment by GE Capital of a total dollar amount equal to approximately $9,607 million in connection with the transactions contemplated by the merger agreement, including the merger.

We have been advised that pursuant to the terms and conditions of the mortgage business sale agreement, the Mortgage Business Purchaser has agreed to pay GE Capital an amount in cash to be adjusted in accordance with a formula that takes into account, among other things, the repayment of a portion of outstanding indebtedness assumed by GE Capital and the payment of certain of our transaction expenses. If calculated as of March 31, 2007, we have been advised by GE Capital and the Mortgage Business Purchaser, based upon certain financial information provided by us, that such amount would have resulted in a payment by the Mortgage Business Purchaser of approximately $3,115 million. The Mortgage Business Purchaser has also agreed to assume certain outstanding indebtedness of the Company allocated to the mortgage business, which, based upon certain financial information provided by us, we have been advised by GE Capital and the Mortgage Business Purchaser, was approximately $1,911 million as of March 31, 2007. GE Capital and the Mortgage Business Purchaser have also advised us that the cash payment to GE Capital, when taken together with the assumption of such indebtedness, would have resulted in the effective payment by the Mortgage Business Purchaser of a total dollar amount (calculated as of March 31, 2007) equal to approximately $5,026 million in connection with its acquisition of the mortgage business, or approximately 52% of the effective payment to be made by GE Capital in connection with the transactions contemplated by the merger agreement, including the merger. The dollar amounts and percentages expressed above are only indicative of the consideration that would have been paid had the transactions contemplated by the merger agreement, including the merger, and the transactions contemplated by the mortgage business sale agreement been consummated as of March 31, 2007.

The Special Meeting (Page [l])

Date, Time and Place. The special meeting will be held on [1], 2007 starting at [1] a.m., local time, at the [1] located at [1].

Table of Contents

Purpose. At the special meeting, you will be asked to consider and vote upon (1) a proposal to approve the merger agreement and the merger, pursuant to which merger sub will merge with and into PHH Corporation, (2) a proposal to approve any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies, and (3) such other business as may properly come before the special meeting or any adjournments or postponements thereof.

Record Date. You are entitled to receive notice of and to vote at the special meeting if you owned shares of our common stock at the close of business on [l], 2007, the record date specified by our board of directors for the special meeting. You will have one vote for each share of our common stock that you owned on the record date. As of the record date, there were [l] shares of our common stock issued and outstanding and entitled to receive notice of and to vote at the special meeting.

Vote Required; Quorum. The merger agreement and the merger must be approved by the affirmative vote of the holders of at least a majority of our common stock outstanding on the record date and entitled to vote at the special meeting. We refer to this vote as the ***requisite stockholder vote*** in this proxy statement. Holders of at least a majority of our common stock issued and outstanding as of the record date and entitled to vote at the special meeting must be present in person or by proxy at the special meeting to constitute a quorum to conduct business at the special meeting. In the event that a quorum is not present at the special meeting, we expect that we will adjourn or postpone the special meeting to solicit additional proxies.

For the proposal to approve the merger agreement and the merger, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to approve the merger agreement and the merger, but will count for the purpose of determining whether a quorum is present at the special meeting. **If you abstain, it will have the same effect as a vote AGAINST the proposal to approve the merger agreement and the merger**.

Treatment of Stock Options and Restricted Stock Units (Page [l])

The merger agreement provides that, immediately prior to the effective time of the merger, each outstanding, unexercised stock option (whether vested or not) shall be deemed to be fully vested at the effective time of the merger and shall be canceled, and the holder thereof shall be entitled to receive, at the effective time of the merger or as soon as practicable thereafter, an amount of cash, less applicable withholding taxes, equal to:

- the aggregate number of shares of our common stock underlying such stock option immediately prior to the effective time of the merger, multiplied by
- the excess of $31.50 over the exercise price per share of our common stock subject to such stock option.

In addition, under the terms of the merger agreement, at the effective time of the merger, each restricted stock unit that is outstanding or earned but not awarded immediately prior to the effective time of the merger (whether vested or unvested) shall be deemed to be fully vested and shall be canceled, entitling the holder thereof to the right to receive, at the effective time of the merger or as soon as practicable thereafter, an amount of cash, equal to the aggregate number of shares of our common stock underlying such restricted stock unit immediately prior to the effective time of the merger, multiplied by $31.50, less any applicable withholding taxes.

Recommendation of our Board of Directors (Page [l])

Our board of directors, at a special meeting held on March 13, 2007, after due consideration, unanimously: (i) determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of our stockholders, (ii) approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, along with other transaction documents presented to the board of directors relating to the merger, and (iii) directed that the merger agreement and the transactions contemplated by the merger agreement, including the merger, be submitted for consideration by our common stockholders at the special meeting of stockholders. **Our board of directors unanimously recommends that the holders of our common stock vote FOR the proposal to approve the merger agreement and the merger**. For a discussion of the factors considered by our board of directors in reaching its conclusions, see Background of the Merger beginning on page [1].

Table of Contents

Interests of Our Directors and Executive Officers in the Merger (Page [l])

In considering the recommendation of the board of directors with respect to the merger and the merger agreement, you should be aware that certain of our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a stockholder and that such interests may present actual or potential conflicts of interest. Such interests include, among other matters:

- severance payments and benefits payable to certain of our executive officers upon termination of employment pursuant to our existing policies or agreements;
- retention bonuses payable to certain of our executive officers in order to retain their services at least through the consummation of the merger;
- accelerated vesting of certain equity awards; and
- rights to continued indemnification and insurance coverage after the merger for acts or omissions occurring prior to the merger.

As of the date of this proxy statement, except for Mr. George J. Kilroy, a member of our board of directors and the President and Chief Executive Officer of PHH Arval, who has entered into an offer letter with GE Capital Solutions pursuant to which he is expected to become the Chairman of GE Capital Solutions Fleet Services upon consummation of the merger (as described below), none of our executive officers have entered into any agreement, arrangement or understanding with GE Capital, Blackstone or their respective affiliates, regarding employment or other matters.

Following the execution of the merger agreement and the mortgage business sale agreement, Blackstone has held preliminary discussions with Mr. Terence W. Edwards, a member of our board of directors and the chief executive officer of the Company, regarding possible terms of his continued employment following the consummation of the merger. In addition, Blackstone has informed us that it is their intention to engage in discussions with additional executive officers involved in the mortgage business regarding (i) the terms of their continued employment, and (ii) the right to participate in the equity of and the right to participate in equity-based incentive compensation plans for the mortgage business following the consummation of the merger. Such arrangements remain to be negotiated and no terms have been finalized. It is expected that any such arrangements will be negotiated and finalized prior to the consummation of the merger, although we cannot presently determine whether such negotiations will result in agreements, arrangements or understandings.

As of the record date, our directors and executive officers held in the aggregate approximately [l] % of the shares of our common stock entitled to vote at the special meeting.

Opinion of Financial Advisors (Page [l])

Each of Merrill Lynch, Pierce, Fenner & Smith Incorporated (***Merrill Lynch***) and Gleacher Partners LLC (***Gleacher Partners***) (collectively, the ***financial advisors***), delivered its opinion to our board of directors that, as of the date of its opinion and based upon and subject to the assumptions, qualifications and limitations set forth in its opinion, the merger consideration to be received by holders of our common stock in the merger was fair, from a financial point of view, to such stockholders.

The full text of the written opinion of each of Merrill Lynch and Gleacher Partners, dated March 14, 2007, which set forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinions, are attached to this document as ***Annex B*** and ***Annex C,*** respectively. You are urged to read each opinion

carefully in its entirety.

Each written opinion is addressed to our board of directors and special committee, is directed only to the consideration to be paid pursuant to the merger, and does not constitute a recommendation as to how any holder of shares of our common stock should vote at our special meeting with respect to the merger agreement and the merger.

Table of Contents

Regulatory Approvals (Page [l])

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the ***HSR Act***) and the rules promulgated thereunder by the Federal Trade Commission (***FTC***), neither the merger nor the sale of our mortgage business by GE Capital to the Mortgage Business Purchaser may be consummated until the requisite notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (the ***DOJ***), and the applicable waiting periods have expired or been terminated. On March 23, 2007, we and GE Capital filed the requisite notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ with respect to the merger. The waiting period relating to the merger expired on April 23, 2007. On March 30, 2007, we and an affiliate of Blackstone filed the requisite notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ with respect to the transactions contemplated by the mortgage business sale agreement. On April 11, 2007, the FTC and the Antitrust Division of the DOJ granted early termination of the waiting period relating to the transactions contemplated by the mortgage business sale agreement.

Under Canada s Competition Act, the merger may not be completed until Canada s Commissioner of Competition issues an advance ruling certificate or waives the applicable notification requirements, or until prescribed notification information has been filed with the Commissioner of Competition and the applicable waiting period has expired. On March 29, 2007, GE Capital requested that the Commissioner of Competition either issue an advance ruling certificate or indicate that the Commissioner did not intend to challenge the merger and waive the parties obligation to file prescribed notification information under the Competition Act. On April 13, 2007, the Commissioner of Competition issued an advance ruling certificate in respect of the merger.

On May 7, 2007, certain affiliates of Blackstone filed an application with the New York State Department of Insurance pursuant to New York Insurance Law in connection with the proposed change in control of Atrium Insurance Corporation (***Atrium***), a New York domiciled mortgage guaranty insurer and a subsidiary of the Company. In addition, on May 25, 2007, GE Capital filed a request for an exemption with the New York Department of Insurance relating to the change in control of Atrium due to the transactions contemplated by the merger agreement and the mortgage business sale agreement. The approvals and notices required to complete the transactions contemplated by the merger agreement also include the approvals of various state regulatory authorities and notices to various state authorities relating to ownership changes with respect to our mortgage business. We cannot assure you, however, that these consents, waivers, approvals, permits or authorizations will be obtained in a timely manner, or at all.

Material U.S. Federal Income Tax Consequences (Page [l])

The receipt of cash in exchange for shares of our common stock pursuant to the merger generally will be a taxable transaction for U.S. federal income tax purposes. In general, holders of our common stock whose shares of common stock are converted into the right to receive cash in the merger will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such shares and the stockholder s adjusted tax basis in such shares. You should consult your tax advisor for a complete analysis of the effect of the merger on your federal, state and local and/or foreign taxes.

Conditions to the Merger (Page [l])

Conditions to Each Party s Obligations. Each party s obligation to complete the merger is subject to the satisfaction or waiver, at or prior to the effective time of the merger, of the following mutual conditions:

- we shall have obtained the requisite stockholder vote;

no governmental authority shall have enacted, issued, promulgated, enforced or entered any injunction, order, decree or ruling that would make the consummation of the merger illegal or otherwise prohibit the consummation of the merger; and

all waiting periods or extensions thereof applicable to the merger or any of the transactions contemplated by the merger agreement, under the HSR Act or the Canadian Antitrust Law shall have expired or early termination thereof shall have been granted.

Table of Contents

Conditions to GE Capital s and Merger Sub s Obligations. The obligation of GE Capital and merger sub to complete the merger is subject to the satisfaction or waiver, at or prior to the effective time of the merger, of the following additional conditions:

- our representations and warranties must be true and correct, subject to certain materiality thresholds;
- we must have performed in all material respects the obligations, and complied in all material respects with the agreements and covenants to be performed or complied with by us under the merger agreement;
- there shall not be any action, investigation, proceeding or litigation instituted, commenced, pending or threatened by or before any governmental entity relating to the merger, transactions contemplated by the mortgage business sale agreement or any of the transactions contemplated by the merger agreement in which a governmental entity is a party that would or is reasonably likely to (a) restrain, enjoin, prevent, restrict, prohibit or make illegal the acquisition of some or all of the shares of our common stock by GE Capital or merger sub or the consummation of the merger or the transactions contemplated by the merger agreement, or (b) result in a governmental investigation or material governmental damages being imposed on GE Capital or the surviving corporation or any of their respective affiliates;
- the merger and the transactions contemplated by the merger agreement and the mortgage business sale agreement, respectively, shall have been approved by the New York State Insurance Department;
- certain specified consents, approvals, notifications, or certificates (including the approval of certain state and federal regulatory authorities related to the sale of our mortgage business) shall have been obtained and copies of such consents shall have been delivered by us to GE Capital;
- we shall have filed all forms, reports, and other documents required to be filed with the SEC with respect to periods from January 1, 2006 through the effective time of the merger;
- our audited financial statements for the year ended December 31, 2006 shall not reflect a consolidated financial condition or results of operations of us, our consolidated subsidiaries and our consolidated joint ventures that is different from the consolidated financial condition or results of operations of us, our consolidated subsidiaries and our consolidated joint ventures reflected in the unaudited financial statements for the year ended December 31, 2006 that we provided to GE Capital in connection with the execution of the merger agreement, unless such difference would not constitute, or would not reasonably be expected to constitute, a material adverse effect;
- all of the conditions to the obligations of the Mortgage Business Purchaser under the mortgage business sale agreement to consummate the sale of our mortgage business (other than the condition that the merger shall have been consummated) shall have been satisfied or waived in accordance with the terms thereof, and the Mortgage Business Purchaser shall otherwise be ready, willing and able (including with respect to access to financing) to consummate the transactions contemplated thereby; and
- we shall have delivered to the Mortgage Business Purchaser acknowledgement agreements fully executed by the applicable agency and us and/or our applicable mortgage entity.

Conditions to PHH s Obligations. Our obligation to complete the merger is subject to the satisfaction or waiver of the following further conditions:

the representations and warranties of GE Capital and merger sub, must be true and correct, subject to certain materiality thresholds; and

each of GE Capital and merger sub shall have performed in all material respects the obligations, and complied in all material respects with the agreements and covenants, required to be performed by or complied with by it under the merger agreement at or prior to the effective time of the merger.

Pursuant to the mortgage business sale agreement, GE Capital has agreed not to consummate the merger unless all the mutual conditions to closing and the closing conditions pertaining to GE Capital and the merger sub specified in the merger agreement have been satisfied or waived. GE Capital and the merger sub are required to obtain the prior written consent of the Mortgage Business Purchaser before agreeing to any such waiver, unless the waiver

Table of Contents

relates solely to our fleet management business and would not otherwise materially prejudice the Mortgage Business Purchaser s position or obligation under the mortgage business sale agreement. See Mortgage Business Sale Agreement beginning on page [l].

No Solicitation of Transactions (Page [l])

We have agreed that from March 15, 2007 to the effective time of the merger and subject to specified exceptions, we will not and we will cause our subsidiaries and joint ventures (along with our and their respective representatives) to not:

- directly or indirectly, initiate, solicit or knowingly encourage or facilitate (including by way of furnishing information or assistance) any inquiries or the making of any proposal or offer with respect to, or the making or effectuation of, an acquisition proposal for us;
- approve or recommend (or propose publicly to approve or recommend) any acquisition proposal for us or enter into any agreement to acquire us;
- directly or indirectly, engage in any negotiations or discussions with respect to, or provide access to our properties, books and records or any confidential or non-public information to any person relating to, or that would reasonably be expected to lead to, an acquisition proposal for us; or
- amend, terminate, waive, fail to use commercially reasonable efforts to enforce, or grant any consent under, any confidentiality, standstill, shareholder rights or similar agreement (other than any such agreement with GE Capital).

For purposes of the merger agreement, ***acquisition proposal*** means any proposal or offer (other than the merger) made or commenced after the date of the merger agreement, for a tender offer or exchange offer, proposal for a merger, consolidation or other business combination, sale of shares of capital stock, recapitalization, liquidation, dissolution or similar transaction involving us and our subsidiaries and joint ventures or any proposal or offer to acquire (whether in a single transaction or a series of related transactions) in any manner:

- equity interest representing a 20% or greater economic interest or voting interest in us and our subsidiaries and joint ventures, taken as a whole; or
- assets, securities or ownership interests of or in, us or our subsidiaries or joint ventures (a) representing 20% or more of the consolidated assets of us and our subsidiaries and joint ventures, taken as a whole, or (b) with respect to which 20% or more of our revenues or earnings on a consolidated basis are attributable.

Prior to the holders of at least a majority of our common stock approving the merger agreement and the merger in accordance with the merger agreement, we may provide confidential information with respect to such proposals, with the maker of an unsolicited written acquisition proposal (which did not result from a breach of an enumerated section of the merger agreement or any standstill agreement) only if our board of directors makes a prior determination in good faith and after consultation with its outside counsel and a financial advisor of nationally recognized reputation, that:

- the acquisition proposal constitutes, or is reasonably likely to, lead to a superior proposal, and
- failure to take such action would be inconsistent with the statutory duties of our board members, as directors, under the MGCL.

In addition, we are required to (a) enter into a confidentiality agreement with the maker of the unsolicited written acquisition proposal containing confidentiality restrictions no less favorable to us than those contained in the confidentiality agreement with GE Capital before we provide any confidential information to such person, (b) provide a copy of such confidentiality agreement to GE Capital within twenty-four hours of execution, and (c) furnish a copy to GE Capital of any confidential information we furnish to such person, to the extent such information was not previously furnished to GE Capital.

Table of Contents

For purposes of the merger agreement, superior proposal means an unsolicited bona fide written offer made by a third party, not involving a breach of the merger agreement or any standstill agreement, to acquire, directly or indirectly,

- at least a majority of our equity securities; or

- all or substantially all of the stock or assets of us and our subsidiaries on a consolidated basis, all or substantially all of the assets of, or the stock of our subsidiaries or entities engaged in the mortgage business, or all or substantially all of the assets of, or the stock of our subsidiaries or entities engaged in, the fleet business.

In addition, such an offer also must not be subject to a financing contingency and must otherwise be on terms which our board concludes in good faith (taking into account (x) the likelihood of consummation of such transaction on the terms set forth therein as compared to the terms of the merger agreement, including the ability of such proposal to be financed, (y) legal, financial, regulatory, and timing aspects of the proposal and the person making the acquisition proposal and (z) any changes to the terms of the merger agreement that as of such time have been proposed by GE Capital) and after consultation with its outside counsel and financial advisors, to be more favorable from a financial point of view to our stockholders than the merger.

We have agreed to promptly notify GE Capital (within 24 hours) of our receipt of any proposal, offer, inquiry, or other contact or request for information or if any discussions or negotiations are sought to be initiated or continued with us either regarding, or that could reasonably be expected to lead to, an acquisition proposal. We have agreed to provide to GE Capital prompt notice of any such proposal along with a copy of any written materials received from the maker of the acquisition proposal. We have also agreed to indicate such party s identity and to provide to GE Capital the material terms and conditions of the proposal and to keep GE Capital fully informed of all material developments regarding any such acquisition proposal, offer, inquiry or request.

The merger agreement provides that prior to obtaining our stockholders approval on the merger agreement:

- if our board of directors determines in good faith that, due to an intervening event that arose after, and was unknown to our board of directors at the time it approved the merger agreement, the failure of the board of directors to withdraw, qualify or modify its recommendation of the merger agreement would be inconsistent with the statutory duties of our board members, as directors, under the MGCL, then we and our board of directors are permitted to withdraw, qualify or modify the recommendation of our board of directors that our stockholders vote in favor of the merger agreement, or

- if our board of directors receive an unsolicited acquisition proposal that was not in breach of a particular section of the merger agreement or any standstill agreement and our board of directors determines in good faith that the proposal constitutes a superior proposal,

then if we desire either to further pursue the opportunity that arose due to the intervening event or to take action with respect to the prior recommendations of our board of directors concerning the merger agreement, among other matters, we are required to deliver to GE Capital a notice listing certain relevant items. We are required to negotiate in good faith with GE Capital and its representatives regarding revisions to the terms of the transactions contemplated by the merger agreement. The merger agreement also sets forth the procedures we and GE Capital have agreed to follow, including setting specific time lines within which each party should respond.

Under the merger agreement, we may not permit any of our subsidiaries and joint ventures to terminate, waive, amend or modify any provision of any existing standstill or confidentiality agreement to which we or our subsidiaries and joint ventures are a party and we have agreed to, and to cause each of our subsidiaries and joint ventures to, enforce the provisions of any such agreements. We also agreed to, and to cause each of our subsidiaries and joint ventures to,

terminate or cause to be terminated any existing discussions, negotiations, or communications with any parties regarding any acquisition proposal.

Table of Contents

Termination (Page [l])

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, as follows:

by mutual written consent of the parties;

by either GE Capital or us if:

requisite governmental approval with respect to anti-trust laws of the United States and Canada shall have been denied and such denial shall have been final and non-appealable, or any governmental authority shall have enacted, issued, promulgated, enforced or entered any injunction, order, decree or ruling or taken any other action which has the effect of making consummation of any of the merger illegal or otherwise prevents or prohibits the consummation of the merger and is final and non-appealable, provided that this right shall not be available to a party if either the failure to obtain the governmental approval or the action taken by the governmental authority was primarily due to the action or failure to fulfill such party s obligations under the merger agreement and such action or failure constitutes a breach of the merger agreement,

the merger has not occurred on or before December 31, 2007, provided that this right will not be available to a party whose failure to fulfill its obligations under the merger agreement primarily contributed to the failure of the merger to occur on or before December 31, 2007 and such action or failure constitutes a breach of the merger agreement, or

the requisite stockholder vote was not obtained at a duly convened meeting of our stockholders in accordance with the requirements of the merger agreement;

by us if:

we are not in material breach of our obligations under the merger agreement such that certain closing conditions pertaining to GE Capital and the merger sub are incapable of being satisfied, and (a) any of GE Capital s or merger sub s representations and warranties are or become untrue or incorrect such that the closing condition pertaining to their representations and warranties would be incapable of being satisfied by December 31, 2007, or (b) there has been a breach of any of GE Capital s or merger sub s covenants or agreements under the merger agreement such that the closing condition pertaining to their performance and compliance with covenants and agreements would be incapable of being satisfied by December 31, 2007, or

prior to obtaining the requisite stockholder vote, our board of directors approves and authorizes us to enter into a definitive agreement to implement a superior proposal in accordance with the terms of the merger agreement.

by GE Capital if:

each of GE Capital and merger sub are not in material breach of their respective obligations under the merger agreement, and (a) any of our representations and warranties are or become untrue or incorrect such that the closing condition pertaining to our representations and warranties would be incapable of being satisfied by December 31, 2007, or (b) there has been a breach of any of our covenants and agreements under the merger agreement such that the closing condition pertaining to our performance and compliance with covenants or agreements would be incapable of being satisfied by December 31, 2007;

our board of directors fails to recommend the merger agreement and the merger in this proxy statement, fails to take certain enumerated actions or withdraws, modifies or amends its recommendation that our stockholders vote to approve the merger agreement and the merger in any manner adverse to GE Capital or merger sub; or

if the mortgage business sale agreement is terminated by GE Capital, as a result of a breach of the Mortgage Business Purchaser s representations and warranties or covenants, in the mortgage business

Table of Contents

sale agreement, if such breach, either individually or in the aggregate, results in the failure of a closing condition pertaining to GE Capital, provided that GE Capital is not in material breach of its obligations under the merger business sale agreement such that certain closing conditions pertaining to the Mortgage Business Purchaser are incapable of being satisfied.

Pursuant to the mortgage business sale agreement, GE Capital has agreed to obtain the prior written consent of the Mortgage Business Purchaser prior to terminating the merger agreement pursuant to this section.

Termination Fee, Reverse Termination Fee and Expense Reimbursement (Page [l])

Under certain circumstances, if either we or GE Capital terminate the merger agreement, we may be required to pay a termination fee to GE Capital. The termination fee is $50 million. Under certain enumerated instances in the merger agreement, we may receive a reverse termination fee in the amount of $50 million from the Mortgage Business Purchaser. In addition, subject to the limitations and requirements contained in the merger agreement, we may be required to reimburse the GECC group s reasonable transaction expenses incurred in connection with the merger and the transactions contemplated by the merger agreement up to a limit of $5 million.

No Dissenter s Rights of Appraisal (Page [l])

Holders of our common stock are not entitled to dissenting stockholders appraisal rights or other similar rights in connection with the merger or the transactions contemplated by the merger agreement. The MGCL does not provide for appraisal rights or other similar rights to stockholders of a corporation in connection with a merger if the shares of the corporation are listed on the NYSE on the record date for determining stockholders entitled to vote on the merger. On [1], 2007, the record date specified by our board of directors for the purpose of determining our stockholders who are entitled to receive notice of and to vote at the special meeting, shares of our common stock were listed on the NYSE.

Market Price of Common Stock (Page [l])

The closing sale price of our common stock on the NYSE on March 13, 2007, the last trading day prior to the announcement of the merger, was $27.55. The $31.50 per share to be paid for each share of our common stock in the merger represents a premium of $3.95 for each share, or 14.3% premium to the closing price on March 13, 2007, the last trading day prior to the announcement of the merger.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a PHH stockholder. Please refer to the ***Summary Term Sheet*** *and the more detailed information contained elsewhere in this proxy statement and the annexes to this proxy statement which you should read carefully.*

Q. When and where is the special meeting?

A. The special meeting of stockholders of PHH Corporation will be held on [l], 2007, starting at [l] a.m., local time, at the [l] located at [l].

Q. What is the proposed transaction?

A. The proposed transaction is our acquisition by GE Capital, an affiliate of the General Electric Company. Once we obtain the requisite stockholder vote and the other closing conditions to the merger in the merger agreement and related documents are satisfied or waived in accordance with their respective terms, merger sub will merge with and into us. We will survive the merger and continue our corporate existence in accordance with Maryland law. In addition, GE Capital has entered into the mortgage business sale agreement to sell our mortgage business to the Mortgage Business Purchaser. Accordingly, upon the consummation of the merger and the transactions contemplated by the mortgage business sale agreement, GE Capital will own our fleet management business and Blackstone, through the Mortgage Business Purchaser, will own our mortgage business.

Q. What will I receive in the merger?

Upon completion of the merger, you will be entitled to receive $31.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own. For example, if you own 100 shares of our common stock, you will be entitled to receive $3,150.00 in cash in exchange for your shares of our common stock, less any applicable withholding taxes. You will not own any shares in the surviving corporation. See Exchange and Payment Procedures beginning on page [l].

You will not be entitled to receive the merger consideration until you surrender your stock certificate or certificates to the paying agent, together with a duly completed and executed letter of transmittal and any other documents the paying agent requires. The merger consideration may be paid to a person other than the person in whose name the corresponding certificate is registered if the certificate is properly endorsed or is otherwise in the proper form for transfer. In addition, the person requesting payment must either pay any applicable stock transfer taxes or establish to the satisfaction of the surviving corporation that such stock transfer taxes have been paid or are not applicable. No interest will be paid or accrued on the merger consideration payable upon surrender of your shares of common stock.

If you hold options to acquire shares of our common stock, immediately prior to the effective time of the merger, each outstanding, unexercised stock option (whether vested or not) shall be deemed to be fully vested at the effective time of the merger and shall be canceled, and the holder thereof shall be entitled to receive, at the effective time of the merger or as soon as practicable thereafter, an amount of cash, less applicable withholding taxes, equal to the aggregate number of shares of our common stock underlying such stock option multiplied by the excess of $31.50 over the exercise price per share of our common stock subject to such stock option.

In addition, under the terms of the merger agreement, at the effective time of the merger, each restricted stock unit that is outstanding or earned but not awarded immediately prior to the effective time of the merger agreement (whether vested or unvested) shall be deemed to be fully vested and shall be canceled, entitling the holder thereof to the right to receive, at the effective time of the merger or as soon as practicable thereafter, an amount of cash, equal to the product of the aggregate number of shares of our common stock underlying such restricted stock unit immediately prior to the effective time of the merger, multiplied by $31.50, less any withholding taxes.

Table of Contents

Q. What will happen to my shares of common stock after completion of the merger?

A. Following the consummation of the merger, your shares of our common stock will be canceled and will represent only the right to receive your portion of the merger consideration. On or before the effective time of the merger, GE Capital will deposit the merger consideration for the benefit of the holders of our common stock with a paying agent. Promptly after the effective time of the merger (but in any event within five business days), the paying agent will mail a letter of transmittal and instructions to you advising you how to surrender your stock certificates in exchange for the merger consideration. In addition, shares of our common stock will no longer be listed on any stock exchange or quotation system, including the NYSE, and the registration of our common stock and our reporting obligations with respect to our common stock under the Exchange Act will be terminated upon application to the SEC.

Q. What vote is required for PHH s stockholders to approve the merger agreement and the merger?

A. The merger agreement and the merger must be approved by the affirmative vote of the holders of at least a majority of our common stock outstanding on the record date and entitled to vote at the special meeting.

Q. How does the board of directors recommend that I vote?

A. Our board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement and the merger and FOR the proposal to consider and vote on a proposal to approve any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies. You should read Our Reasons for the Merger beginning on page [l] for a discussion of the factors that our board of directors considered in deciding to recommend the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Q. What effects will the merger have on PHH Corporation?

A. As a result of the merger, we will cease to be an independent, publicly-traded company and will be wholly owned by GE Capital. You will no longer have any interest in our future earnings or growth. In addition, GE Capital has entered into a separate agreement to sell our mortgage business to the Mortgage Business Purchaser. Accordingly, upon the consummation of the merger and the transactions contemplated by the mortgage business sale agreement, GE Capital will own our fleet management business and Blackstone, through the Mortgage Business Purchaser, will own our mortgage business.

Q. What happens if the merger is not consummated?

A. If the merger agreement is not approved by the requisite stockholder vote or if the merger is not consummated for any other reason, you will not receive any payment for your shares of our common stock in connection with the merger. Instead, we expect that we will remain an independent public company and that shares of our common stock will continue to be listed and traded on the NYSE. However, under specified circumstances, we may be required to pay GE Capital a termination fee or reimburse GE Capital for its out-of-pocket expenses as described under the caption The Merger Agreement Termination Fee and Expenses beginning on page [l].

Q. Will I owe taxes as a result of the receipt of the merger consideration?

A. Yes. Your receipt of the merger consideration for each share of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, you will recognize gain or loss as a result

of the merger equal to the difference, if any, between the merger consideration that you receive for each of your shares of our common stock and the adjusted tax basis of your shares of our common stock. See Certain Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders beginning on page [l] for a more complete discussion of the U.S. federal income tax consequences of the merger. You should consult your tax advisors about the specific tax consequences to you of the merger.

Q. What do I need to do now?

A. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares in your own name as the stockholder of record, please vote your

Table of Contents

shares by completing, signing, dating and returning the enclosed proxy card; using the telephone number printed on your proxy card; or via the Internet voting instructions printed on your proxy card. If you have Internet access, we encourage you to record your vote via the Internet. You can also attend the special meeting and vote. If you hold your shares in street name, follow the procedures provided by your broker, bank or other nominee. See The Special Meeting beginning on page [1].

Q. How do I vote?

A. You may vote in person or by valid proxy received by telephone, via the Internet or by mail. If voting by mail, you must:

indicate your instructions on the proxy;

date and sign the proxy;

mail the proxy promptly in the enclosed envelope; and

allow sufficient time for the proxy to be received before the date of the Special Meeting.

Alternatively, in lieu of returning signed proxy cards, our stockholders of record can vote their shares by telephone or via the Internet. If you are a registered stockholder (that is, if you hold your stock in certificate form), you may vote by telephone or electronically via the Internet by following the instructions included with your proxy card. The deadline for voting by telephone or electronically via the Internet is 11:59 p.m., eastern standard time, on [1], 2007. If your shares of our common stock are held in street name, please check your proxy card or contact your broker, bank or other nominee to determine whether you will be able to vote by telephone or electronically via the Internet. See The Special Meeting beginning on page [1].

Q. Should I send in my stock certificates now?

A. No. Promptly after the effective time of the merger (but in any event within five business days), the paying agent will mail a letter of transmittal and instructions to you advising you how to surrender your stock certificates in exchange for the merger consideration. You will not be entitled to receive the merger consideration until you surrender your stock certificate or certificates to the paying agent, together with a duly completed and executed letter of transmittal and any other documents the paying agent requires. **PLEASE DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY CARD.**

Q. How can I change or revoke my vote?

A. You have the right to change or revoke your proxy at any time before the vote is taken at the special meeting:

if you hold your shares in your name as a stockholder of record, by notifying, in writing, our Secretary, William F. Brown, at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

by submitting a later-dated proxy card;

if you voted by telephone or via the Internet, by voting again by telephone or via the Internet; or

if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

Q. If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

Your broker, bank or other nominee will only be permitted to vote your shares if you instruct your broker, bank or other nominee how to vote. You should follow the procedures provided by your broker, bank or other nominee regarding the voting of your shares. If you do not instruct your broker, bank or other nominee to vote your shares, your shares will not be voted and the effect will be the same as a vote AGAINST the proposal to approve the merger agreement and the merger, but will not have an effect on the proposal to adjourn the special meeting.

Table of Contents

Q. How do participants in our employee savings plans vote?

A. For participants in the PHH Corporation Employee Savings Plan and the PHH Home Loans, LLC Employee Savings Plan (the ***savings plans***) with shares of our common stock credited to their accounts, voting instructions for the trustees of the savings plans are also being solicited through this proxy statement. In accordance with the provisions of the savings plans, the respective trustees will vote shares of our common stock in accordance with instructions received from the participants to whose accounts such shares are credited. To the extent such instructions are not received prior to noon, eastern standard time, on [l], 2007, the trustees of the savings plans will vote the shares with respect to which it has not received instructions proportionately in accordance with the shares for which it has received instructions. Instructions given with respect to shares in accounts of the savings plans may be changed or revoked only in writing, and no such instructions may be revoked after noon, eastern standard time, on [l]. Participants in the savings plans are not entitled to vote in person at the special meeting. If a participant in the savings plans has shares of our common stock credited to his or her account and also owns other shares of our common stock, he or she should receive separate proxy cards for shares credited to his or her account in the savings plans and any other shares that he or she owns. All such proxy cards should be completed, signed and returned to the transfer agent to register voting instructions for all shares owned by him or her or held for his or her benefit in the savings plans.

Q. What do I do if I receive more than one proxy or set of voting instructions?

A. If you also hold shares directly as a record holder in street name, or otherwise through a nominee, you may receive more than one proxy and/or set of voting instructions relating to the special meeting. These should each be voted and/or returned separately as described elsewhere in this proxy statement in order to ensure that all of your shares are voted.

Q. What happens if I sell my shares before the special meeting?

A. The record date of the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be consummated. If you transfer your shares of common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive $31.50 per share in cash to be received by our stockholders in the merger. In order to receive the $31.50 per share, you must hold your shares through completion of the merger. See Exchange and Payment Procedures beginning on page [l] for details about the payment of the merger consideration.

Q. What rights do I have if I oppose the merger?

A. If you are a holder of our common stock of record, you can vote against the merger by indicating a vote against the proposal on your proxy card and signing and mailing your proxy card or by voting against the merger in person at the special meeting. If you hold your shares in street name, you can vote against the merger in accordance with the voting instructions provided to you by the recordholder of your shares. You are not, however, entitled to dissenting stockholder s appraisal rights or other similar rights in connection with the merger or any of the transactions contemplated by the merger agreement because our shares of common stock are listed on the NYSE. See No Dissenter s Rights of Appraisal on page [l].

Q. When is the merger expected to be consummated?

A. We are working toward consummating the merger as quickly as possible. However, the exact timing of the consummation of the merger cannot be predicted. In order to consummate the merger, we must obtain

stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived. The closing date of the merger will occur no later than the second business day following satisfaction or waiver of all conditions to closing or as we and GE Capital may mutually agree.

Q. Will a proxy solicitor be used?

A. Yes. The Company expects to engage Georgeson Shareholder Communications, Inc. (***Georgeson***) to assist in the solicitation of proxies for the special meeting for a fee of approximately $[1], a nominal fee per stockholder contact, reimbursement of reasonable out-of-pocket expenses and indemnification against certain losses, costs and expenses.

Table of Contents

Q. Who can help answer my other questions?

A. If you have additional questions about the merger, need assistance in submitting your proxy or voting your shares of our common stock, or need additional copies of the proxy statement or the enclosed proxy card, please call Nancy Kyle, Vice President of Investor Relations at (856) 917-4268 or Georgeson, who we expect to be our proxy solicitor, toll-free at (888) 605-7538.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer in this proxy statement, include forward-looking statements (as that term is defined under Section 21E of the Exchange Act) based on estimates and assumptions. There are forward-looking statements throughout this proxy statement, including, without limitation, under the headings Summary Term Sheet, Questions and Answers about the Special Meeting and the Merger, The Merger, The Merger-Projected Financial Information, and in statements containing words such as believes, estimates, anticipates, continues, contemplates, expects, may, will, could, should or would or other similar words or phrases. T statements, which are based on information currently available to us, are not guarantees of future performance and may involve risks and uncertainties that could cause our actual growth, results of operations, performance and business prospects, and opportunities to materially differ from those expressed in, or implied by, these statements. In addition to other factors and matters contained in this document, these statements are subject to risks, uncertainties, and other factors, including, among others:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings that have been or may be instituted against PHH Corporation and others relating to the merger agreement;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger;
- the failure of the merger to close for any other reason;
- risks that the merger disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger;
- the effect of the announcement of the merger on our business relationships, operating results and business, generally;
- the amount of the costs, fees, expenses and charges related to the merger;
- adverse developments in general business, economic and political conditions or any outbreak or escalation of hostilities on a national, regional or international basis;
- a decline in the number of home sales and/or prices; competition in our existing and future lines of business and the financial resources of competitors;
- our failure to comply with regulations and any changes in regulations;
- our inability to file our required periodic reports with the SEC in a timely manner;
- the failure of the Mortgage Business Purchaser to be ready, willing and able (including with respect to access to financing) to consummate the transactions contemplated by the mortgage business sale agreement; and
- the loss of any of our senior management.

In addition, for a more detailed discussion of these risks and uncertainties and other factors, please refer to our annual report on Form 10-K filed with the SEC on May 24, 2007 and our quarterly reports on Form 10-Q filed with the SEC from time to time. Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward- looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

Table of Contents

THE SPECIAL MEETING

Date, Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held on [1], 2007, starting at [1] a.m. local time, at the [1] located at [1] for the following purposes. (1) to consider and vote upon a proposal to approve the merger agreement and the merger, pursuant to which merger sub will merge with and into PHH Corporation, (2) to consider and vote upon a proposal to approve any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies, and (3) to consider and vote upon such other business as may properly come before the special meeting or any adjournments or postponements thereof.

A copy of the merger agreement is attached to this proxy statement as ***Annex A*.**

Record Date

Our board of directors has specified the close of business on [1], 2007 as the record date for purpose of determining our stockholders who are entitled to receive notice of and to vote at the special meeting. Only our stockholders of record on the close of business on the record date are entitled to notice of and to vote at the special meeting. As of the record date, there were [1] shares of our common stock issued and outstanding and entitled to notice of and to vote at the special meeting. Each share of our common stock entitles its holder to one vote on all matters properly coming before the special meeting.

As of [1], 2007, the record date, our directors and executive officers held and are entitled to vote, in the aggregate, [1] shares of our common stock, representing [1]% of our issued and outstanding common stock.

Vote Required

The merger agreement and the merger must be approved by the affirmative vote of the holders of at least a majority of our common stock outstanding on the record date and entitled to vote at the special meeting. Holders of at least a majority of our common stock issued and outstanding as of the record date and entitled to vote at the special meeting must be present in person or by proxy at the special meeting to constitute a quorum to conduct business at the special meeting. In the event that a quorum is not present at the special meeting, we expect that we will adjourn or postpone the special meeting to solicit additional proxies.

Abstentions and Broker Non-Votes

For the proposal to approve the merger agreement and the merger, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to approve the merger agreement and the merger, but will count for the purpose of determining whether a quorum is present at the special meeting. **If you abstain, it will have the same effect as a vote AGAINST the proposal to approve the merger agreement and the merger**.

Under the rules of the NYSE, brokers who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approving non-routine matters such as the proposal to approve the merger agreement and the merger. As a result, absent specific instructions from the beneficial owner of such

shares, brokers cannot vote those shares, referred to generally as broker non-votes. **These broker non-votes will be counted for purposes of determining whether a quorum is present at the special meeting, but will have the same effect as a vote AGAINST the proposal to approve the merger agreement and the merger**.

Proxies and Revocation

If you submit a proxy by telephone, via the Internet or by returning a signed proxy card by mail, your shares will be voted at the special meeting as you indicate. If you sign your proxy card without indicating your vote, your

Table of Contents

shares will be voted FOR the proposal to approve the merger agreement and the merger and FOR the proposal to consider and vote on a proposal to approve any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies. If your shares of common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you do not instruct your broker to vote your shares, it has the same effect as a vote against the proposal to approve the merger agreement and the merger.

Any stockholder of record entitled to vote at the special meeting may submit a proxy by telephone, via the Internet, by returning the enclosed proxy card by mail, or by voting in person by appearing at the special meeting. If your shares of our common stock are held in street name by your broker, you should instruct your broker on how to vote such shares of common stock using the instructions provided by your broker. **If you do not vote or do not instruct your broker, bank or other nominee how to vote, it will have the same effect as voting against the proposal to approve the merger agreement and the merger.** The persons named in the accompanying proxy card will also have discretionary authority to vote on any adjournments or postponements of the special meeting.

Proxies received at any time before the special meeting, and not revoked or superseded before being voted, will be voted at the special meeting. You have the right to change or revoke your proxy at any time before it is voted at the special meeting in the following ways:

- if you hold your shares in your name as a stockholder of record, by notifying, in writing, our Secretary, William F. Brown, at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054;
- by attending the special meeting and voting by paper ballot in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);
- by submitting a later-dated proxy card;
- if you voted by telephone or via the Internet, by voting again by telephone or via the Internet; or
- if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

Other Business

We do not expect that any matter other than the proposal to approve the merger agreement and the merger and the proposal to grant the persons named as proxies discretionary authority to vote to adjourn the special meeting, if necessary, to permit further soliciting of additional proxies will be brought before the special meeting. If, however, any other matter properly comes before the special meeting, or in the event of any adjournment or postponement of the special meeting, proxy holders will vote thereon in accordance with their discretion.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Whether or not a quorum is present, a special meeting of stockholders may be adjourned without notice by announcement made at the special meeting, of the time, date and place of the adjourned meeting. Any signed proxies received by us in whom no voting instructions are provided on such matter will be voted FOR the proposal to consider and vote on a proposal to approve any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies.

Dissenters Rights

Holders of our common stock are not entitled to dissenting stockholders appraisal rights or other similar rights in connection with the merger or any of the transactions contemplated by the merger agreement. The MGCL does not provide for appraisal rights or other similar rights to stockholders of a corporation in connection with a merger if the shares of the corporation are listed on the NYSE on the record date for determining stockholders entitled to vote on the merger. See No Dissenters Rights of Appraisal beginning on page [l].

Table of Contents

Solicitation of Proxies

This proxy solicitation is being made and paid for by us on behalf of our board of directors. In addition, we expect to retain Georgeson to assist in the solicitation for a fee of approximately $[l], a nominal fee per stockholder contact, reimbursement of reasonable out-of-pocket expenses and indemnification against certain losses, costs and expenses. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of our common stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses. In addition, we will indemnify Georgeson against any losses arising out of that firm s proxy soliciting services on our behalf.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call Nancy Kyle, Vice President of Investor Relations at (856) 917-4268 or Georgeson, who we expect to be our proxy solicitor, toll-free at (888) 605-7538.

Availability of Documents

Any documents referenced in this proxy statement will be made available for inspection and copying at our principal executive offices during its regular business hours by any interested holder of our common stock.

Our board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement and the merger.

Table of Contents

PROPOSAL NO. 1: THE MERGER

*This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is attached to this proxy statement as **Annex A**. You should read the entire merger agreement carefully as it is the legal document that governs the merger.*

Background of the Merger

We are a leading outsource provider of residential mortgages and vehicle fleet management services. Prior to February 1, 2005, we were a wholly owned subsidiary of Cendant Corporation (***Cendant***) (now known as Avis Budget Group, Inc.). On February 1, 2005, we began operating as an independent, publicly traded company pursuant to our spin-off (the ***Spin-Off***) from Cendant and our stock started trading on the NYSE under the symbol PHH . After the Spin-Off, our board of directors and senior management team periodically assessed and reviewed our business, strategic direction, performance, prospects and competitive position in light of trends and developments impacting our business.

From time to time after the Spin-Off, we had been approached by, and held informal discussions with, various entities about the possibility of either engaging in a potential strategic transaction with us or acquiring us. These entities included private equity funds and GE Finance Fleet Services (***GE Fleet Services***), a business unit of GE Capital. We entered into a confidentiality agreement with GE Fleet Services on October 5, 2005 and held exploratory discussions with GE Fleet Services and its representatives, including its financial advisors at Lehman Brothers. We abandoned these discussions after a few weeks for a variety of reasons. While we entered into confidentiality agreements and engaged in informal discussions with certain of the other entities, for a variety of reasons none of these discussions resulted in a transaction and were terminated.

In February 2006, Lehman Brothers contacted us and informed us that in addition to representing GE Fleet Services, it also represented an affiliate of Blackstone. Lehman Brothers indicated that the Blackstone affiliate was interested in possibly partnering with GE Fleet Services or its affiliates, with our consent, to pursue a potential strategic transaction with us and wished to meet with our senior management to discuss our operations, especially our mortgage business.

On March 1, 2006, we issued a press release indicating that we did not expect to meet the March 16, 2006 deadline to file our Annual Report on Form 10-K for the year ended December 31, 2005 (the ***2005 Form 10-K***) because we had not yet finalized our financial statements for the fourth quarter and the fiscal year 2005 and that the audit of our 2005 financial statements was ongoing. On the same day, we also announced that our board of directors had appointed Mr. Clair M. Raubenstine as our Executive Vice President and Chief Financial Officer. On March 17, 2006, we filed a Form 12b-25 with the SEC, disclosing that we would not be able to file the 2005 Form 10-K by the SEC filing deadline and that we were unable to provide an expected date for the filing of the 2005 Form 10-K.

On March 22, 2006, members of our senior management met with the Blackstone affiliate and its representatives. Shortly after this meeting, we told the parties that we were going to focus on finalizing our financial statements and, accordingly, abandoned further discussions.

During a meeting of our board of directors held on April 4, 2006, our board of directors discussed the potential risks and benefits presented by the strategic alternatives available to the Company. The board reviewed our current strategic business plan, including the risks associated with achieving and executing our business plan, the nature of the industries in which we operate, industry trends, economic and market conditions, both on an historical and prospective basis, and the uncertainty associated with our future plans. The board also considered the risks and challenges

associated with delays in finalizing our financial statements and in not satisfying the reporting requirements under the Exchange Act, the risks inherent in our business model, and the risks associated with stockholder litigation. The board considered our proposed timetable for becoming compliant with the reporting requirements under the Exchange Act, our continuing need to identify and remediate material weaknesses in internal control over financial reporting and to achieve effective internal control over financial reporting, potential contractual defaults, the potential delisting of our common stock from the NYSE and the reasons described in The Merger Our Reasons for the Merger beginning on page [1]. Our board of directors discussed alternatives to enhance stockholder value, including continuing to operate the Company under our current business plan, a sale of all or part of the Company and other strategic alternatives. The board also considered the alternative risks involved in pursuing a strategic transaction or sale of the Company, including distraction of management, disruption of the

Table of Contents

business and the risk of non-consummation of the transaction. A representative from DLA Piper US LLP (***DLA Piper***), our outside corporate and securities counsel, advised regarding the fiduciary duties of the directors in connection with their review of strategic alternatives. After discussion, our board of directors approved the formation of a special committee (the ***special committee***) composed solely of independent non-employee directors to review and evaluate the strategic alternatives available to the Company. Messrs. A. B. Krongard, James W. Brinkley, Jonathan D. Mariner, Francis J. Van Kirk and Ms. Ann D. Logan were appointed to serve on the special committee, with Mr. Krongard serving as chairman.

On April 12, 2006, the special committee met with members of our senior management and representatives of DLA Piper. The parties discussed the strategic alternatives available to us including, among other matters, the possible sale or spin-off of one or the other of our businesses, the challenges and benefits of remaining a stand-alone public company, the timing of a process to explore strategic alternatives and our proposed timetable for becoming compliant with the reporting requirements under the Exchange Act. During the course of discussions regarding strategic alternatives, the special committee discussed the fact that our mortgage business continued to be dependent on the results and cash flows of the fleet management business to support an investment grade rating. The special committee did not believe that the mortgage business could support an investment grade rating on a stand-alone basis for the foreseeable future. The special committee believed that maintaining an investment grade rating was critical to the ability of the mortgage business to attract and retain key mortgage outsourcing relationships, which represented a significant percentage of revenue and the key source of future growth for the mortgage business. Further, without an investment grade rating, the mortgage business would have had significantly higher cost of funds and consequently lower margins. Accordingly, because the special committee believed that the mortgage business could not support an investment grade rating as a stand-alone business, the special committee did not consider a tax free spin-off of either the fleet business or the mortgage business to be a realistic alternative available to the Company for the next several years and believed that such a spin-off, if effected prior to the mortgage business being able to sustain an investment grade rating on its own, would have a negative impact on total stockholder value. The special committee also considered the possible sale of one or the other business and use of the proceeds for the retained business. In considering such transactions the special committee considered the adverse tax consequences to the Company from such a sale in light of the low tax basis of each of the businesses. The special committee believed that following a sale or spin-off of either business, the remaining business (or, in a spin-off, the spun-off business) would lack the economies of scale to justify the costs of being a public company. The special committee also considered the alternative of the Company continuing as an independent, stand-alone company. In connection with the special committee s consideration of the various strategic alternatives available to us, including continuing as an independent, stand-alone company, the special committee considered the Company s prospects and the current challenges of the mortgage business, including increased pricing competition, increased costs associated with managing our mortgage servicing rights hedge, the deteriorating real estate market, and declining mortgage origination volumes. The special committee also considered risks relating to the unresolved accounting matters and the ongoing restatement process, including the impact of these issues on the Company s ability to maintain existing and establish new client relationships for both of the Company s businesses. After considering the foregoing factors, the special committee determined that it was appropriate to commence a process to explore the possible sale of the entire Company, while at the same time monitoring the Company s performance and the progress regarding the unresolved accounting matters and the ongoing restatement process. The special committee discussed the process for the exploration of the sale of the Company and possible bidders. The special committee recognized that any expressions of interest relating to the sale of the Company would need to be compared to the value of the Company as a stand-alone entity, taking into account the factors described above, and that it was possible that the bid would not be as attractive as the value of the Company on a stand-alone basis. The special committee authorized the chairman and certain other members of the special committee to interview investment bankers and make a recommendation to the special committee regarding selection of financial advisors for the special committee.

On April 27, 2006, we advised the NYSE that we were not prepared to file our 2005 Form 10-K and had postponed our annual meeting of stockholders and the mailing of the related proxy statement.

During the course of the next several weeks, members of the special committee met with and interviewed representatives of several investment banks regarding their expertise and qualifications to advise us with respect to potential opportunities for strategic alternatives and discussed their conclusions with the chairman of the special

committee. The special committee concluded after these discussions that the best advisory team for the special committee would be a team of bankers, including both Merrill Lynch and Gleacher Partners. The special committee authorized the chairman to discuss this joint representation with representatives of the two investment banks and to receive verbal assurances from each bank that the investment banks would work together as a team to represent the special committee and our board of directors.

The special committee met on June 8, 2006 with members of our senior management and a representative of DLA Piper. The special committee reported on the investment bank interview process. The DLA Piper representative advised regarding the scope of the engagement of the investment banks and certain related disclosure requirements. The special committee discussed, among other matters, the timing of the process of exploring strategic alternatives, fee arrangements and the provisions for fairness opinions. The special committee approved and authorized the engagement of Merrill Lynch and Gleacher Partners to serve as our joint financial advisors (our ***financial advisors***) to investigate and analyze our strategic alternatives, subject to the negotiation and execution of mutually satisfactory engagement letters.

The special committee met on June 27, 2006 with members of our senior management and a representative of DLA Piper. The special committee reviewed the terms of the engagement letters with Merrill Lynch and Gleacher Partners. The chairman of the special committee updated the special committee on his prior discussions with the financial advisors regarding their proposed due diligence and informed the special committee that the financial advisors were developing a list of entities that might be interested in a potential strategic transaction with us. The special committee asked the chairman to take charge of the coordination of the process with the financial advisors. Members of the special committee then engaged in a discussion regarding the risks related to the process of exploring strategic alternatives, including the risks presented as a result of the delays in finalizing our financial statements, risks of non consummation of a transaction, as well as risks of remaining independent. The special committee concluded that it was in the best interest of the Company and its stockholders to commence a competitive sales process to explore strategic alternatives, in light of the significant execution risks associated with our business plan. The DLA Piper representative advised regarding the fiduciary duties of the special committee and the board of directors.

During the next three months, the financial advisors conducted a due diligence process regarding our operations and worked with the chairman of the special committee to develop the list of potential bidders that might be interesded in a transaction with us. The chairman of the special committee kept the financial advisors informed about the status of the completion of our financial statements and our outstanding SEC filings along with our proposed timetable for becoming compliant with the reporting requirements under the Exchange Act. The chairman of the special committee also periodically conferred with other members of the special committee regarding, among other matters, the list of entities that might be interested in a transaction with us. The process of completing our financial statements and filing our 2005 Form 10-K took longer than expected, which in turn delayed the process of exploring strategic alternatives. The financial advisors and members of our senior management, with assistance from DLA Piper representatives, began drafting a confidential offering memorandum and preparing an on-line data room to facilitate access to due diligence materials that would be provided to potential transaction parties.

On August 16, 2006, we commenced a cash tender offer and consent solicitation to the holders of certain outstanding notes to undertake one or a combination of the following: (i) retire certain notes from tendering note holders or (ii) obtain consent from the holders of at least a majority of note holders to (a) amend certain provisions of the indenture governing the notes, regarding, among other matters, the requirement to file with the SEC and the trustee our annual reports, quarterly reports and other documents pursuant to the Exchange Act and (b) waive certain default and potential events of default under the indenture. On September 14, 2006, we concluded our tender offer and consent solicitation for certain outstanding notes.

The financial advisors began contacting potential bidders in late September 2006 and, over the course of the next three months, contacted forty-nine entities resulting in twenty-seven confidentiality agreements being executed. Pursuant to the confidentiality agreements, each entity agreed to maintain the confidentiality of the information to be provided to it by us and the entity s discussions of a possible transaction, to provide customary standstill protection and to place certain restrictions on their ability to enter into agreements with co-bidders in connection with a transaction. As part of this process, GE Capital and the Blackstone affiliate informed the financial advisors that they expected to work together to submit a combined bid.

Table of Contents

On October 11, 2006, the special committee met with members of our senior management and representatives of the financial advisors and DLA Piper and discussed, among other matters, the status of our financial statements and outstanding SEC filings, the draft confidential offering memorandum and the proposed timing of a strategic transaction. The financial advisors discussed the list of potential bidders and the merits of a competitive sales process by which the Company solicited interest from the most likely bidders, as compared to a public auction, and the risks to our business from a public auction. The financial advisors provided an update on the status of their contacts with both strategic and financial bidders, including the possibility that certain potential bidders may team up to submit a combined bid. The special committee discussed the expected levels of interest in us and our fleet management business and mortgage business, the difficulty of locating bidders with serious interest in both lines of our business and the risks of closing conditions attendant to sales to two different bidders at two different times. The special committee then engaged in a discussion regarding the timing of the process of exploring strategic alternatives. The special committee concluded that it would be in the best interest of the Company to continue the competitive sales process by contacting designated potential bidders identified by the financial advisors as having significant potential interest in a strategic transaction.

During a meeting of our board of directors held on October 23, 2006, our board of directors discussed the current state of the mortgage business, and the fact that mortgage originations for the third quarter of 2006 had declined dramatically from the comparable period of 2005, resulting in expected significant losses which had not been forecast previously. Management discussed the fact that the decline in mortgage originations appeared to be industry-wide. Our board of directors reviewed with management several cost cutting measures to address the mortgage business downturn.

Beginning in late October 2006, the financial advisors distributed our confidential information memorandum to the potential bidders that had executed confidentiality agreements.

On November 22, 2006, we filed our 2005 Form 10-K with the SEC.

On November 27, 2006, the entities that had received our confidential information were informed that we intended to follow a two-step bidding process involving the submission of a preliminary non-binding bid following review of the confidential information memorandum and, thereafter, selection of certain bidders to conduct due diligence and receive presentations by members of our senior management. The deadline for the preliminary non-binding bids was December 5, 2006.

On or about December 5, 2006, we received five preliminary non-binding bids to acquire all of our issued and outstanding common stock and one preliminary non-binding bid to acquire only our fleet management business.

GE Capital and a Blackstone affiliate (collectively, the ***GECC group***) submitted a bid to acquire all of our issued and outstanding common stock in an all cash transaction for between $31.00 and $33.00 per share. The GECC group noted that its bid purchase price was based upon certain assumptions, including, among other matters, that a specified number of common shares, stock options and restricted stock units were outstanding. The GECC group also noted that it was still determining its proposed transaction structure, which would be based on a number of factors, including transaction costs and tax consequences, and that it anticipated finalizing its structure in the course of due diligence as additional information became available from the Company. The bid indicated that GE Capital was interested in our fleet management business and that the Blackstone affiliate was interested in our mortgage business. The bid explained that the GECC group expected to fund the purchase price of our common stock with a combination of cash and proceeds of secured financing. The GECC group expected to have firm financing commitments consistent with standard public company acquisitions and did not anticipate the transaction to be subject to a financing contingency.

A second bidder, which we refer to as ***Bidder B***, submitted a bid to acquire all of our issued and outstanding common stock in an all cash transaction for between $32.00 and $34.00 per share. Bidder B indicated that it did not expect to have a financing contingency and was flexible with respect to the transaction structure. The bid was subject to additional due diligence, including, among other matters, a review of operational, business, financial, accounting, legal, tax, employee benefit and information systems.

A third bidder, which we refer to as ***Bidder C***, submitted a bid to acquire all of our issued and outstanding common stock in an all cash transaction for between $28.50 and $30.50 per share. Bidder C indicated that based upon its knowledge of current market conditions and its experience in financing similar transactions, it was

Table of Contents

confident that it would be able to finance and consummate the transaction in a timely manner. The bid was subject to the satisfactory completion of its accounting, business and legal due diligence and certain other conditions.

A fourth bidder, which we refer to as ***Bidder D***, submitted a bid to acquire all of our issued and outstanding common stock in an all cash transaction for between $31.00 and $33.00 per share. Bidder D noted that the final share price was to be determined upon successful completion of additional due diligence and that the purchase of the Company was to be financed through a mix of asset-based debt and equity financing. Bidder D indicated that, given the size of the transaction, it would arrange for an equity investment consortium to include its limited partners, other private equity firms and institutional asset managers.

A fifth bidder, a strategic buyer, which we refer to as ***Bidder E***, proposed to acquire only our fleet management business in an all cash transaction for between $825 million and $925 million (on a debt and cash free basis). Bidder E expected to finance the acquisition with a combination of existing cash, existing credit lines and additional debt financing, as applicable. The bid was based upon certain assumptions and satisfactory resolution of additional due diligence. Bidder E noted that it hoped to find a suitable partner to work towards making a final offer for the Company as a whole.

The special committee met on December 7, 2006 to discuss the preliminary non-binding bids received. Members of our senior management and representatives of the financial advisors and DLA Piper attended the meeting as well. Representatives from Merrill Lynch and Gleacher Partners presented summaries of the bids and discussed the relative strengths and weaknesses of the various bids. The financial advisors noted that, based upon their experience, each of the bidders had access to sufficient capital to close a transaction with us and had expressed sufficient interest in us to potentially facilitate the execution of a definitive transaction agreement on a rapid timetable, thereby reducing our business risk and disruption from the transaction.

The financial advisors and senior management also discussed with members of the special committee the potential impact on certain of the bids of the third-party waivers and consents with respect to our contracts with two of the most significant customers of the mortgage business, Realogy Corporation and its affiliates (Realogy) and Merrill Lynch Credit Corporation (Merrill Lynch), which together generated approximately 71% of our mortgage loan originations for the year ended December 31, 2006 and the possible concessions needed to obtain such waivers and consents. The special committee concluded that Realogy and Merrill Lynch would have significant leverage in any negotiation to obtain such waivers and consents. Our contracts with Realogy established our mortgage venture with Realogy, PHH Home Loans, LLC, and generally provide for our access to Realogy s various mortgage loan origination channels, as well as our use of certain intellectual property assets of Realogy in connection with our mortgage loan origination services. Pursuant to our contracts with Merrill Lynch, we originate and service mortgage loans as well as purchase and sell mortgage loans and mortgage servicing rights. (See Item 1. Business Arrangements with Realogy and Arrangements with Merrill Lynch in our Annual Report on Form 10-K for the year ended December 31, 2006 filed on May 24, 2007 for more information regarding the terms of the Realogy Agreements and the Merrill Lynch Agreements, including the termination of the Realogy Agreements and Merrill Lynch Agreements upon a change of control of us.) The special committee concluded that discussions with the two customers should be deferred until the sales process was further advanced and a transaction was likely.

The financial advisors provided a summary of their discussions with each bidder and, given the relatively close grouping of all the bid ranges, recommended that we continue active discussion with all the bidders seeking to acquire all our issued and outstanding common stock. The financial advisors did not recommend active discussions with Bidder E since, among other reasons, its bid was for only our fleet management business and also advised the special committee that they expected one more bid in the near future, which they believed would be a viable bid.

The special committee then discussed the relative weaknesses in Bidder E s bid, including, among other matters, the fact that its bid was only for our fleet management business and the fact that it did not appear that Bidder E could consummate a transaction with us without one or more joint bidders that it had yet to identify. The financial advisors recommended against continuing active discussion with Bidder E unless it found a bidding partner. Based on the special committee s evaluation of the five bids and the recommendations of the financial advisors, the special committee determined that the resources and attention of our senior management and our legal and financial advisors should be focused primarily on the bidders seeking to acquire all of our issued and outstanding common stock and recommended that the financial advisors proceed with the next round of negotiations and bidding with four of the five bidders. The special committee directed our financial advisors to

encourage Bidder E to find a bidding partner if they wanted to continue in the process. Later that day, the chairman of the special committee provided input to a representative of DLA Piper regarding the terms and conditions of the proposed acquisition agreement.

On December 12, 2006, a sixth bidder, which we refer to as ***Bidder F***, submitted a bid to acquire all of our issued and outstanding common stock in an all cash transaction for between $31.00 and $33.00 per share. Bidder F indicated that it expected to use a combination of asset-based, bank debt and equity financing to effect the proposed transaction. The offer was conditioned on satisfactory review and completion of additional due diligence and the signing of a definitive transaction agreement containing customary representations and warranties. Bidder F informed the financial advisors that it intended to work with a private equity firm.

On or about December 12, 2006, the financial advisors sent a letter to each of the six bidders seeking to acquire all of our issued and outstanding common stock, instructing them on the next phase of the process, including information on how to access the on-line due diligence data room and scheduling management presentations. Over the course of the next three weeks, we provided access to the on-line data room and gave management presentations to each of these bidders and their representatives. To the extent applicable, during the management presentations, management discussed the waivers and consents that would be required under our contracts with Realogy and Merrill Lynch and the possible concessions needed to obtain such waivers and consents.

In late December, representatives of Merrill Lynch and Gleacher Partners periodically updated the chairman of the special committee regarding the status of their discussions with each bidder and the timing of the process.

On January 8, 2007, the bidders were requested to submit updated proposals to acquire all of our issued and outstanding common stock, with a deadline of January 25, 2007 for their responses. During the next three weeks, members of our senior management held several additional due diligence sessions with the bidders, including on-site meetings with representatives of the bidders in New Jersey and Maryland to discuss our business, operations, financial condition and results of operations. In addition, we continued to respond to any due diligence requests made by the bidders by updating the on-line data room.

On January 25, 2007, three bidders provided us with preliminary non-binding proposals to acquire all of the issued and outstanding shares of our common stock in an all cash transaction for an effective bid price between $28.50 and $32.00 per share. The other three bidders decided not to continue in the process.

The GECC group s proposal indicated that they were interested in acquiring all of our issued and outstanding common stock in an all cash transaction for $33.50 per share, less $150 million for transaction tax expenses associated with bifurcating our fleet management business and mortgage business (which resulted in an effective bid price of $30.80 per share). The determination of the GECC group s transaction tax expense was based upon certain updated information provided by us regarding our tax basis in the assets constituting the mortgage business, which information allowed the GECC group to estimate the taxable gain to the Company upon the sale of the mortgage business to Blackstone and had not been made available to the GECC group prior to its December 2006 preliminary non-binding bid. The GECC group reiterated that GE Capital was interested in our fleet management business and that the Blackstone affiliate was interested in our mortgage business. The proposal indicated that GE Capital would use cash on hand to pay for its portion of the purchase price related to our fleet management business and that the Blackstone affiliate would use cash from its funds and debt secured by some of the mortgage assets acquired in the transaction to pay for its portion of the purchase price related to our mortgage business. The GECC group noted that, while it had committed substantial resources to the due diligence process, including engaging a number of third parties and advisors, it needed to complete its outstanding due diligence. The GECC group indicated that its proposal was based upon certain assumptions, including our capitalization, and the successful resolution of the due diligence items. The GECC group proposed to enter into an exclusifity period with us to finalize its due diligence process and negotiate a

definitive transaction agreement, including finalizing the transaction structure.

Bidder B submitted a proposal to acquire all of our issued and outstanding common stock in an all cash transaction for $32.00 per share. Bidder B indicated that it was prepared to invest up to $500 million of equity capital and that debt financing for the transaction would be fully-committed at the time of the execution of a definitive transaction agreement. The proposal was subject to additional due diligence, including, among other

matters, a review of operational, business, financial, accounting, legal, tax, employee benefit matters and our information systems. Bidder C submitted a proposal to acquire all of our issued and outstanding common stock in an all cash transaction for between $28.50 and $30.50 per share. Bidder C noted that based upon its knowledge of current market conditions, its experience in financing similar transactions and guidance from its financing sources, it was confident that it would be able to arrange financing to consummate the transaction and that it and its financing partners anticipated providing financing commitments upon signing a definitive merger agreement. Bidder C indicated that while it had undertaken a substantial amount of due diligence and had devoted substantial internal resources to the proposed transaction, it had substantial due diligence remaining prior to being able to execute a definitive merger agreement. Bidder C noted that, with the support of our management and legal and financial advisors, it was confident that it could complete its due diligence, secure committed financing and enter into a definitive merger agreement with us within a four-week period.

On January 31, 2007, the special committee met with members of our senior management and representatives of the financial advisors and DLA Piper to discuss the second round preliminary non-binding proposals. Representatives from Merrill Lynch and Gleacher Partners discussed each proposal and their views of the relative strengths and weaknesses of each proposal. Representatives of DLA Piper discussed the fiduciary duties of the directors. The special committee discussed with its legal and financial advisors, among other matters, the risks associated with our business and prospects and the risks associated with pursuing strategic alternatives, including regulatory risks, and concluded that it was advisable to continue to pursue the competitive sales process. The special committee also discussed with its legal and financial advisors the risks to our business if a transaction were announced but not consummated. The special committee discussed with its legal and financial advisors the waivers and consents required under our contracts with Realogy and Merrill Lynch prior to entering into a change-in-control transaction agreement with certain of the bidders, the possible concessions needed to obtain such waivers and consents and the process to seek consents and waivers from the two customers. The legal and financial advisors also discussed the GECC group s request for exclusivity, which the special committee concluded was premature. The special committee then discussed with the financial advisors whether any of the bidders might be willing to increase their respective per share valuation. After further discussion and based on the special committee s evaluation of the relative merits of the various proposals and the recommendations of the financial advisors, the committee instructed the financial advisors to continue discussions with the GECC group and Bidder B and seek to increase the prices offered. The special committee also instructed the financial advisors to seek clarification regarding each bidder s intended due diligence process for the proposed transaction, and clarification regarding the terms of their proposal. Thereafter, the financial advisors held discussions with each bidder in accordance with the special committee s instructions.

On February 5, 2007, the financial advisors circulated a proposed draft merger agreement prepared by DLA Piper to the GECC group and Bidder B.

On February 9, 2007, the financial advisors received a supplemental due diligence request list from Bidder B s counsel and a lengthy list of open due diligence items from Bidder B s financial advisor. The financial advisors also received a shorter supplemental list of due diligence items from the GECC group. The financial advisors instructed each bidder to complete their due diligence and to finalize the key terms of their second round proposal.

For the next several days, the GECC group, Bidder B and their respective representatives continued their due diligence investigation and held several in-person meetings and telephonic conference calls with us and our advisors. Members of our management also held several due diligence sessions with representatives of the GECC group and Bidder B in New Jersey and Maryland to discuss the Company s business, operations, financial condition, and results of operations.

During this time, representatives of Merrill Lynch and Gleacher Partners kept the chairman of the special committee informed on a regular basis of the status of each of the two proposals.

On February 14, 2007, Weil, Gotshal & Manges LLP (***Weil Gotshal***), counsel for GE Capital, delivered its comments on the draft merger agreement to the financial advisors. On February 15, 2007, a representative of senior management participated in a conference call, requested by representatives of GE Capital, with representatives of GE Capital, Weil Gotshal, DLA Piper and Simpson Thacher & Bartlett LLP (***Simpson Thacher***), counsel for Blackstone, to discuss the GECC group s approach to the comments to the merger agreement. Representatives of

Table of Contents

Weil Gotshal explained that its client, or an affiliate, expected to acquire all issued and outstanding shares of our common stock and subsequently sell our mortgage business to Blackstone or its affiliates. GE Capital representatives advised that GE Capital would be the contracting party to the merger agreement and that GE Capital would enter into a separate agreement for the sale of our mortgage business to Blackstone, or its affiliate. The GECC group explained that they expected this separate transaction to close simultaneously with the proposed merger. The parties also discussed issues related to allocation of risk, antitrust and other regulatory matters and certain ongoing due diligence matters.

On February 15, 2007, counsel for Bidder B, delivered its comments on the draft merger agreement to the financial advisors. On February 20, 2007, DLA Piper and members of our senior management held a call with counsel for Bidder B with regard to their client s approach to the comments to the draft merger agreement.

On February 19, 2007, Bidder B contacted the financial advisors and indicated that it did not intend to submit a final proposal at that time and that, should it ultimately submit a final proposal, based on the additional due diligence that it had conducted since submitting its bid on January 25, 2007 and the deterioration in the mortgage industry, it would not be prepared to maintain its earlier bid of $32.00 per share and instead its proposed price would be in the range of $30.00 to $31.00 per share.

On February 20, 2007, the GECC group submitted a letter increasing their proposed per share price from $30.80 to $32.25 per share and confirming certain aspects of their proposal. The GECC group indicated that, as reflected in its mark-up of the draft merger agreement, GE Capital, or an affiliate, would acquire all of our issued and outstanding shares of common stock in an all cash transaction and subsequently sell our mortgage business to Blackstone or its affiliate. The GECC group noted that the only way it was willing to proceed was to immediately enter into a period of exclusivity with us to finalize its due diligence and negotiate the terms of the merger agreement.

Later on February 20, 2007, the special committee met with members of our senior management and representatives of the financial advisors and DLA Piper to discuss the new developments. Representatives from Merrill Lynch and Gleacher Partners presented an overview and analysis of the sales process up to that point. Representatives of DLA Piper provided a summary and analysis of the material issues raised by the two bidders regarding the merger agreement and advised that the issues raised by the GECC group s comments were not as significant as those raised by Bidder B. DLA Piper representatives reviewed the fiduciary duties of the directors in connection with their review of the proposed transaction, and discussed, among other matters, the no shop provisions, the termination provisions, including the fees proposed on termination, and the conditions to closing proposed by each bidder. Representatives of DLA Piper also reviewed the regulatory risks of the transaction proposed by each bidder.

The special committee discussed the price proposed by each bidder and the terms of the merger agreement offered by each bidder with representatives of the financial advisors and DLA Piper. The special committee and representatives from Merrill Lynch and Gleacher Partners also discussed the relative levels of risk and certainty surrounding the terms of each proposal, including regulatory risks, and the potential probability of successfully closing a transaction with each bidder. Representatives of the financial advisors discussed with the special committee that Bidder B had informed them that it did not intend to submit a final proposal and that, should it ultimately submit a final proposal, it would not be prepared to maintain its earlier bid of $32.00 per share and instead its proposed price would be in the range of $30.00 to $31.00 per share. The special committee directed the chairman of the special committee to contact the GECC group to see if they were willing to increase their per share valuation.

After these discussions, the GECC group agreed to increase its proposed per share price to $32.50 per share. On February 21, 2007, the special committee reconvened and the financial advisors reported on the increased per share price proposed by the GECC group. The special committee discussed the relative difficulty in resolving comments to the draft merger agreement from Bidder B compared to the GECC group, and the relatively short period of further due

diligence requested by the GECC group compared with the substantial business and financial due diligence requirements of Bidder B. The special committee determined to proceed with negotiations with the GECC group on an exclusive basis, and authorized the chairman of the special committee to execute the letter agreement with GE Capital containing exclusivity provisions that would remain in effect from February 20, 2007 until March 2, 2007. The special committee also authorized the financial advisors to inform Bidder B that we had

entered into exclusive negotiations with another party and were discontinuing any further discussions with them regarding a possible transaction. Representatives of the financial advisors communicated this to Bidder B.

On February 24, 2007, in response to the GECC group s original February 14, 2007 mark-up of the merger agreement, DLA Piper submitted a revised draft of the merger agreement to Weil Gotshal. From February 24, 2007 until the execution of the merger agreement on March 15, 2007, we, GE Capital and our respective representatives exchanged drafts of the merger agreement and other relevant documents and held extensive negotiations relating to the terms and conditions of the merger agreement. Blackstone and Simpson Thacher participated in certain of these negotiations.

From February 26 through February 28, 2007, a member of our senior management and representatives of DLA Piper met at Weil Gotshal s offices in New York to negotiate the terms of the merger agreement and met with representatives of GE Capital, Weil Gotshal, Blackstone and Simpson Thacher. The parties also discussed the waivers and consents that both GE Capital (as the ultimate buyer of the fleet management business) and Blackstone (as the ultimate buyer of the mortgage business) would require under our contracts with Realogy and Merrill Lynch to the proposed transaction, and the process to obtain these waivers and consents.

On March 1, 2007 and the morning of March 2, 2007, the chairman of the special committee and representatives of our senior management had several discussions with representatives of the GECC group regarding various diligence issues (including the determination that the number of our restricted stock units outstanding was larger than the number that the GECC group had previously assumed and specified in its proposal for the Company), a preliminary proposal for a retention and severance package for certain members of senior management and various terms of the merger agreement still being negotiated. The parties discussed the impact of these various issues on the GECC group s assessment of the transaction, and a range of potential compromises. Also on the morning of March 2, 2007, the compensation committee of our board of directors met with an independent compensation committee consultant, representatives of our senior management and representatives of DLA Piper to discuss, among other matters, the preliminary proposal on retention and severance for senior management. Our compensation committee considered the risks to our business if these employees were not retained during the pendency of the proposed merger, and received advice on the retention benefits and the terms of the proposed retention and severance plan from the independent consultant. After discussing these issues, our compensation committee approved the retention and severance plan in principle and directed senior management to provide a final list of participants, and the final terms of the retention and severance plan, as well as the final estimate of the financial impact of the plan, for compensation committee approval.

On the afternoon of March 2, 2007, the special committee met with members of our senior management and representatives of the financial advisors and DLA Piper to discuss, among other matters, the status of negotiations to date. Representatives of senior management and the chairman of the special committee briefed the special committee on the open issues. The special committee discussed the potential impact of the open issues, including the diligence issues, the proposed retention and severance plan and the other terms being negotiated in the merger agreement, on the proposed per share purchase price offered by the GECC group, and discussed the other open issues, including the proposals for termination fees in various circumstances, and the conditions relating to our financial statements. The special committee then considered the terms of the draft merger agreement circulated by GE Capital. DLA Piper representatives reviewed the fiduciary duties of the directors in considering the proposed transaction and also reviewed negotiations relating to the structure of the proposed transaction, our representations and warranties, the conditions to closing, the amount of the termination fee and the events upon which the termination fee would be payable, the definition of material adverse effect, and interim covenants imposing restrictions on the operation of our business between signing and consummation of the merger. The DLA Piper representatives summarized the remaining issues to be negotiated, including the amount of and events triggering payment of termination fees, and conditions to closing. The special committee took note of the proposed retention and severance plan for certain members of senior management being considered by the compensation committee, and the risks to our business if these employees were not retained during the pendency of the proposed merger. The special committee also considered the closing

conditions and the risks related to the delays in finalizing our financial statements and our proposed timetable for becoming compliant with the reporting requirements under the Exchange Act, the risks associated with the mortgage business sale agreement between GE Capital and Blackstone or its affiliate including the impact on the proposed merger if Blackstone or its affiliate failed to obtain the requisite

Table of Contents

financing to consummate the mortgage business sale agreement, as well as the potential adverse impact on our business if the merger were not consummated. The special committee also reviewed the regulatory approval process applicable to the proposed merger. The special committee discussed the negotiation relating to the amount of fees payable on various termination events and the related triggering events. Representatives of DLA Piper reviewed with the special committee the waivers and consents required under our contracts with Realogy and Merrill Lynch to the proposed merger, the proposed timing of the negotiation of such waivers and consents, the possible concessions needed to obtain such waivers and consents and the possible impact on the transaction from this negotiation. The special committee discussed the risks and benefits associated with the proposed merger, taking into account the likely impact of the open issues on the transaction value offered by the GECC group, compared to the potential alternatives available to us, including remaining independent, taking into account the risks attendant to the Company s business. The special committee concluded that it was advisable to continue to negotiate the best possible terms for a sale to the GECC group. The special committee then considered a proposal from the chairman of the special committee to address the material outstanding issues, including a proposal on the triggering events for termination of the agreement and fees payable on various termination events, including in the event of a failure of Blackstone or its affiliate to obtain financing in respect of the mortgage business sale agreement, as well as closing conditions, addressing our concerns relating to deal certainty, and a proposed reduction in the purchase price from $32.50 to $32.00, which the special committee believed to be the smallest price reduction likely to be acceptable to the GECC group. After discussion, the special committee authorized the chairman of the special committee to present this proposal to the GECC group.

Thereafter, the chairman of the special committee and the financial advisors held discussions with the GECC group, in accordance with the special committee s instructions and the proposal authorized by the special committee was accepted by the GECC group, subject to further negotiations. Over the next week, we, the GECC group and our respective representatives continued negotiating the terms and conditions of the draft merger agreement. We also negotiated portions of the agreement for the subsequent sale of our mortgage business by GE Capital to Blackstone, or its affiliate, relevant to us with the GECC group.

On March 11, 2007, the special committee and our board of directors held separate meetings attended by members of our senior management and representatives of the financial advisors and DLA Piper, to consider whether to approve the proposed merger with GE Capital. In advance of the meetings, each member of our board of directors received a copy of the draft merger agreement and other related documents, along with a copy of a presentation to be made by the financial advisors. At the meeting of the special committee, representatives of DLA Piper led a discussion with the special committee regarding certain provisions of the draft merger agreement, including, but not limited to, closing conditions, termination fees and the events upon which the termination fee would be payable, the scope of our representation and warranties, covenants relating to our financial statements, the definition of material adverse effect, the interim operating covenants, as well as the terms of the mortgage business sale agreement for the subsequent sale of our mortgage business by GE Capital to Blackstone or its affiliate, including closing conditions and termination fees. The special committee reviewed the risk of non-consummation of the transaction and the fees payable in certain termination events with representatives of DLA Piper. The special committee understood that the parties were still negotiating certain third-party waivers and consents, although the special committee believed these agreements were close to final terms. Representatives of Merrill Lynch and Gleacher Partners made a formal presentation with respect to the process of exploring strategic alternatives and the background of the proposed merger with GE Capital. The financial advisors discussed a number of valuation metrics, including an analysis of the per share price paid by the GECC group for shares of our common stock compared to our historical per share trading price, an analysis of the current trading multiples of selected publicly traded companies that the financial advisors deemed relevant compared to the implied multiples of the proposed merger, an analysis of the transaction multiples in selected change of control transactions that the financial advisors deemed relevant compared to the implied multiples of the proposed merger and a discounted dividend analysis. The financial advisors then rendered an oral opinion to the effect that, as of that date and subject to and based on the assumptions made, procedures followed, matters considered and limitation on the

opinion and the review undertaken, as set forth in the opinion, the merger consideration to be paid in connection with the proposed merger was fair, from a financial point of view, to the holders of our common stock. After further discussion and based on the special committee s evaluation of the GE Capital proposal and other relevant factors including those discussed under Our Reasons for the Merger, the special committee unanimously approved the merger

agreement and the transactions contemplated by the merger agreement, including the merger, and determined to recommend to our board of directors, the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Our board of directors then convened to consider whether to approve the proposed merger with GE Capital. Representatives of Merrill Lynch and Gleacher Partners made the same presentation with respect to the process of exploring strategic alternatives and the background of the proposed merger with GE Capital, and with respect to valuation metrics as had been presented to the special committee. The board of directors engaged in a discussion of the proposed merger and the financial advisors and representatives of DLA Piper responded to questions from the board of directors. The board of directors was also advised that the third-party waivers and consents were in the process of being finalized. The financial advisors then confirmed their oral opinion to the effect that, as of that date and subject to and based on the assumptions made, procedures followed, matters considered and limitation on the opinion and the review undertaken, as set forth in the opinion, the merger consideration to be paid in connection with the proposed merger was fair, from a financial point of view, to the holders of our common stock.

Our board of directors then discussed at length the terms of the proposed merger and a variety of positive and negative considerations concerning the transaction and the overall strategic alternatives available to us. These factors are described in more detail below under the heading Our Reasons for the Merger beginning on page [l]. After a discussion and consideration of all relevant issues and after consulting with the financial advisors, the board of directors unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of our stockholders, approved the merger agreement and the transactions contemplated thereby, including the merger, along with the other transaction documents presented to the board of directors relating to the merger, and directed that the merger agreement and the transactions contemplated by the merger agreement, including the merger, be submitted for consideration by holders of our common stock at a special meeting of stockholders.

Following this meeting, we, the GECC group, and our respective representatives continued our discussions to finalize the merger agreement and related documents, including the waivers and consents to the proposed merger and related transactions required under our contracts with Realogy and Merrill Lynch. Negotiations among us, the GECC group, Realogy, Merrill Lynch and our respective representatives regarding the terms of the waivers and consents required by GE Capital and Blackstone under our contracts with Realogy (the ***Realogy Consent***) and our contracts with Merrill Lynch (the ***Merrill Lynch Waiver***) and the payments in connection with such waivers and consents proceeded over the next few days and resulted in final agreements on March 14, 2007.

The Realogy Consent provides that, effective upon completion of the sale of our mortgage business to Blackstone (which we contemplate will be substantially simultaneous with the consummation of the merger), Realogy will receive a specified fee for its consent to, and waiver of certain of its rights under its contracts with us in connection with, the proposed merger, the sale of the mortgage business and the related transactions. We also agreed under the Realogy Consent to certain amendments to our contracts with Realogy effective upon completion of the sale of our mortgage business to Blackstone. These amendments will apply over the term of our contracts with Realogy and include limitations on the scope of the noncompetition restrictions contained in our contracts with Realogy to PHH Mortgage and its subsidiaries (and terminate its application to the fleet management business), amendments to the parties and events with which a future acquisition of the mortgage business would result in a change in control under such contracts, the addition of a private label brand under our marketing agreement with Realogy, and adjustments to the fees that we pay to Realogy under our marketing agreement and our trademark license agreement and the fees that PHH Home Loans pays to us under our management services agreement.

The Merrill Lynch Waiver provides that, effective upon completion of the sale of our mortgage business to Blackstone, Merrill Lynch consents to, and waives certain of its rights under its contracts with us in connection with,

the proposed merger, the sale of the mortgage business and the related transactions, but does not provide for any payments to Merrill Lynch. (See Item 1. Business Arrangements with Realogy and Arrangements with Merrill Lynch in our Annual Report on Form 10-K for the year ended December 31, 2006 filed on May 24, 2007 for more information regarding the terms of the consents and waivers that we obtained from Realogy and Merrill Lynch, and Item 1.01(c) Entry into a Material Definitive Agreement Amendments to Certain Agreements in

Table of Contents

our Current Report on Form 8-K filed on March 15, 2007 for a discussion of the consents and waivers that we obtained from Realogy and Merrill Lynch.)

On March 12, 2007, the GECC group informed our financial advisors that it intended to decrease its per share price from $32.00 to $31.50 in consideration of the consent fee and the estimated aggregate financial impact of the various amendments included in the Realogy Consent. The special committee met with members of our senior management and representatives of the financial advisors and DLA Piper to discuss the GECC group s reduction in price. The chairman of the special committee gave an update regarding discussions he had during the day related to the matters that formed the basis for the GECC group s reduction in price. The special committee discussed with its legal and financial advisors various alternatives in response to the price reduction, including the continuation of the business as a stand-alone business, or the initiation of a renewed process for the sale of the Company. The special committee considered the fact that certain bidders would face similar negotiations relating to the need for third-party waivers and consents, and that the costs of such waivers and consents needed to be factored into the transaction. The special committee met again that evening with members of our senior management and representatives of the financial advisors and DLA Piper, and discussed the status of the negotiations held with GE Capital since its earlier meeting. After considering the alternatives, the special committee concluded that the current transaction was in the best interests of stockholders, despite the reduction in price, and instructed the financial advisors to continue discussions with GE Capital and its representatives to determine if a definitive merger agreement could be finalized.

The special committee instructed the financial advisors to provide an updated analysis taking into account the revised per share price directed management to schedule a meeting of the board of directors the next day to consider whether to approve the proposed transaction with GE Capital.

On March 13, 2007, the special committee and our board of directors held separate meetings attended by members of our senior management and representatives of the financial advisors and DLA Piper to consider whether to approve the revised terms of the merger agreement with GE Capital. In advance of the meetings, the members of our board of directors received a revised copy of the presentation to be made by the financial advisors. The financial advisors apprised the special committee of the current state of discussions with GE Capital and Blackstone. Representatives from Merrill Lynch and Gleacher Partners made a formal presentation and reviewed with the special committee their financial analysis of the $31.50 per share cash merger consideration to be received by holders of our common stock. The financial advisors then rendered to the special committee an oral opinion (which was subsequently confirmed in a written opinion on March 14, 2007) to the effect that, as of that date and subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, as set forth in the opinion, the merger consideration to be paid in connection with the proposed merger was fair, from a financial point of view, to the holders of our common stock. After further discussion and based on the special committee s evaluation of the terms of the merger agreement and related documents, and the other relevant factors including those discussed under Our Reasons for the Merger, beginning on page [1], the special committee unanimously determined to recommend to our board of directors, among other matters, the revised terms of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Our board of directors then held a meeting, which was attended by members of our senior management and representatives of the financial advisors and DLA Piper. The financial advisors apprised the board of directors of the current state of discussions with GE Capital and Blackstone. Members of our senior management discussed the reduction in the price and the special committee informed the board of directors of its deliberations and recommendation. The board of directors considered and discussed the revised terms and asked questions of the financial advisors and representatives of DLA Piper. Representatives from Merrill Lynch and Gleacher Partners made a formal presentation and reviewed with our board of directors their financial analysis of the $31.50 per share cash merger consideration to be received by holders of our common stock. The financial advisors then rendered to the board of directors an oral opinion (which was subsequently confirmed in a written opinion on March 14, 2007) to the

effect that, as of that date and subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, as set forth in the opinion, the consideration to be paid in connection with the proposed merger was fair, from a financial point of view, to the holders of our common stock.

Table of Contents

Our board of directors then discussed the revised terms of the merger agreement and its prior review of the factors described in detail below under the heading Our Reasons for the Merger beginning on page [l]. After discussion and based on the recommendation of the special committee and other relevant factors, including those discussed under Our Reasons for the Merger beginning on page [l], the board of directors unanimously (1) determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of our stockholders, (2) approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, along with other transaction documents presented to the board of directors relating to the merger and (3) directed that the merger agreement and the transactions contemplated by the merger agreement, including the merger, be submitted for consideration by holders of our common stock at a special meeting of stockholders. Our board of directors authorized senior management to finalize negotiations of the definitive merger agreement and the documents related thereto. The closing price of our common stock on March 13, 2007 was $27.55. Following this meeting, we, the GECC group, and our respective representatives continued finalizing the merger agreement and the documents related thereto.

Later that day, Blackstone informed the chairman of the special committee and the financial advisors that it was reevaluating its participation in the GECC group s bid in light of the developments in the mortgage industry generally, especially the deterioration in the subprime mortgage market and that it needed an additional day to determine whether it wished to participate in the GECC group s bid. Over the course of the next twenty-four hours, the chairman of the special committee had numerous telephone conferences with representatives of GE Capital and Blackstone to discuss the status of the proposed transaction in light of Blackstone s review of the current developments in the mortgage industry.

On March 15, 2007, we and GE Capital executed the definitive merger agreement and issued a joint press release announcing the merger. The terms of the merger agreement are set forth in more detail below under The Merger Agreement beginning on page [l]. On the same date, a Blackstone affiliate and GE Capital executed the mortgage business sale agreement.

Our Reasons for the Merger

The following discussion summarizes the material factors considered by the board of directors in their consideration of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and is not intended to be exhaustive. It should be noted that part of this explanation of the board of director s reasoning and other information presented in this section is forward-looking in nature and therefore should be read in light of the factors discussed under Forward-Looking Statements beginning on page [l].

The board of directors believes that the merger is fair to and in the best interests of the Company and its stockholders. In reaching its decision to approve the merger agreement and transactions contemplated by the merger agreement, including the merger, the board of directors consulted numerous times with members of our senior management and representatives of the financial advisors and DLA Piper and considered, among other matters, the following factors:

- current industry, economic and market conditions and trends in the markets in which we compete and the risks associated with the foregoing if we were to remain an independent public company;

- our business model and our business, prospects, financial performance and condition, financial and operating plans, capital levels and asset quality and the risks associated with the foregoing if we were to remain an independent public company, including the continuing deterioration of the performance of our mortgage business and the mortgage industry generally during the second half of 2006 and early 2007;

risks associated with the restatement of our historical financial statements;

the impact of our inability to file certain reports with the SEC on a timely basis on our financial condition, operations and prospects, our ongoing obligations under our current outstanding debt, and under regulations applicable to our business;

the delays in our proposed timetable for becoming compliant with the reporting requirements under the Exchange Act and the ongoing distraction and costs associated with these delays;

Table of Contents

the risk of delisting of our common stock from the NYSE if we were unable to become compliant with the reporting requirements under the Exchange Act in a reasonable time frame;

our continuing need to identify and remediate material weaknesses in internal control over financial reporting and to achieve effective internal control over financial reporting;

the belief of our board of directors and special committee that a sale of the entire Company at the price offered by the GECC group was advisable given the significant risks attendant to the Company as a stand alone company and preferable to the other strategic alternatives available to us (including the possible sale or spin-off of one or the other of our businesses)

the competitive sale process undertaken by the board of directors and the special committee, with the assistance of the financial advisors, aimed at maximizing stockholder value, which included:

- contacting forty-nine potential bidders,
- executing confidentiality agreements with twenty-seven such potential bidders, each of whom received a confidential information memorandum,
- obtaining and evaluating preliminary non-binding bids from six potential bidders that were invited to conduct initial due diligence,
- receiving and responding to inquiries from such potential bidders,
- evaluating the non-binding proposals submitted by the GECC group, Bidder B and Bidder C following initial due diligence, and
- evaluating the final terms of the GECC group and Bidder B along with the terms of the merger agreement suggested by each bidder;

the difficulty of locating alternative bidders who expressed serious interest in both lines of our business, and the difficulty of pairing bidders who might be interested in only one line of business;

the disruption in the market surrounding the business conditions for sub-prime lenders and the impact on prospective bidders perceived risk for acquiring mortgage businesses generally;

the current and historical market prices of our common stock, including the fact that the merger consideration of $31.50 per share represents a premium to the closing price of our common stock of approximately:

- $3.69 for each share, or a 11.7% premium, over the closing price of our common stock on March 14, 2007, the trading day prior to the date we announced the merger,
- $4.60 for each share, or a 17.1% premium, over the closing price of our common stock on April 3, 2006, the trading day prior to the decision of our board of directors to pursue strategic alternatives,
- $3.12 for each share, or a 11.0% premium, over the average closing price of our common stock for the six-month period before the public announcement of the merger,

$4.81 for each share, or a 18.0% premium, over the average closing price of our common stock since our Spin-Off on February 1, 2005; and

$11.50 for each share, or a 57.5% premium, over the trading price of our common stock immediately after our Spin-Off on February 1, 2005.

the positive and negative aspects of a fixed per share merger consideration, including the fact that the payment of cash as the form of merger consideration will provide the holders of our common stock with immediate liquidity and value that is not subject to market fluctuation;

the general terms and conditions of the merger agreement and the transactions contemplated by the merger agreement, including the parties representations, warranties and covenants, the conditions to their respective obligations to consummate the merger as well as the likelihood of the consummation of the merger, the termination provisions of the merger agreement, the proposed transaction structure, including the terms and

Table of Contents

conditions of the mortgage business sale agreement between GE Capital and a Blackstone affiliate, and the board of directors evaluation of the likely time period necessary to close the transaction;

the fact that the merger agreement, subject to the limitations and requirements contained in the merger agreement, permits the board of directors to provide information to, and conduct negotiations with, an unsolicited third party if there is a reasonable likelihood that such actions could lead to a superior proposal and to terminate the merger agreement to accept a superior proposal upon the payment to GE Capital of a termination fee of $50 million;

the caliber and reputation of the counterparties in the merger agreement and the mortgage business sale agreement in closing transactions such as the merger and the sale of our mortgage business;

the terms and conditions of the mortgage business sale agreement and the reverse termination fee payable to us, under certain limited circumstances, if the Mortgage Business Purchases breaches its obligations under the mortgage business sale agreement to close the transactions contemplated thereby;

the current strength and liquidity of the private equity and debt financing markets and the risk that such conditions could be less conducive to a strategic transaction with us in the future;

the opinion of each of the financial advisors that, subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, as set forth in the opinion, the consideration to be paid in connection with the merger was fair, from a financial point of view, to the holders of our common stock as described under the heading Opinion of the Financial Advisors beginning on page [l]. The full text of the written opinion of each of the financial advisors, dated March 14, 2007, which set forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, are attached to this proxy statement as ***Annex B*** and ***Annex C***. Each opinion is not a recommendation to any holder of our common stock as to how such stockholder should vote at our special meeting; and

the fact that the merger is subject to the approval of the holders of our common stock.

Potential Negative Factors Relating to the Transaction

In the course of its deliberations, the board of directors also considered a variety of risks and other potentially negative factors relating to the merger, including the following:

if the merger is consummated, we will no longer exist as a public company and the holders of our common stock will not have the opportunity to participate in the future performance of our assets and any future appreciation in the value of our common stock;

the merger is a taxable transaction and, as a result, holders of our common stock will generally be required to pay U.S. taxes on any gains that result from their receipt of the cash consideration in the merger;

the regulatory risks associated with the merger and the transactions contemplated by the mortgage business sale agreement. See Regulatory Approvals beginning on page [l];

certain terms of the merger agreement and related documents, including, but not limited to, the following:

in the event that the merger agreement is terminated in certain circumstances as a result of the Mortgage Business Purchaser not being ready, willing and able (including with respect to access to financing) to consummate the transactions contemplated by the mortgage business sale agreement, our remedy may be limited to the payment of the reverse termination fee to us. See Conditions to the Merger , Termination Fee, Reverse Termination Fee and Expense Reimbursement beginning on [l], and Mortgage Business Sale Agreement beginning on pages [l] and [l], respectively,

pursuant to the mortgage business sale agreement, GE Capital has agreed not to consummate the merger unless all the mutual conditions to closing and the closing conditions pertaining to GE Capital and the merger sub specified in the merger agreement have been satisfied or waived. GE Capital and the merger sub are required to obtain the prior written consent of the Mortgage Business Purchaser before agreeing to

Table of Contents

any waiver of such conditions unless such waiver relates solely to our fleet management business and would not otherwise materially prejudice the Mortgage Business Purchaser s position or obligations under the mortgage business sale agreement,

even though the merger agreement permits the board of directors to receive unsolicited inquiries and proposals regarding other potential acquisition proposals, it prohibits us from soliciting, initiating, knowingly encouraging or taking certain actions, except under the circumstances discussed under the heading No Solicitation of Transactions beginning on page [1]. If we receive a superior proposal and ultimately enter into an agreement for such a transaction, subject to certain conditions, we would be obligated to pay GE Capital a termination fee in the amount of $50 million. See Termination Fee, Reverse Termination Fee and Expense Reimbursement beginning on [1]. Accordingly, the termination fee may discourage a third party from submitting a competing higher proposal to acquire us,

under certain circumstances, we may be required to pay the GECC group s reasonable transaction expenses incurred in connection with the merger and the transaction contemplated by the merger agreement, up to a limit of $5 million;

the merger agreement includes covenants that set forth limitations on our ability to conduct our business prior to the completion of the merger. See Conduct of Our Business Pending the Merger beginning on page [1],

the merger agreement may be terminated in certain circumstances if the merger does not occur on or before December 31, 2007,

the merger agreement requires us to file any and all forms, reports and other documents required to be filed with the SEC with respect to periods from and after December 31, 2005 prior to the effective time of the merger agreement,

the requirement that no later than September 30, 2007, we provide to GE Capital the following financial statements:

- our audited financial statements for the year ended December 31, 2006,
- the audited financial statements of PHH Mortgage for the year ended December 31, 2006,
- a copy of the revised consolidating balance sheet for us and our consolidated subsidiaries and consolidated joint ventures as of December 31, 2006 and the related consolidating statement of operations for the year ended December 31, 2006 reflecting any adjustments as a result of the audit of our 2006 financial statements, and
- audited combined financial statements of our mortgage business for the years ended December 31, 2005 and 2006, and certain unaudited combined financial statements for each quarter of 2007 together with unaudited combined financial statements for the corresponding periods from 2006,

the merger agreement includes a provision that our audited financial statements for the year ended December 31, 2006 shall not reflect a consolidated financial condition or results of operations of us, our consolidated subsidiaries and our consolidated joint ventures that is different from the consolidated financial condition or results of operations of us, our consolidated subsidiaries and our consolidated joint ventures reflected in the unaudited financial statements for the year ended December 31, 2006 that we had previously

delivered to GE Capital, unless such difference would not constitute, or would not reasonably be expected to constitute, a material adverse effect. See Conditions to the Merger beginning on page [l],

the risk that the failure to complete the merger may cause substantial damage to our relationships with our existing and potential customers;

the significant costs involved in connection with completing the merger;

the substantial management time and effort required to effectuate the merger and the related potential disruption to our business operations, including possible customer and employee attrition;

Table of Contents

the fact that certain of our directors and executive officers may have a conflict of interest in connection with the merger, as they may receive certain benefits that are different from, and in addition to, those of other stockholders. See Interests of Our Directors and Executive Officers in the Merger beginning on page [l]; and

the fact that the holders of our common stock are not entitled to dissenters rights under MGCL.

This discussion of the information and factors considered by the board of directors in reaching its conclusions and recommendation includes all of the material factors considered by the board of directors, but is not intended to be exhaustive. In light of the variety of factors considered by the board of directors in evaluating the merger agreement and the transactions contemplated by the merger agreement, including the merger, the board of directors did not find it practicable to, and did not quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. Moreover, each member of the board of directors applied his or her own personal business judgment to the process and may have given different weight to different factors. The board of directors views its recommendation as being based on the totality of the information presented to and considered by it.

Recommendation of Our Board of Directors

Our board of directors, at a special meeting held on March 13, 2006, after due consideration, unanimously:

determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of our stockholders,

approved the merger agreement and the other transaction documents presented to the board of directors relating to the merger; and

directed that the merger agreement and the merger be submitted for consideration by holders of our common stock at the special meeting of stockholders.

Our board of directors unanimously recommends that the holders of our common stock vote FOR the proposal to approve of the merger agreement and the merger.

Opinion of Financial Advisors

At the special meeting of the Company s board of directors held on March 13, 2007, each of Merrill Lynch and Gleacher Partners rendered its oral opinion, subsequently confirmed in writing, to the Company s board of directors and special committee that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth in such opinion, the merger consideration to be received by the holders of the Company s common stock was fair, from a financial point of view, to such stockholders.

The full text of the opinions of Merrill Lynch and Gleacher Partners, each dated March 14, 2007, which set forth, among other things, the assumptions made, the procedures followed, matters considered and qualifications and limitations of the reviews undertaken by each of Merrill Lynch and Gleacher Partners in rendering their respective opinions, are attached as ***Annex B*** and ***Annex C***, respectively, to this document and are incorporated herein by reference. Merrill Lynch and Gleacher Partners have consented to the inclusion of their respective opinions in this proxy statement. The summary of the Merrill Lynch and Gleacher Partners fairness opinions set forth herein is qualified in its entirety by reference to the full text of each of the opinions. Holders of the Company s common stock are advised to read these opinions carefully and in their entirety. Each of Merrill Lynch and Gleacher Partners provided its opinion for the information and assistance of the Company s board of directors and special committee in

connection with their respective consideration of the merger and such opinions addressed only the fairness, from a financial point of view, to the holders of the Company s common stock of the merger consideration. Neither the Merrill Lynch opinion nor the Gleacher Partners opinion expressed an opinion as to the fairness of the transaction (or merger consideration) to, or any consideration of, the holders of any other class of securities, creditors or other constituencies of the Company or as to the merits of, and the underlying decision by the Company to engage in, the transaction. Neither the Merrill Lynch opinion nor the Gleacher Partners opinion addressed any matter relating to the mortgage business sale agreement between GE Capital and a Blackstone affiliate.

Table of Contents

Neither the Merrill Lynch opinion nor the Gleacher Partners opinion is a recommendation to any holder of the Company s common stock as to how any stockholder should vote with respect to the merger or any other matter and should not be relied upon by any holder of the Company s common stock as such. Neither Merrill Lynch nor Gleacher Partners expressed any opinion as to the prices at which the Company s common stock would trade following the announcement or consummation of the merger.

Opinion of Merrill Lynch

In connection with rendering its opinion, Merrill Lynch, among other things:

- reviewed certain publicly available business and financial information relating to the Company;
- reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of the Company furnished to Merrill Lynch by PHH;
- conducted discussions with members of the Company s senior management concerning the matters described in the bullets above;
- reviewed the Company s results of operations;
- reviewed the market prices and valuation multiples for shares of the Company s common stock and compared them with those of certain publicly traded companies;
- compared the proposed financial terms of the merger with the financial terms of certain other transactions;
- participated in certain discussions and negotiations among representatives of the Company, GE Capital and Blackstone and their respective financial and legal advisors;
- reviewed a draft dated March 12, 2007 of the merger agreement;
- reviewed a draft dated March 13, 2007 of the mortgage business sale agreement; and
- reviewed such other financial studies and analyses and took into account such other matters as Merrill Lynch deemed necessary.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available. Merrill Lynch did not assume any responsibility for independently verifying such information, or undertake, nor was it furnished with, an independent evaluation or appraisal of any of the assets or liabilities of the Company. Merrill Lynch did not evaluate the solvency or fair value of the Company. In addition, Merrill Lynch did not conduct any physical inspection of the Company s properties or facilities. With respect to the financial forecast information furnished to or discussed with the Company, Merrill Lynch assumed that such forecasts and information had been reasonably prepared and reflected the best currently available estimates and judgment of the Company s management as to the expected future financial performance of the Company. Merrill Lynch also assumed that the final executed versions of the merger agreement and related transaction documents would not materially differ from the drafts it reviewed. Merrill Lynch assumed that the merger would be consummated substantially in accordance with the terms set forth in the merger agreement, including: (1) the truth of all the representations and warranties of the parties, (2) compliance by all the parties with their respective covenants, (3) the timely satisfaction of all conditions to closing, and (4) the receipt of consents and approvals (contractual or otherwise) necessary for the consummation of the merger without

any material adverse effect on the Company or benefits of the merger.

The Merrill Lynch opinion was necessarily based on market, economic and other conditions as they existed, and on the information made available to it, as of the date of its opinion. Subsequent developments may affect its opinion, and Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion.

Opinion of Gleacher Partners

In arriving at its opinion, Gleacher Partners, among other things:

reviewed certain publicly available financial statements and other information of the Company;

Table of Contents

reviewed certain internal financial statements and other financial and operating data concerning the Company prepared by the management of the Company;

analyzed certain financial forecasts prepared by the management of the Company;

discussed the past and current operations and financial condition and the prospects of the Company with senior executives of the Company, including those items addressed in the bullets above;

reviewed the reported prices and trading activity for the Company s common stock;

compared the financial performance of the Company and the prices and trading activity of the Company s common stock with that of certain other publicly traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of certain transactions;

participated in certain discussions and negotiations among representatives of the Company, GE Capital and Blackstone and their respective financial and legal advisors;

reviewed a draft dated March 10, 2007 of the merger agreement;

reviewed a draft dated March 10, 2007 of the mortgage business sale agreement; and

performed such other analyses and considered such other factors as Gleacher Partners deemed appropriate.

In preparing its opinion, Gleacher Partners assumed and relied on the accuracy and completeness of all information reviewed by or discussed with it. In relying on financial projections provided to it, Gleacher Partners assumed that they had been reasonably prepared and were consistent with the best currently available estimates and judgments of the senior management of the Company as to the future financial performance of the Company. Gleacher Partners assumes no responsibility for and expresses no view as to such forecasts or the assumptions on which they are based. Gleacher Partners assumed, based upon the information that had been provided to it and without assuming responsibility for independent verification of such information, that no material undisclosed liability existed with respect to the Company. Gleacher Partners did not make any independent valuation or appraisal of the assets, including the net mortgage servicing rights, or liabilities (contingent or otherwise) of the Company or any of its subsidiaries, nor was it furnished with any such valuations or appraisals. Gleacher Partners also assumed that the final executed versions of the merger agreement and other transaction documents would not materially differ from the drafts it reviewed and that the transactions would be consummated in accordance with the terms of such agreements, including: (1) the truth of all of the representations and warranties of the parties, (2) compliance by all of the parties with their respective covenants, (3) the timely satisfaction or waiver of all conditions to closing, and (4) the receipt of consents and approvals (contractual or otherwise) necessary for the consummation of the merger without any material adverse effect on the Company or the benefits of the merger. Gleacher Partners is not a legal, accounting, regulatory or tax expert and relied on the assessment of the Company and its advisors with respect to such matters.

The Gleacher Partners opinion was necessarily based on economic, market and other conditions as they existed, and on the information made available to it, as of the date of its opinion. Subsequent developments may affect its opinion, and Gleacher Partners does not have any obligation to update, revise or reaffirm its opinion.

Joint Financial Analyses of PHH s Financial Advisors

The following is a summary of the material financial analyses jointly performed by Merrill Lynch and Gleacher Partners in connection with rendering their respective opinions described above and contained in the presentations that were delivered to the Company s board of directors and special committee on March 13, 2007. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by Merrill Lynch and Gleacher Partners, the tables must be read together with the full text of each summary. Considering the data set forth below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Merrill Lynch s and Gleacher Partners financial analyses.

Table of Contents

Merrill Lynch and Gleacher Partners performed their analyses with respect to the Company based on financial forecasts provided by the management of the Company and a per share transaction value of $31.50 for the Company s common stock. All market data used by Merrill Lynch and Gleacher Partners in its analyses were as of March 12, 2007.

Merrill Lynch and Gleacher Partners performed various valuation analyses of our common shares, as described below. For purposes of the valuation analyses, diluted shares of the Company were calculated using the treasury stock method, based on 53.5 million basic common shares outstanding, 1.5 million restricted shares outstanding and options to acquire 3.4 million shares of common stock at a weighted average exercise price of $19.38.

Based on the combined valuation analyses described below, Merrill Lynch and Gleacher Partners estimated a per share reference range of $27.73 to $32.57 for PHH.

Historical Stock Trading Analyses

Merrill Lynch and Gleacher Partners reviewed the historical stock price performance of our common stock and compared this performance against certain peer groups and indices determined by them to be relevant. Merrill Lynch and Gleacher Partners compared the per share transaction value of $31.50 for each share of the Company s common stock to the closing price of the Company s common stock as of March 12, 2007, the average closing price during the three months leading up to and including March 12, 2007, the average closing price during the six months leading up to and including March 12, 2007, the intraday high price of $30.53 on February 2, 2007 for the 52-week period ended March 12, 2007 and the initial trading price of $20.00 on January 19, 2005 in connection with the Spin-Off. Merrill Lynch and Gleacher Partners calculated the following implied multiples based on the per share transaction value of $31.50 for each share of the Company s common stock using projections prepared by the Company s management:

Implied Transaction Multiples

Transaction value/projected 2007 earnings per share	15.5x
Transaction value/projected 2008 earnings per share	10.1x
Transaction value/book value as of December 31, 2006	1.18x
Transaction value/tangible book value as of December 31, 2006	1.29x

Comparable Company Trading Multiples Analysis

Using publicly available information, Merrill Lynch and Gleacher Partners calculated a range of implied per share values for the Company based on the calculation of the ratios of price to estimated earnings for 2008 and price to adjusted tangible book value per share as of December 31, 2006 for certain publicly traded companies. In addition to the Company, the following companies were selected by Merrill Lynch and Gleacher Partners, based on their experience with companies in similar lines of business, as potentially relevant to an evaluation of the Company:

Selected Companies by Business Segment

Mortgage Companies	Prime Mortgage REITS	Fleet Leasing Companies
Countrywide	Thornburg Mortgage	CIT Group
IndyMac		Dollar Thrifty
		Financial Federal

Marlin Business Services
Ryder System

Merrill Lynch and Gleacher Partners reviewed, among other things, closing stock prices of the selected companies on March 12, 2007 as multiples of estimated calendar year earnings per share for 2007 and 2008 and book value per share and tangible book value per share as of December 31, 2006. Merrill Lynch and Gleacher Partners then compared these multiples derived from the selected companies with corresponding multiples for the Company based both on the closing price of the Company s common stock on March 12, 2007 and the per share

Table of Contents

transaction value. Financial data for the Company were based on management s projections, and financial data for the selected companies were based on publicly available research analysts estimates, public filings and other information. This analysis indicated the following average and median multiples for the selected companies:

	Multiples for Selected Companies		Multiples for PHH	
			Based on March 12, 2007	Based on the Per Share
	Average	Median	Closing Stock Price	Transaction Value
Closing Stock Price as a Multiple of:				
Projected 2007 earnings per share	11.5x	11.1x	13.9x	15.5x
Projected 2008 earnings per share	9.8	10.0	9.1	10.1
Book value per share as of December 31, 2006	1.61	1.65	1.06	1.18
Tangible book value per share as of December 31, 2006	1.94	1.76	1.16	1.29

Merrill Lynch and Gleacher Partners determined, based on their experience with companies in similar lines of business, that the appropriate metric for use in determining the valuation of PHH, was the multiple to projected 2008 earnings per share, and therefore calculated an implied per share valuation range for the Company by applying a range of multiples of 8.4x to 9.9x derived from this analysis to the projected 2008 earnings per share of the Company. Although none of the selected companies is directly comparable to PHH, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of the Company. Based on this analysis, Merrill Lynch and Gleacher Partners derived an implied per share range of values for the Company of approximately $26.31 to $30.95. Merrill Lynch and Gleacher Partners also applied a reference range of multiples to the Company s adjusted tangible book value per share as of December 31, 2006, which assumes a one-time dividend of $135 million and excludes $61 million of intangible items. Based on this metric, Merrill Lynch and Gleacher Partners derived an implied per share range of values for the Company of approximately $29.70 to $34.40.

Precedent Transactions Multiples Analysis

Using company filings and publicly available information, Merrill Lynch and Gleacher Partners examined the following selected transactions within the mortgage and fleet leasing industries:

Announcement Date	Acquiror	Target
Mortgage Industry		
July 11, 2006	Deutsche Bank	MortgageIT Holdings
May 11, 2004	Citigroup	Principal Residential Mortgage
April 2, 2001	Washington Mutual	Fleet Mortgage Corp (FleetBoston)
October 2, 2000	Washington Mutual	PNC s Residential Mortgage
Fleet Leasing Industry		
May 22, 2004	Volkswagen	LeasePlan Corp.

Merrill Lynch and Gleacher Partners calculated the transaction value in the selected transactions as a multiple of latest twelve months (***LTM***) earnings and book value as of the most recent completed accounting period prior to public announcement of the transaction for the target companies. No transaction reviewed was directly comparable to the proposed transaction and, accordingly, this analysis involved complex considerations and judgments concerning differences in financial and operating characteristics of the Company relative to the targets in the selected transactions and other factors that would affect the acquisition values in the precedent transactions.

Merrill Lynch and Gleacher Partners calculated that the ratio of the transaction value to the LTM earnings for the target companies in the mortgage industry had an average and median of 10.4x and the transaction in the fleet leasing industry had a multiple of 11.0x. The ratio of the transaction value to the book value as of the most recent accounting period prior to the announcement of the selected transactions in the mortgage industry had an average of 1.55x and a median of 1.35x, and the transaction in the fleet leasing industry had a multiple of 2.08x. Based on the

Table of Contents

analysis of the transaction value in the selected transactions, Merrill Lynch and Gleacher Partners determined an implied per share range of values for the Company of approximately $31.41 to $36.95. This range of per share values implied a range of multiples of the Company s 2008 estimated earnings of 10.0x to 11.8x and a range of multiples of the Company s book value as of December 31, 2006 of 1.17x to 1.38x.

Discounted Dividend Analysis

Using projections provided by the management of PHH, Merrill Lynch and Gleacher Partners conducted discounted dividend analyses of PHH s business segments to calculate ranges of implied per share values of PHH. A discounted dividend analysis is a method of evaluating a company using estimates of the future theoretical dividends generated by the Company and taking into consideration the time value of money with respect to those future theoretical dividends by calculating their present value. ***Present value*** refers to the current value of one or more future cash dividends from the company and is obtained by discounting those dividends back to the present using a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of equity capital, capitalized returns and other appropriate factors. ***Terminal value*** refers to the capitalized value of all dividends from a company for periods beyond the final forecast period.

Merrill Lynch and Gleacher Partners performed the discounted dividend analysis of the Company to calculate the estimated present value of the dividends that the Company could generate over calendar years 2007 through 2011. Estimated financial data for the Company were based on internal estimates of the Company s management. For the mortgage business, Merrill Lynch and Gleacher Partners calculated a range of terminal values by applying forward net income terminal value multiples of 6.5x to 7.5x to the Company s calendar year 2012 estimated net income attributable to the mortgage business. The dividends and terminal values were then discounted to present value using discount rates ranging from 11.0% to 13.0%. For the fleet management business, Merrill Lynch and Gleacher Partners calculated a range of terminal values by applying forward net income terminal value multiples of 10.0x to 12.0x to the Company s calendar year 2012 estimated net income attributable to the fleet management business. The dividends and terminal values were then discounted to present value using discount rates ranging from 10.0% to 12.0%. Based on a level of equity capital for the Company deemed appropriate for purposes of this analysis, Merrill Lynch and Gleacher Partners estimated a range of values of excess capital per share of the Company s common stock as between $2.22 to $2.67. The discounted dividend analysis, together with Merrill Lynch s and Gleacher Partners estimate of excess capital per share, indicated an implied per share range of values for each share of the Company s common stock of $28.43 to $34.50.

General

In connection with the review of the merger by the Company s board of directors and special committee, Merrill Lynch and Gleacher Partners performed a variety of generally accepted financial and comparable analyses for purposes of rendering their respective opinions. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at their respective opinions, Merrill Lynch and Gleacher Partners each considered the results of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it, but rather made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. Merrill Lynch and Gleacher Partners believe that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of their analyses, without considering all of them, would create an incomplete view of the process underlying their analyses and opinions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above were merely utilized to create points of reference for analytical purposes and should not be taken to be the view of Merrill Lynch or Gleacher Partners with respect to the actual value of the Company.

In performing their analyses, Merrill Lynch and Gleacher Partners made, and were provided by the management of the Company, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Merrill Lynch, Gleacher Partners and the Company. Analyses based on estimates or forecasts of future results are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such analyses. The analyses described above were performed solely as part of the respective analyses of Merrill Lynch and

Table of Contents

Gleacher Partners of the fairness of the merger consideration, from a financial point of view, to the Company, and were performed in connection with the delivery by Merrill Lynch and Gleacher Partners of their respective opinions, each dated March 14, 2007, to the Company s board of directors and special committee. The analyses do not purport to be appraisals or to reflect the prices at which the Company s common stock will trade following the announcement or consummation of the merger. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the Company or its advisors, none of the Company, Merrill Lynch and Gleacher Partners, nor any other person assumes responsibility if future results or actual values are materially different from these forecasts or assumptions. The merger consideration and other terms of the merger were determined through arm s-length negotiations with the Company and were approved by the Company s board of directors.

The respective opinions of Merrill Lynch and Gleacher Partners were one of many factors taken into consideration by the Company s board of directors and special committee in making their respective determination to approve the merger. The analyses of Merrill Lynch and Gleacher Partners summarized above should not be viewed as determinative of the opinion of the Company s board of directors or special committee with respect to the value of the Company, or of whether the Company s board of directors or special committee would have been willing to agree to different or other forms of merger consideration. The foregoing summary does not purport to be a complete description of the analyses performed by Merrill Lynch and Gleacher Partners.

The Company s special committee selected Merrill Lynch and Gleacher Partners as its financial advisors because of their reputations as internationally recognized investment banking and advisory firms with substantial experience in transactions similar to this transaction and because Merrill Lynch and Gleacher Partners are each familiar with the Company and its business. As part of its investment banking and financial advisory business, each of Merrill Lynch and Gleacher Partners is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

Merrill Lynch and its affiliates have performed in the past, and may continue to perform, certain financial advisory and other investment banking and commercial banking services for the Company, all for customary compensation. Such past services have included acting as a dealer in the Company s commercial paper program. In the ordinary course of its businesses, Merrill Lynch and its affiliates may actively trade the debt and equity securities of the Company for its own account or for the accounts of customers and, accordingly, Merrill Lynch may at any time hold long or short positions in such securities. In addition, Merrill Lynch or its affiliates are party to several agreements with the Company relating to the origination, servicing, sub-servicing and/or purchase and sale of certain loans and lines of credit, including those agreements through which the Company provides mortgage loan origination assistance, acts as a servicer or sub-servicer for certain mortgage loans and revolving or equity line of credit loans and purchases from Merrill Lynch certain mortgage loans. Approximately 20% of the Company s mortgage loan originations for the year ended December 31, 2006 and 24% of the Company s mortgage loan originations for the year ended December 31, 2005 were under these agreements. Certain of these agreements provide Merrill Lynch or its affiliate, as the case may be, the right to terminate its relationship with the Company prior to the expiration of the term of the agreements in certain enumerated instances, which include, without limitation, a change-in-control of the Company. On March 14, 2007, the Company and Merrill Lynch entered into an agreement waiving certain of these restrictions. The letter agreement pursuant to which Merrill Lynch has acted as joint financial advisor to the Company expressly acknowledges that Merrill Lynch s role as financial advisor to the Company has no bearing or impact on other commercial relationships between the Company and Merrill Lynch and its affiliates.

Gleacher Partners may perform certain financial advisory and other investment banking services for the Company, all for customary compensation. Gleacher Partners and its affiliates may in the future trade the debt and equity securities of the Company for its own account or for the accounts of customers and, accordingly, Gleacher Partners may at any time hold long or short positions in such securities.

Under the terms of separate letter agreements, the Company engaged each of Merrill Lynch and Gleacher Partners to act as its joint financial advisors in connection with the transaction. Pursuant to the terms of its letter agreement with Merrill Lynch, the Company has agreed to pay Merrill Lynch a fee for its services (including for the delivery of the

Table of Contents

Merrill Lynch opinion) in an aggregate amount equal to $7.01 million, a substantial portion of which will become payable only if the merger is consummated. Pursuant to the terms of its letter agreement with Gleacher Partners, the Company has agreed to pay Gleacher Partners a fee for its services (including for the delivery of the Gleacher Partners opinion) in an aggregate amount equal to $7.01 million, a substantial portion of which will become payable only if the merger is consummated. The Company has also agreed to reimburse each of Merrill Lynch and Gleacher Partners for its reasonable expenses incurred in connection with the engagement, including travel costs, document production and other customary expenses, including the reasonable fees and disbursements of legal counsel, and to indemnify each of Merrill Lynch, Gleacher Partners and their related parties from and against certain liabilities.

Projected Financial Information

The Company does not as a matter of course make public projections as to future performance, earnings or other results, and generally does not make projections for extended periods due to the unpredictability of the assumptions and estimates underlying such projections. However, certain financial projections prepared by the management of our mortgage business and fleet management business were made available to the special committee and its financial advisors and to potential bidders.

We have provided certain of these projections in this proxy statement. The inclusion of these projections should not be regarded as an indication that our board of directors, management, the financial advisors, GE Capital, the merger sub, Blackstone or any other recipient of this information considered, or now considers, these projections to be a reliable prediction of future results, and they should not be relied on as such.

The Company believes the assumptions our mortgage business and fleet management business management used as a basis for the projections were reasonable at the time the projections were prepared, given the information our management had at the time. However, the projections do not take into account any circumstances or events occurring after the date they were prepared and you should not assume that the projections are or will continue to be accurate or reflective of our management s view at the time you consider whether to vote for the merger agreement and the merger. The projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, including assumed effective interest rates, all of which are difficult to predict and many of which are beyond our control. The projections are also subject to significant uncertainties in connection with changes to our business and financial condition and results of operations, including among others, risks and uncertainties relating to industry performance, material litigation and general business, economic, regulatory, market and financial conditions and other factors described under Cautionary Statement Concerning Forward-Looking Statements beginning on page [l] and Risk Factors contained in Item 1A, of the Company s Annual Report on Form 10-K for the fiscal year ended December 30, 2006 (the ***2006 Form 10-K***)and Form 10-Q for the fiscal quarter ended March 31, 2007, filed with the SEC. In addition, the projections reflect projected information regarding the Company as a stand-alone company and do not take into account any of the transactions contemplated by the merger agreement, including the merger, which may cause actual results to materially differ as well. As a result, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than those contained in the projections; it is expected that there will be differences between actual and projected results. Since the projections cover multiple years, such information by its nature becomes less reliable with each successive year.

The financial projections were prepared for internal use and for our board of directors, to assist potential bidders with their due diligence investigations of the Company and for use by the financial advisors in their respective financial analyses and not with a view toward public disclosure or toward complying with accounting principles generally accepted in the United States or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The Company s independent registered public accounting firm has not examined or compiled any of the projections, expressed any conclusion or provided any form

of assurance with respect to the financial projections and, accordingly, assumes no responsibility for them. Additionally, since the date the projections described below for the fleet management business were prepared, the Company has completed and made publicly available its actual results of operations for the fiscal year ended December 31, 2006 and for the fiscal quarter ended March 31, 2007. Further, the financial information in the projections were presented in a format previously utilized by the Company prior to the finalization of its financial statements included in its Annual Report on Form 10-K for the fiscal year ended

Table of Contents

December 31, 2005, which were filed with the SEC on November 22, 2006. Accordingly, various components of revenues and expenses as reflected in the Company s financial statements filed with the SEC on and since November 22, 2006 for the fiscal years ended December 31, 2005 and 2006 and each of the quarters ended March 31, 2006, June 30, 2006, September 30, 2006 and March 31, 2007 are presented differently than the presentation of such items in the projections.

For the foregoing reasons, as well as the bases and assumptions on which the projections were compiled, the inclusion of specific portions of the projections in this proxy statement should not be regarded as an indication that such projections will be an accurate prediction of future events, and they should not be relied on as such. Except as required by applicable federal securities laws, the Company does not intend to update, and expressly disclaims any responsibility to, update or otherwise revise the information set forth below to reflect circumstances existing after the date when made or to reflect the occurrence of subsequent events even in the event that any or all of the assumptions underlying the information set forth below are shown to be in error.

Initial Projections

Management presented a two-year financial forecast to the special committee at the October 11, 2006 meeting (the ***Initial Projections***) and worked with the financial advisors to prepare the preliminary financial analyses for inclusion in the confidential information memorandum distributed by the financial advisors to potential bidders in late October 2006. Certain of the Initial Projections resulting from this process are set forth below. The Initial Projections were based on the latest operating results available to management. Management advised the special committee that the Initial Projections were preliminary and that management was still in the process of updating these forecasts. The financial advisors did not rely upon the Initial Projections in preparing their respective analyses in connection with rendering their opinions with respect to the fairness, from a financial point of view, of the consideration to be received by holders of our common stock in the merger.

Updated Projections

Following the distribution of the confidential information memorandum, management and the financial advisors continued to refine the financial forecasts based on the latest operating results and plans available to management. Certain of the updated projections resulting from this process, which we refer to as the ***Updated Projections*** are set forth below. The Updated Projections were provided to each of the six potential bidders who submitted preliminary non-binding bids in late December 2006. In addition to the Updated Projections, the chart below includes extrapolated projections for the fiscal year 2011 (the ***Extrapolated Projections***) that were developed by the management of our mortgage business and fleet management business with the assistance of the financial advisors for the purpose of completing the financial advisors respective discounted dividend analysis. The financial advisors have informed us that the Extrapolated Projections were not shared with any of the bidders.

The Updated Projections and the Extrapolated Projections were also used by the financial advisors for use in preparing certain financial analyses discussed with our board of directors and the special committee at their respective meetings held on March 11 and March 13, 2007.

The primary difference between the Initial Projections and the Updated Projections related to the mortgage business and resulted from, among other matters, increased price competition, a downturn in our mortgage origination volume, continued pressure on origination margins, delays in signing new outsourcing clients as a result of our inability to finalize our financial statements and increasing costs associated with managing our mortgage servicing rights hedge.

Table of Contents

Projected Financials Mortgage Business

	For the Fiscal Years					
	FY 2006E	FY 2007E	FY 2008E	FY 2009E	FY 2010E	FY 2011E[1]
	(Amounts in millions)					
Initial Projections						
Total Net Revenues[2]	$ 138	$ 299	$ N/A	$ N/A	$ N/A	$ N/A
Pre-Tax Income After Minority Interest/Restatements[2][3]	(63)	94	N/A	N/A	N/A	N/A
Updated Projections						
Total Net Revenues[2]	$ 77	$ 256	$ 391	$ 427	$ 465	$ 507
Pre-Tax Income[2][3]	(106)	94	196	224	254	289

(1) The Extrapolated Projections were developed by the management of our mortgage business with the assistance of the financial advisors for the purpose of completing the financial advisors respective discounted dividend analysis.

(2) The actual results for fiscal year 2006 for the mortgage business prepared on the basis as presented in the Company s financial statements included in the 2006 Form 10-K were total net revenues of $460 million and loss before income taxes of $108 million (after minority interest in consolidated entities). The primary difference in presentation between the projections and the financial statements in the 2006 Form 10-K relates to the inclusion of operating expenses (other than SG&A) as a reduction in revenue in the projections versus their classification as an expense in the 2006 Form 10-K resulting in a corresponding increase in revenues and expenses in the 2006 Form 10-K as compared to the projections above.

(3) Represents (loss) before income taxes and after minority interests in consolidated entities.

Projected Financials Fleet Management Business

	For the Fiscal Years					
	FY 2006E	FY 2007E	FY 2008E	FY 2009E	FY 2010E	FY 2011E[1]
	(Amounts in millions)					
Initial Projections						
Total Revenues[2]	$ 272	$ 281	$ N/A	$ N/A	$ N/A	$ N/A
Pre-Tax Income[2][3]	85	95	N/A	N/A	N/A	N/A
Updated Projections						
Total Revenues[2]	$ 272	$ 276	$ 284	$ 294	$ 305	$ 318
Pre-Tax Income[2][3]	96	95	97	101	105	110

(1) The Extrapolated Projections were developed by the management of our fleet management business with the assistance of the financial advisors for the purpose of completing the financial advisors respective discounted dividend analysis.

(2) The actual results for fiscal year 2006 for the fleet management business prepared on the basis as presented in the Company s financial statements included in the 2006 Form 10-K were total net revenues of $1,830 million and income before income taxes of $102 million (after minority interest in consolidated entities). The primary difference in presentation between the projections and the financial statements in the 2006 Form 10-K relates to depreciation on operating leases being reclassified from a contra revenue account in the projections to an expense account in the 2006 Form 10-K resulting in a corresponding increase in revenues and expenses in the 2006 Form 10-K as compared to the projections above.

(3) Represents income before income taxes and after minority interest in consolidated entities.

Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors with respect to the merger and the merger agreement, you should be aware that certain of our directors and executive officers may have interests in the merger that are different from, or in addition to, the interests of the holders of our common stock. Such interests include,

Table of Contents

among other matters, severance payments and benefits payable to certain executive officers upon termination of employment pursuant to our existing policies and agreements, retention bonuses payable to certain of our executive officers in order to retain their services at least through the consummation of the merger, accelerated vesting of certain equity awards and rights to continued indemnification and insurance coverage after the merger for acts or omissions occurring prior to the merger. In addition, the number of shares of our common stock owned by our directors and executive officers as of July 16, 2007, appears below under the heading Securities Ownership of Certain Beneficial Owners and Management beginning on page [1].

Stock Options

As of July 16, 2007, there were approximately 188,059 shares of our common stock issuable pursuant to outstanding and unvested stock options held by each person who served as a director or executive officer of the Company since January 1, 2006. Under the terms of the merger agreement at the effective time of the merger, each such stock option shall be deemed to be fully vested and shall be canceled and the holder thereof shall be entitled to receive at the effective time of the merger or as soon as practicable thereafter, an amount of cash equal to the merger consideration of $31.50 for each share subject to the stock option, less the applicable option exercise prices and any applicable withholding taxes. See Treatment of Stock Options and Restricted Stock Units beginning on page [1]. For information about the beneficial ownership of our common stock by our directors or executive officers, see Securities Ownership of Certain Beneficial Owners and Management beginning on page [1].

The following table sets forth the potential estimated payments to each person who served as a director or executive officer of the Company since January 1, 2006 with respect to outstanding and unvested stock options, upon consummation of the merger:

Name	**Number of Unvested Stock Options Held (#)**	**Estimated Payments[(1)]**
Terence W. Edwards	68,000	$ 649,934
Clair M. Raubenstine		
George J. Kilroy	33,653	316,951
Mark R. Danahy	17,504	187,643
William F. Brown	16,410	175,915
Mark E. Johnson	9,572	102,612
Michael D. Orner	9,267	93,041
Neil J. Cashen[(2)]	33,653	316,951
James W. Brinkley		
A.B. Krongard		
Ann D. Logan		
Jonathan D. Mariner		
Francis J. Van Kirk		
Total	188,059	$ 1,843,047

(1) The estimated payments do not include any reduction for any applicable withholding taxes.

(2) Mr. Cashen resigned his employment with us on September 20, 2006.

Restricted Stock Units

As of July 16, 2007, there were approximately 140,387 unvested restricted stock units granted to and 115,385 restricted stock units earned but not awarded to persons who served as a director or executive officer of the Company since January 1, 2006. Under the terms of the merger agreement, at the effective time of the merger, each restricted stock unit that is outstanding or earned but not awarded immediately prior to the effective time (whether vested or unvested) shall be deemed fully vested and shall be canceled, and the holder thereof shall be entitled to

Table of Contents

receive, at the effective time of the merger or as soon as practicable thereafter, an amount of cash equal to the merger consideration of $31.50 for each share, less any applicable withholding taxes. See Treatment of Stock Options and Restricted Stock Units beginning on page [1]. For additional information about the number of restricted stock units held by our directors or executive officers, see Securities Ownership of Certain Beneficial Owners and Management beginning on page [1].

The following table sets forth the potential estimated payments to each person who served as a director or executive officer of the Company since January 1, 2006 with respect to unvested or earned but not awarded restricted stock units upon consummation of the merger:

Name	Unvested Restricted Stock Units (#)	Restricted Stock Units Earned but not Awarded (#)[1]	Estimated Payments[2]
Terence W. Edwards	38,169	26,810	$ 2,046,839
Clair M. Raubenstine			
George J. Kilroy	34,324	23,525	1,822,244
Mark R. Danahy	23,451	14,662	1,200,560
William F. Brown	17,093	11,528	901,562
Mark E. Johnson	3,602	1,200	151,263
Michael D. Orner	3,602	1,200	151,263
Neil J. Cashen[3]	20,146	13,315	1,054,022
James W. Brinkley		3,722	117,243
A.B. Krongard[4]		8,389	264,254
Ann D. Logan		3,722	117,243
Jonathan D. Mariner		3,642	114,723
Francis J. Van Kirk		3,670	115,605
Total	140,387	115,385	$ 8,056,821

(1) Due to the delay in the filing of our financial statements with the SEC , from March 2006 through June 2007 and during the blackout period (the ***blackout period***) in place for our executive officers and directors pursuant to Regulation BTR, the issuance of our common stock for purposes of converting earned restricted stock units to shares for our executive officers and the awards of restricted stock units for service by directors have been postponed for our executive offices and directors until the consummation of the merger or the expiration of the blackout period. These shares are reflected in this column.

(2) The estimated payments do not include any reduction for any applicable withholding taxes.

(3) Mr. Cashen resigned his employment with us on September 20, 2006.

(4) Mr. Krongard elected to defer the cash portion of his director fees to the Non-Employee Directors Deferred Compensation Plan in exchange for 3,434 restricted stock units since January 1, 2006.

Retention Bonuses

Following the execution of the merger agreement we entered into letter agreements with certain of our executive officers in order to retain them at least through the effective time of the merger. The retention bonus equals and is in lieu of the executive s annual target bonus for 2007 set by the compensation committee of our board of directors, but will be pro-rated if the effective time of the merger is before December 31, 2007, and is payable as soon as practicable following the earlier of the effective time of the merger and December 31, 2007. In certain instances, the executive officer covered by a retention agreement may receive the retention bonuses even if his

Table of Contents

employment is terminated prior to the effective time of the merger. The following table sets forth the potential estimated payments to our executive officers pursuant to these retention bonuses upon consummation of the merger:

Name	Estimated Payments[1]
William F. Brown	$ 150,000
Mark E. Johnson	64,890
Michael D. Orner	64,334
Total	$ 279,224

(1) The estimated payments are based on an effective time of the merger of December 31, 2007, subject to pro-ration as noted above, and do not include any reduction for any applicable withholding taxes.

Severance Payments

We have historically maintained a policy of providing post-termination payments of salary, or severance, to our executive officers in the event of a reduction in our workforce or the elimination or discontinuation of their position. Pursuant to this policy, the minimum severance is 26 weeks of base salary and the maximum severance is 52 weeks of base salary for our executive officers, payable in a lump sum amount. In addition, each executive officer is eligible to receive $7,500 in outplacement services, which may be declined by the executive officer, in lieu of an equivalent cash payment. The payment of severance is conditioned upon, among other things, the execution of a general release of any claims against us and our affiliates.

Pursuant to the terms of the merger agreement, on June 7, 2007, our compensation committee approved severance agreements for Messrs. Kilroy, Brown, Johnson and Orner subject to certain parameters, in lieu of the severance payments that would otherwise be payable to these officers pursuant to our policy described above. We have entered into severance agreements with these executive officers to provide severance payments to them in the event, on or prior to the first anniversary of the effective time of the merger, of (i) the involuntary termination of employment other than for cause or disability (as such terms are defined in the applicable severance agreement) or (ii) the voluntary termination of employment as a result of (a) a change in the required location of the executive officer s employment in excess of 20 miles, (b) subject to certain enumerated exceptions, the material diminution of the executive officer s duties and responsibilities as of the date of the applicable severance agreement, or (c) a reduction in the executive officer s base salary or material reduction in compensation opportunity as of the date of the applicable severance agreement. The following table sets forth the potential estimated payments to our executive officers pursuant to the terms of our severance policy or the severance agreements, as applicable:

Name	Estimated Payments[1]
Terence W. Edwards[2]	$ 572,135
Clair M. Raubenstine[2]	507,500
George J. Kilroy[3]	1,800,000
Mark R. Danahy[2]	170,000
William F. Brown	900,000

Mark E. Johnson	562,380
Michael D. Orner	557,562
Total	$ 5,069,577

(1) The estimated payments do not include any reduction for any applicable withholding taxes.

(2) Pursuant to our severance policy, the estimated payments to the executive officer include $7,500 in the form of either outplacement services or a cash payment, in lieu thereof.

(3) As described more fully below under Arrangements with GE Capital and Blackstone, if Mr. Kilroy accepts employment with GE Capital pursuant to the terms of the offer letter he has with GE Capital, he will not be entitled to these payments.

Table of Contents

Employment Arrangements with GE Capital and Blackstone

As of the date of this proxy statement, except for Mr. George J. Kilroy, a member of our board of directors and the President and Chief Executive Officer of PHH Arval (as described below), none of our executive officers has entered into any agreement, arrangement or understanding with GE Capital, Blackstone or their respective affiliates, regarding employment or other matters.

Pursuant to the terms of an offer letter entered into between GE Capital Solutions Fleet Services, a division of GE Capital, and Mr. Kilroy, Mr. Kilroy is expected to become the Chairman of GE Capital Solutions Fleet Services upon the consummation of the merger. We have been informed that Mr. Kilroy s gross annual salary is expected to be $450,000 per year and that he may be eligible to participate in certain other compensation and employee benefit plans offered by GE Capital. Based upon the offer letter, we believe that Mr. Kilroy is guaranteed to receive an incentive bonus of $450,000 for the 2007 calendar year and will be eligible to receive an incentive bonus of $1 million payable in 2010 if certain financial, operating and synergy targets are achieved. The offer letter provides that Mr. Kilroy will not be eligible to receive the severance payment described in the Severance Payments section above, instead his compensation and benefits will be as provided in the offer letter. In addition, Mr. Kilroy will be entitled to participate in GE Capital s compensation and benefits plans.

Following the execution of the merger agreement and the mortgage business sale agreement, Blackstone has held preliminary discussions with Mr. Terence W. Edwards, a member of our board of directors and the chief executive officer of the Company, regarding possible terms of his continued employment following the consummation of the merger. In addition, Blackstone has informed us that it is their intention to engage in discussions with additional executive officers involved in the mortgage business regarding (i) the terms of their continued employment, and (ii) the right to participate in the equity of and the right to participate in equity-based incentive compensation plans for the mortgage business following the consummation of the merger. Such arrangements remain to be negotiated and no terms have been finalized. It is expected that any such arrangements will be negotiated and finalized prior to the consummation of the merger, although we cannot presently determine whether such negotiations will result in agreements, arrangements or understandings.

Indemnification and Insurance

Pursuant to the terms of the merger agreement, the surviving corporation has agreed to indemnify (including advancing expenses) each present and former director or officer of the Company, our subsidiaries or joint ventures , and present or past trustees or fiduciaries of our employee benefit plans, against any costs and expenses, judgments, fines, amounts paid in settlement, losses, claims, damages or liabilities incurred in connection with any threatened, pending or completed legal proceeding relating to or in connection with any action or omission occurring or alleged to have occurred whether existing or occurring at or prior to the effective time of the merger, including legal proceedings related to the transactions contemplated by the merger agreement. Subject to certain limitations, prior to the effective time of the merger, we shall, and if we are unable to, GE Capital shall cause the surviving corporation to obtain and fully pay for non-cancelable tail directors and officers liability insurance and fiduciary liability insurance with a policy term of at least six (6) years from and after the effective time of the merger.

Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders

The following discussion is a summary of the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of our common stock whose shares are converted into the right to receive cash in the merger. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the ***Code***), U.S. Treasury regulations promulgated thereunder, judicial authorities and administrative rulings, all as in effect as of

the date of the proxy statement and all of which are subject to change, possibly with retroactive effect.

For purposes of this discussion, the term ***U.S. holder*** means a beneficial owner of shares of our common stock that is, for U.S. federal income tax purposes:

an individual who is a citizen or resident of the United States;

Table of Contents

a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;

a trust if (i) a court within the United States is able to exercise primary jurisdiction over its administration and (ii) one or more persons who have the authority to control substantially all of its decisions;

a trust not described above that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person, or

an estate that is subject to U.S. federal income tax on its income regardless of its source.

Holders of our common stock who are not U.S. holders may be subject to different tax consequences than those described below and are urged to consult their tax advisors regarding their tax treatment under U.S. and non-U.S. tax laws.

The following does not purport to consider all aspects of U.S. federal income taxation of the merger that might be relevant to U.S. holders in light of their particular circumstances, or those U.S. holders that may be subject to special rules (for example, dealers in securities or currencies, brokers, banks, financial institutions, insurance companies, mutual funds, tax-exempt organization, stockholders subject to the alternative minimum tax, partnerships (or other flow-through entities such as limited liability companies and their partners or members), persons whose functional currency is not the U.S. dollar, stockholders who hold our stock as part of a hedge, straddle, constructive sale or conversion transaction or other integrated investment, or stockholders that acquired our common stock pursuant to the exercise of an employee stock option, a restricted stock award or otherwise as compensation, nor does it address the U.S. federal income tax consequences to U.S. holders that do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, the discussion does not address any aspect of foreign, state, local, estate, gift or other tax law that may be applicable to a U.S. holder.

The tax consequences to stockholders that hold our common stock through a partnership or other pass-through entity such as a limited liability company, generally, will depend on the status of the stockholder and the activities of the partnership. Partners in a partnership or members of other pass-through entity holding our common stock should consult their tax advisors.

This summary of certain material U.S. federal income tax consequences is for general information only and is not tax advice. Holders of our common stock are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Exchange of Shares of Our Common Stock for Cash Pursuant to the Merger Agreement

The receipt of cash in exchange for shares of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder whose shares of common stock are exchanged for cash in the merger will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such shares and the stockholder s adjusted tax basis in such shares. Gain or loss will be determined separately for each block of shares (a block being a number of shares acquired at the same cost in a single transaction) surrendered pursuant to the merger. Such gain or loss will be long-term capital gain or loss provided that a stockholder s holding period for such shares is more than 1 year at the time of the consummation of the merger. Long-term capital gains of individuals are generally eligible for reduced

rates of taxation. The deductibility of capital losses is subject to certain limitations.

Backup Withholding and Information Reporting

A stockholder may be subject to backup withholding at the applicable rate (currently 28 percent) on the cash payments to which such stockholder is entitled pursuant to the merger, unless the stockholder properly establishes an exemption or provides a taxpayer identification number and otherwise complies with the backup withholding rules. Each stockholder should complete and sign the substitute Internal Revenue Service (***IRS***) Form W-9

Table of Contents

included as part of the letter of transmittal and return it to the paying agent, in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption applies and is established in a manner satisfactory to the paying agent. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowable as a refund or a credit against a stockholder s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Material U.S. Federal Income Tax Consequences to the Company of the Merger and Subsequent Sale of the Mortgage Business

The acquisition of the Company by GE Capital pursuant to the merger is treated as a sale of stock of the Company for U.S. federal income tax purposes and is therefore not a taxable transaction to the Company and will not impact the Company s tax basis in its assets. It is expected that the subsequent sale of the mortgage business by GE Capital to the Mortgage Business Purchaser will result in a taxable gain to the Company for U.S. federal income tax purposes in an amount equal to the amount realized by the Company upon the sale of the mortgage business (taking into account the amount of cash proceeds received by the Company and the amount of any liabilities assumed by the Mortgage Business Purchaser) less the Company s aggregate tax basis in the assets constituting the mortgage business.

Regulatory Approvals

Under the HSR Act and the rules promulgated thereunder by the FTC, neither the merger nor the transactions contemplated by the mortgage business sale agreement may be consummated until the requisite notification and report forms have been filed with the FTC and the Antitrust Division of the DOJ, and the applicable waiting periods have expired or been terminated. On March 23, 2007, we and GE Capital filed the requisite notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ with respect to the merger. The waiting period relating to the merger expired on April 23, 2007. On March 30, 2007, we and an affiliate of Blackstone filed the requisite notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ with respect to the transactions contemplated by the mortgage business sale agreement. The FTC and the Antitrust Division of the DOJ granted early termination of the waiting period relating to this transaction on April 11, 2007. Under Canada s Competition Act, the merger may not be completed until Canada s Commissioner of Competition issues an advance ruling certificate or waives the applicable notification requirements, or until prescribed notification information has been filed with the Commissioner of Competition and the applicable waiting period has expired. On March 29, 2007, GE Capital requested that the Commissioner of Competition either issue an advance ruling certificate or indicate that the Commissioner did not intend to challenge the merger and waive the parties obligation to file prescribed notification information under the Competition Act. On April 13, 2007, the Commissioner of Competition issued an advance ruling certificate in respect of the merger.

At any time before or after consummation of the merger, notwithstanding the expiration or termination of the waiting period under the HSR Act, the Antitrust Division of the DOJ or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of the Company or GE Capital. At any time before or after the consummation of the merger, and notwithstanding the expiration or termination of the waiting period under the HSR Act, any U.S. state governmental authority could take such action under antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of the Company or GE Capital. Private parties may also seek to take legal action under antitrust laws under certain circumstances.

The Canadian Commissioner of Competition s issuance of an advance ruling certificate indicates that the Commissioner does not have sufficient grounds on which to challenge the merger and prevents the Commissioner from challenging the merger solely on the basis of information that is the same or substantially the same as that

considered by the Commissioner, provided the merger is substantially completed by April 13, 2008.

There can be no assurance that neither the merger nor the transactions contemplated by the mortgage business sale agreement will be challenged by a governmental authority or private party on antitrust grounds. The Company, however, based on the foregoing and a review of information provided to it by GE Capital and Blackstone, and their

Table of Contents

respective affiliates, relating to their respective businesses, reasonably believes that each of the transactions contemplated by the mortgage business sale agreement can be effected in compliance with federal, state and foreign antitrust laws. The term ***antitrust laws*** means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

On May 7, 2007, certain affiliates of Blackstone filed an application with the New York State Department of Insurance pursuant to New York Insurance Law in connection with the proposed change in control of Atrium, a New York domiciled mortgage guaranty insurer and a subsidiary of the Company. In addition, on May 25, 2007, GE Capital filed a request for an exemption with the New York Department of Insurance relating to the change in control of Atrium due to the transactions contemplated by the merger agreement and the mortgage business sale agreement.

We are licensed by various states to conduct our operations. In order to complete the transactions contemplated by the merger agreement, including the merger, we are required to obtain approvals from, and/or provide notices to, various state regulatory authorities relating to ownership changes with respect to our mortgage business. We cannot assure you, however, that these consents, registrations, approvals, permits and authorizations will be obtained in a timely manner, or at all.

Delisting and Deregistration of Common Stock

If the merger is consummated, shares of our common stock will no longer be listed on the NYSE or any stock exchange or quotation system. In addition, the registration of our common stock under the Exchange Act will be terminated upon application to the SEC and we will no longer file periodic reports with the SEC on account of our common stock.

Litigation Related to the Merger

On March 15, 2007, a purported stockholder class action lawsuit related to the merger agreement was filed in the Circuit Court of Baltimore County against us, each member of our board of directors, GE Capital and an affiliate of Blackstone. The plaintiffs seek to represent an alleged class consisting of all persons (other than our officers and our board of directors and their affiliates) holding shares of our common stock. In support of their request for injunctive and other relief, the plaintiffs allege, among other matters, that the members of our board of directors breached their fiduciary duties by failing to maximize stockholder value in approving the merger agreement.

On March 21, 2007, a second purported stockholder class action lawsuit was filed in the Circuit Court of Baltimore County against us and each member of our board of directors. The plaintiffs seek to represent an alleged class consisting of persons holding shares of our common stock (other than our officers and our board of directors and their affiliates). In support of their request for injunctive and other relief, the plaintiffs allege, among other matters, that the members of our board of directors breached their fiduciary duties by failing to maximize stockholder value in approving the merger agreement.

On or about April 10, 2007, the claims against Blackstone were dismissed without prejudice. Subsequently, the two civil cases have been consolidated.

On July 27, 2007, the plaintiffs filed a consolidated amended complaint. This pleading does not name GE Capital or Blackstone as defendants. It essentially repeats the allegations previously made against the members of the board of directors and adds allegations that the disclosures made in the preliminary proxy statement filed with the SEC on June 18, 2007 omitted certain material facts.

Due to the inherent uncertainties of litigation, and because these actions are at a preliminary stage, we cannot accurately predict the ultimate outcome of these matters at this time. We intend to respond appropriately in defending against the alleged claims in the consolidated action. The ultimate resolution of the consolidated action could have a material adverse effect on our business, financial position, results of operations or cash flows.

Table of Contents

Amendment to PHH s Rights Plan

On March 14, 2007, the Company and the Bank of New York (the ***Rights Agent***) entered into Amendment No. 1 to the Rights Agreement between the Company and the Rights Agent dated as of January 28, 2005. The amendment permits the execution of the merger agreement and the performance and consummation of the transactions contemplated by the merger agreement, including the merger, without triggering the provisions of the Rights Agreement.

Table of Contents

THE MERGER AGREEMENT

*The following summarizes material provisions of the merger agreement, a copy of which is attached to this proxy statement as **Annex A** and which we incorporate by reference into this document. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. Therefore, we recommend that you read carefully the copy of the merger agreement attached to this proxy statement in its entirety, as the rights and obligations of the parties are governed by the express terms of the merger agreement and not by this summary or any other information contained in this proxy statement.*

*The merger agreement contains representations and warranties made by and to us, GE Capital and merger sub. These representations and warranties, which are set forth in the copy of the merger agreement attached to this proxy statement as **Annex A**, were made for the purposes of negotiating and entering into the merger agreement between the parties. In addition, these representations and warranties were made as of specified dates, may be subject to standards of materiality different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk between the parties instead of establishing such matters as facts. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement, may have changed since the date of the merger agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.*

Holders of our common stock are not third-party beneficiaries of the merger agreement and therefore may not directly enforce any of its terms and conditions. You should also be aware that none of the representations or warranties contained in the merger agreement has any legal effect among the parties to the merger agreement after the effective time of the merger.

Structure of the Merger

The proposed transaction is our acquisition by GE Capital, an affiliate of the General Electric Company. Once we obtain the requisite stockholder vote and the other closing conditions to the merger in the merger agreement and related documents are satisfied or waived in accordance with their respective terms, merger sub will merge with and into us. We will be the surviving corporation in the merger. As a result of the merger, we will cease to be an independent, publicly traded company and will be wholly owned by GE Capital. Shares of our common stock will no longer be listed on any stock exchange or quotation system, including the NYSE, and the registration of our common stock and our reporting obligations with respect to our common stock under the Exchange Act, will be terminated upon application to the SEC. In addition, GE Capital has entered into the mortgage business sale agreement to sell our mortgage business to the Mortgage Business Purchaser. Accordingly, upon the consummation of the merger and the transactions contemplated by the mortgage business sale agreement, GE Capital will own our fleet management business and Blackstone, through the Mortgage Business Purchaser, will own our mortgage business.

Timing of the Merger

The closing date of the merger will occur no later than the second business day following satisfaction or waiver of all conditions to closing or as we and GE Capital may mutually agree.

Directors and Officers of Surviving Corporation

Upon completion of the merger, the directors of merger sub will be the directors of the surviving corporation and our officers will remain officers of the surviving corporation after the merger.

Merger Consideration

The merger agreement provides that each share of our common stock (other than shares held by GE Capital or merger sub, which will be automatically canceled and retired and cease to exist with no payment being made with respect thereto) issued and outstanding immediately prior to the effective time of the merger will be converted into,

Table of Contents

and canceled in exchange for, the right to receive the merger consideration, which is an amount in cash equal to $31.50, without interest and less any applicable withholding taxes, for each share of our common stock. In addition, holders of stock options and restricted stock awards will receive consideration as described in Treatment of Stock Options and Restricted Stock below.

We have been informed that at the closing, GE Capital will assume and/or repay all of our outstanding indebtedness which, as of March 31, 2007, aggregated approximately $7,834 million. The assumption and/or repayment of such indebtedness, when taken together with the aggregate merger consideration payable by GE Capital in the merger and the aggregate consideration to be received by holders of stock options and restricted stock units would, assuming the closing of the merger occurred on March 31, 2007, have resulted in the effective payment by GE Capital of a total dollar amount equal to approximately $9,607 million in connection with the transactions contemplated by the merger agreement, including the merger.

We have been advised that pursuant to the terms and conditions of the mortgage business sale agreement, the Mortgage Business Purchaser has agreed to pay GE Capital an amount in cash to be adjusted in accordance with a formula that takes into account, among other things, the repayment of a portion of outstanding indebtedness assumed by GE Capital and the payment of certain of our transaction expenses. If calculated as of March 31, 2007, we have been advised by GE Capital and the Mortgage Business Purchaser that, based upon certain financial information provided by us, such amount would have resulted in a payment by the Mortgage Business Purchaser of approximately $3,115 million. The Mortgage Business Purchaser has also agreed to assume certain outstanding indebtedness of the Company allocated to the mortgage business, which, based upon certain financial information provided by us, we have been advised by GE Capital and the Mortgage Business Purchaser, was approximately $1,911 million as of March 31, 2007. GE Capital and the Mortgage Business Purchaser have also advised us that the cash payment to GE Capital when taken together with the assumption of such indebtedness, would have resulted in the effective payment by the Mortgage Business Purchaser of a total dollar amount (calculated as of March 31, 2007) equal to approximately $5,026 million in connection with its acquisition of the mortgage business, or approximately 52% of the effective payment to be made by GE Capital in connection with the transactions contemplated by the merger agreement, including the merger. The dollar amounts and percentages expressed above are only indicative of the consideration that would have been paid had the transactions contemplated by the merger agreement, including the merger, and the transactions contemplated by the mortgage business sale agreement been consummated as of March 31, 2007.

Treatment of Stock Options and Restricted Stock Units

The merger agreement provides that, immediately prior to the effective time of the merger, each outstanding, unexercised stock option (whether vested or not) shall be deemed to be fully vested at the effective time of the merger and shall be canceled, and the holder thereof shall be entitled to receive, at the effective time of the merger or as soon as practicable thereafter, an amount of cash, less applicable withholding taxes, equal to:

- the aggregate number of shares of our common stock underlying such stock option immediately prior to the effective time of the merger, multiplied by
- the excess of $31.50 over the exercise price per share of our common stock subject to such stock option.

In addition, under the terms of the merger agreement, at the effective time of the merger, each restricted stock unit that is outstanding or earned but not awarded immediately prior to the effective time of the merger (whether vested or unvested) shall be deemed to be fully vested and shall be canceled, entitling the holder of such unit to the right to receive, at the effective time of the merger or as soon as practicable thereafter, an amount of cash, less applicable withholding taxes, equal to the aggregate number of shares of our common stock underlying such restricted stock unit immediately prior to the effective time of the merger, multiplied by $31.50.

No Further Ownership Rights

At the effective time of the merger, holders of our common stock will cease to be, and have no rights as, our stockholders other than the right to receive the applicable merger consideration. The merger consideration paid to the holders of our common stock in accordance with the exchange and payment procedures contained in the merger agreement will be deemed to have been paid in full satisfaction of all rights and privileges pertaining to our common stock exchanged (and, if applicable, represented by certificates exchanged).

Table of Contents

Exchange and Payment Procedures

Prior to the effective time of the merger, GE Capital will select a paying agent to make payments of the merger consideration upon surrender of certificates representing shares of our common stock.

On or before the effective time of the merger, GE Capital will deposit the merger consideration for the benefit of the holders of our common stock with the paying agent. Promptly after the effective time of the merger (but in any event within five business days), the paying agent will mail a letter of transmittal and instructions to you advising you how to surrender your stock certificates in exchange for the merger consideration.

You should not return your stock certificates with the enclosed proxy card and you should not forward your stock certificates to the paying agent without an executed letter of transmittal.

You will not be entitled to receive the merger consideration until you surrender your stock certificate or certificates to the paying agent, together with a duly completed and executed letter of transmittal and any other documents the paying agent requires. The merger consideration may be paid to a person other than the person in whose name the corresponding certificate is registered if the certificate is properly endorsed or is otherwise in the proper form for transfer. In addition, the person requesting payment must either pay any applicable stock transfer taxes or establish to the satisfaction of the surviving corporation that such stock transfer taxes have been paid or are not applicable. Following the completion of the merger, your shares of our common stock will be canceled and will represent only the right to receive your portion of the merger consideration. No interest will be paid or accrued on the merger consideration payable upon surrender of your shares of our common stock.

Each of the paying agent, the surviving corporation and GE Capital will be entitled to deduct and withhold any applicable taxes from the merger consideration payable to you pursuant to the merger agreement.

None of the paying agent, GE Capital, merger sub or the Company shall be liable to any person for any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. Any portion of the merger consideration deposited with the paying agent by GE Capital that remains undistributed to the holders of shares of our common stock, will be delivered to the surviving corporation after twelve (12) months after the effective time of the merger and any holder of our common stock who has not complied with the provisions of the merger agreement relating to the exchange and payment procedures shall thereafter only look to GE Capital and the surviving corporation for payment of his or her claim for merger consideration without any interest thereon. Any unclaimed funds payable with respect to the shares of our common stock that are not claimed within seven years after the effective time of the merger (unless otherwise required by applicable escheat laws), shall become the property of the surviving corporation free and clear of any claims or interest of any holder of our common stock.

If you have lost a certificate, or if it has been stolen or destroyed, then, before you are entitled to receive the merger consideration, you will be required to deliver an affidavit stating that fact and, if reasonably required by GE Capital, to post a bond in customary and reasonable amount and upon such terms as reasonably required by GE Capital or as indemnity against any claim that may be made against GE Capital with respect to such certificate on account of the alleged loss, theft or destruction of such certificate.

Representations and Warranties

We made customary representations and warranties in the merger agreement that are subject, in some cases, to specified exceptions and qualifications contained in the merger agreement or in the disclosure schedules delivered in

connection therewith. These representations and warranties relate to, among other things:

- the due organization, valid existence, good standing and power and authority to carry on the businesses of each of us and our subsidiaries and joint ventures;

- our charter and bylaws and the similar organizational documents of certain of our subsidiaries and joint ventures;

- our capitalization and our ownership in our subsidiaries and joint ventures and the absence of any encumbrances on our ownership of the equity interests of our subsidiaries and our joint ventures;

Table of Contents

our power and authority to execute and deliver, and to perform our obligations under the merger agreement and to consummate the transactions contemplated by the merger agreement;

the enforceability of the merger agreement against us;

the vote of our stockholders required in connection with the approval of the merger and the transactions contemplated by the merger agreement;

the absence of conflicts with, or breaches or violations of, our or our subsidiaries or our joint ventures organizational documents, and laws, permits and certain contracts applicable to us and, our subsidiaries and our joint ventures as a result of entering into the merger agreement or performing our or their respective obligations under the merger agreement;

consents and approvals of governmental or regulatory entities required as a result of executing and delivering the merger agreement and performing our obligations under the merger agreement;

compliance with government laws pertaining to, and possession of all permits necessary to operate, our, our subsidiaries and our joint ventures properties and carry on our, our subsidiaries and our joint ventures business and the absence of any conflict with, or default, breach or violation of, applicable laws or such permits;

our SEC filings and the financial statements contained therein;

the audited and unaudited financial statements of the Company and PHH Mortgage for certain historical periods;

our internal financial reporting controls and disclosure controls and procedures;

the absence of any material adverse effect and certain other changes and events since December 31, 2005;

the absence of liabilities required to be recorded on a balance sheet under generally accepted accounting principles as applied in the United States;

the absence of litigation or orders against us or our subsidiaries or joint ventures;

our and our subsidiaries and joint ventures employee benefit plans;

labor matters affecting us and our subsidiaries and joint ventures;

tax matters affecting us and our subsidiaries and joint ventures;

the receipt by us of a fairness opinion from each of Merrill Lynch and Gleacher Partners;

the absence of any undisclosed broker s or finder s fees;

the exemption of the merger agreement and the merger from the requirements of any business combination, control share acquisition or other takeover laws contained in the MGCL or other federal or provincial law applicable to us;

the exemption of the merger agreement and the merger under our Rights Agreement with the Bank of New York such that no holders of our common stock will be eligible to exercise their rights thereunder by virtue of our execution of the merger agreement or consummation of the merger;

intellectual property used by, owned by or licensed by us and our subsidiaries and joint ventures;

environmental matters affecting us and our subsidiaries and joint ventures;

the absence of transactions between us or our subsidiaries or joint ventures on one hand, and any affiliates thereto, on the other hand, which have not already been disclosed in our filings with the SEC;

our and our subsidiaries and joint ventures material contracts and the absence of any breach or violation of, or default under, any material contract;

real property owned and leased by us and our subsidiaries and joint ventures; and

Table of Contents

our mortgage lending practices, including compliance with applicable underwriting standards and the absence of written notice alleging violation thereof.

For the purposes of the merger agreement, ***material adverse effect*** means any change, effect, fact, event, circumstance or development, whether individually or in the aggregate with all other changes, effects, facts, events, circumstances and developments, with respect to the business, assets, liabilities, operations, financial condition or results of operations of:

us and our subsidiaries and joint ventures;

our fleet management business, taken as a whole; or

our mortgage business, taken as a whole.

A material adverse effect will not have occurred, however, as a result of effects, events, developments or changes arising out of or resulting from:

changes in conditions in the economy or capital or financial markets, including prevailing interest rates and market conditions (except to the extent any of the same materially disproportionately affects us or any of our subsidiaries or joint ventures as compared to other companies in the industries in which we or any of our subsidiaries or joint ventures operate);

changes that are proximately caused by factors that generally affect the industries in which we or our subsidiaries and joint ventures operate (except to the extent any of the same materially disproportionately affects us or our subsidiaries or joint ventures as compared to other companies in the industries in which we or any of our subsidiaries or joint ventures operate);

changes proximately caused by the announcement or performance of the merger agreement or the merger or the transactions contemplated by the merger agreement, including changes related to compliance with the covenants contained in the merger agreement or the failure to take any action as a result of any restrictions or prohibitions set forth in the merger agreement, and any proximately caused (a) shortfalls or declines in revenue, margins or profitability, (b) loss of, or disruption in, any customer, supplier, and/or vendor relationships, or (c) loss of personnel (except that this provision does not apply to portions of any representation or warranty contained in the merger agreement to the extent that the purpose of such portion of the representation or warranty is to address the consequences resulting from the execution or performance of the merger agreement or the mortgage business sale agreement or the transactions contemplated by the merger agreement or the mortgage business sale agreement;

any actual, threatened or rumored adverse change to any of the credit ratings of us or any of our securities;

any (a) legal proceeding, other than any criminal proceeding, claim or process (whether threatened, pending or otherwise), (b) penalties, sanctions, fines, injunctive relief, remediation or any other civil sanction (whether threatened, pending or otherwise, and in each case, other than criminal penalties, sanctions, fines or relief), or (c) facts, circumstances, changes, developments, effects, outcomes, results, occurrences and eventuality (whether or not, known, contemplated or foreseeable, and whether financial or otherwise) resulting from, relating to or arising out of :

the restatement of our historical consolidated financial statements for the years ended December 31, 2004 and 2003, the quarters therein, and the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005,

the matters referred to in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and Note 2 or Note 26 to our consolidated financial statements included therein, and

our failure to file in a timely manner our Annual Report on Form 10-K for each year ended December 31, 2005 and 2006, and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006, September 30, 2006, and March 31, 2007;

changes in applicable laws or interpretations thereof by governmental entities;

Table of Contents

the commencement, continuation or escalation of a war, armed hostilities or other international or national calamity or act of terrorism directly or indirectly involving or affecting the United States or Canada, except to the extent any of the same materially disproportionately affects us or our subsidiaries or joint ventures as compared to other companies in the industries in which we or any subsidiary or any company joint venture operate;

changes in generally accepted accounting principles or interpretations thereof;

earthquakes, hurricanes, or other natural disasters or acts of God that do not materially disproportionately affect us or our subsidiaries or joint ventures;

any decrease in the market price, trading volume or stock exchange listing status of shares of our common stock (subject to certain enumerated exceptions); or

any failure to meet internal or published projections, estimates or forecasts of revenues, earnings, or other measures of financial or operating performance for any period (subject to certain enumerated exceptions).

The merger agreement also contains customary representations and warranties made by GE Capital and merger sub that are subject, in some cases, to specified exceptions and qualifications. The representations and warranties relate to, among other things:

their due organization, valid existence, good standing and power and authority to carry on their businesses;

their power and authority to execute and deliver, and to perform their obligations under, the merger agreement and to consummate the transactions contemplated by the merger agreement;

the enforceability of the merger agreement against them;

the absence of conflicts with, or breaches or violations of, their organizational documents, laws, or certain contracts as a result of entering into the merger agreement or consummating the merger;

the absence of litigation or court orders against them;

their compliance with applicable laws and the possession of all material permits to be able to conduct their businesses;

the absence of any undisclosed broker s or finder s fees;

that merger sub has no assets or activities and was formed solely for purposes of consummating the merger;

their ownership of our common stock or any other securities of ours and our subsidiaries and joint ventures;

the vote of their respective stockholders required in connection with the approval of the merger and the transactions contemplated by the merger agreement; and

the mortgage business sale agreement and that they will have sufficient collective capital resources at the closing date of the merger to satisfy their obligations under the merger agreement and consummate the merger.

The representations and warranties of each of the parties to the merger agreement will expire upon the consummation of the merger.

Conduct of Our Business Pending the Merger

Under the merger agreement, we have agreed that, subject to certain exceptions and qualifications in the merger agreement, between March 15, 2007 and the effective time of the merger, we and certain of our subsidiaries and joint ventures will:

conduct our business in the ordinary course of business; and

use commercially reasonable efforts to preserve intact, in all material respects, our respective business organizations, comply in all material respects with the requirements of all material contracts and permits, and maintain existing relations and goodwill with customers, suppliers, creditors, lessors, employees and

Table of Contents

business associates, and use reasonable best efforts to comply in all material respects with all applicable laws.

We have also agreed that during the same time period, subject to certain exceptions and qualifications contained in the merger agreement or in the disclosure schedules delivered in connection therewith, or unless GE Capital approves in advance in writing, which approval may not be unreasonably withheld or delayed, we and certain of our subsidiaries and joint ventures will not, among other things:

amend our organizational documents;

merge or consolidate with another entity or restructure, reorganize or completely or partially liquidate;

acquire, purchase or lease any material assets, other than in the ordinary course of business, consistent with past practice, or any business or entity;

effect changes to our respective capitalization;

pay any dividend, whether in cash or property, except for any dividend or distribution (a) by certain enumerated wholly owned subsidiaries of PHH Corporation, (b) by a wholly owned subsidiary or a joint venture to another wholly owned subsidiary or (c) by a joint venture or a non-wholly owned subsidiary to the extent required by its organizational documents;

reclassify or split any of our capital stock or securities convertible or exchangeable into or exercisable for any shares of our capital stock;

except pursuant to agreed upon criteria, incur any indebtedness, issue or sell any debt securities, assume, guarantee or endorse the obligations of another person, make any capital contribution to or investment in any person, or make loans or advances to any other person;

subject to certain exceptions, transfer, sell, lease, encumber or dispose of any material assets, product lines or businesses of us or our subsidiaries or joint ventures;

except for contracts with customers or clients entered into, amended or modified in the ordinary course of business consistent with past practice, enter into, amend, modify or terminate any material contract or material rights or obligations thereunder;

make or authorize any capital expenditure, other than in respect of the capital expenditures contemplated by our 2007 budget previously delivered to GE Capital;

change (other than immaterial changes made in the ordinary course of business, consistent with past practice) our financial or tax accounting methods, principles, policies or procedures, except as required by generally accepted accounting principles or applicable law;

settle or offer or propose to settle any legal proceeding, other than any commercially reasonable settlement, offer or proposal made consistent with past practice (a) with respect to any legal proceeding arising solely from the conduct or operation of our fleet management business and for an amount less than or equal to the amount reserved for such legal proceeding in our unaudited financial statements that we previously delivered to GE Capital (which settlements, offers or proposals in the aggregate, shall not exceed $500,000), unless fully covered by insurance, or (b) with respect to any legal proceeding arising solely from the conduct or operation of the mortgage business for an amount less than or equal to the amount reserved for such legal proceeding in

the unaudited financial statements that we previously delivered to GE Capital (which settlements, offers or proposals in the aggregate, shall not exceed $2 million), unless fully covered by insurance;

change any material tax election unless required by applicable law or reasonably determined by us upon good faith consultation with GE Capital to be necessary or advisable;

except pursuant to agreed-upon criteria, change the compensation or benefits payable under our severance, sales commission or employment benefits policies, or grant any severance rights, to our directors, officers, employees or consultants;

Table of Contents

grant any equity or equity-based compensation award (whether in the form of options, restricted stock, restricted units or otherwise) or renew any previously terminated equity or equity-based compensation plan;

except as required under any previously executed tax sharing agreement, amend any material tax return, settle any material tax legal proceeding, or change any material tax accounting or reporting practice;

repay or redeem any outstanding indebtedness, other than repayment in the ordinary course of business, consistent with the maturities of such indebtedness;

other than (a) in the ordinary course of business, consistent with past practice and (b) solely with respect to our mortgage business, other than as required under any applicable law or any pertinent agreement, amend or modify our underwriting standards;

except pursuant to agreed-upon criteria, enter into or alter any securitization facility; or

agree, in writing or otherwise, to take any of the foregoing actions.

No Solicitation of Transactions

We have agreed that from March 15, 2007 to the effective time of the merger and subject to specified exceptions, we will not and we will cause our subsidiaries and joint ventures (along with our and their respective representatives) to not:

directly or indirectly, initiate, solicit or knowingly encourage or facilitate (including by way of furnishing information or assistance) any inquiries or the making of any proposal or offer with respect to, or the making or effectuation of, an acquisition proposal for us;

approve or recommend (or propose publicly to approve or recommend) any acquisition proposal for us or enter into any agreement to acquire us;

directly or indirectly, engage in any negotiations or discussions with respect to, or provide access to our properties, books and records or any confidential or non-public information to any person relating to, or that would reasonably be expected to lead to, an acquisition proposal for us; or

amend, terminate, waive, fail to use commercially reasonable efforts to enforce, or grant any consent under, any confidentiality, standstill, shareholder rights or similar agreement (other than any such agreement with GE Capital).

For purposes of the merger agreement, ***acquisition proposal*** means any proposal or offer (other than the merger) made or commenced after the date of the merger agreement, for a tender offer or exchange offer, proposal for a merger, consolidation or other business combination, sale of shares of capital stock, recapitalization, liquidation, dissolution or similar transaction involving us and our subsidiaries and joint ventures or any proposal or offer to acquire (whether in a single transaction or a series of related transactions) in any manner:

equity interest representing a 20% or greater economic interest or voting interest in us and our subsidiaries and joint ventures, taken as a whole; or

assets, securities or ownership interests of or in, us or our subsidiaries or joint ventures (a) representing 20% or more of the consolidated assets of us and our subsidiaries and joint ventures, taken as a whole, or (b) with respect to which 20% or more of our revenues or earnings on a consolidated basis are attributable.

Prior to the holders of at least a majority of our common stock approving the merger agreement and the merger in accordance with the merger agreement, we may provide confidential information with respect to such proposals, with the maker of an unsolicited written acquisition proposal (which did not result from a breach of an enumerated section of the merger agreement or any standstill agreement) only if our board of directors makes a prior determination in good faith and after consultation with its outside counsel and a financial advisor of nationally recognized reputation, that:

the acquisition proposal constitutes, or is reasonably likely to, lead to a superior proposal, and

Table of Contents

failure to take such action would be inconsistent with the statutory duties of our board members, as directors, under the MGCL.

In addition, we are required to (a) enter into a confidentiality agreement with the maker of the unsolicited written acquisition proposal containing confidentiality restrictions no less favorable to us than those contained in the confidentiality agreement with GE Capital before we provide any confidential information to such person, (b) provide a copy of such confidentiality agreement to GE Capital within twenty-four hours of execution, and (c) furnish a copy to GE Capital of any confidential information we furnish to such person, to the extent such information was not previously furnished to GE Capital.

For purposes of the merger agreement, ***superior proposal*** means an unsolicited bona fide written offer made by a third party, not involving a breach of the merger agreement or any standstill agreement, to acquire, directly or indirectly,

at least a majority of our equity securities; or

all or substantially all of the stock or assets of us and our subsidiaries on a consolidated basis, all or substantially all of the assets of, or the stock of our subsidiaries or entities engaged in the mortgage business, or all or substantially all of the assets of, or the stock of our subsidiaries or entities engaged in, the fleet business.

In addition, such an offer also must not be subject to a financing contingency and must otherwise be on terms which our board concludes in good faith (taking into account (x) the likelihood of consummation of such transaction on the terms set forth therein as compared to the terms of the merger agreement, including the ability of such proposal to be financed, (y) legal, financial, regulatory, and timing aspects of the proposal and the person making the acquisition proposal and (z) any changes to the terms of the merger agreement that as of such time have been proposed by GE Capital) and after consultation with its outside counsel and financial advisors, to be more favorable from a financial point of view to our stockholders than the merger.

We have agreed to promptly notify GE Capital (within 24 hours) of our receipt of any proposal, offer, inquiry, or other contact or request for information or if any discussions or negotiations are sought to be initiated or continued with us either regarding, or that could reasonably be expected to lead to, an acquisition proposal. We have agreed to provide to GE Capital prompt notice of any such proposal along with a copy of any written materials received from the maker of the acquisition proposal. We have also agreed to indicate such party s identity and to provide to GE Capital the material terms and conditions of the proposal and to keep GE Capital fully informed of all material developments regarding any such acquisition proposal, offer, inquiry or request.

The merger agreement provides that prior to obtaining our stockholders approval on the merger agreement:

if our board of directors determines in good faith that, due to an intervening event that arose after, and was unknown to our board of directors at the time it approved the merger agreement, the failure of the board of directors to withdraw, qualify or modify its recommendation of the merger agreement would be inconsistent with the statutory duties of our board members, as directors, under the MGCL, then we and our board of directors are permitted to withdraw, qualify or modify the recommendation of our board of directors that our stockholders vote in favor of the merger agreement, or

if our board of directors receive an unsolicited acquisition proposal that was not in breach of a particular section of the merger agreement or any standstill agreement and our board of directors determines in good faith that the proposal constitutes a superior proposal,

then if we desire either to further pursue the opportunity that arose due to the intervening event or to take action with respect to the prior recommendations of our board of directors concerning the merger agreement, among other matters, we are required to deliver to GE Capital a notice listing certain relevant items. We are required to negotiate in good faith with GE Capital and its representatives regarding revisions to the terms of the transactions contemplated by the merger agreement. The merger agreement also sets forth the procedures we and GE Capital have agreed to follow, including setting specific time lines within which each party should respond.

Table of Contents

Under the merger agreement, we may not permit any of our subsidiaries and joint ventures to terminate, waive, amend or modify any provision of any existing standstill or confidentiality agreement to which we or our subsidiaries and joint ventures are a party and we have agreed to, and to cause each of our subsidiaries and joint ventures to, enforce the provisions of any such agreements. We also agreed to, and to cause each of our subsidiaries and joint ventures to, terminate or cause to be terminated any existing discussions, negotiations, or communications with any parties regarding any acquisition proposal.

Employee Benefits

Until the first anniversary of the merger, GE Capital has agreed to honor, and to cause the surviving corporation to honor, all severance, change of control and similar plans and agreements in accordance with their terms as in effect immediately prior to the effective time of the merger.

In addition, GE Capital has agreed to:

provide each of our active employees with credit for service with us and our subsidiaries with respect to any employee benefit plans established by GE Capital or its subsidiaries under which our active employees may be eligible to participate after the effective time of the merger (***new plans***), to the same extent as such active employee was entitled to credit for such service under our respective benefit plans; and

for purposes of each new plan providing health benefits to any active employee, cause such active employee to receive credit for all amounts paid by such active employee for purposes of satisfying all deductible, co-payments and out-of-pocket maximums under our health plans as though such amounts had been paid in accordance with the terms and conditions of the parallel plan, program or arrangement of GE Capital or the surviving corporation.

Directors and Officers Indemnification and Insurance

In the merger agreement, the surviving corporation has agree to indemnify (including advancing expenses) each present and former director or officer of the Company, our subsidiaries or joint ventures , and present or past trustees or fiduciaries of our employee benefit plans, against any costs and expenses, judgments, fines, amounts paid in settlement, losses, claims, damages or liabilities incurred in connection with any threatened, pending or completed legal proceeding relating to or in connection with any action or omission occurring or alleged to have occurred whether existing or occurring at or prior to the effective time of the merger, including legal proceedings related to the transactions contemplated by the merger agreement. Subject to certain limitations, prior to the effective time of the merger, we shall, and if we are unable to, GE Capital shall cause the surviving corporation to obtain and fully pay for non-cancelable tail insurance policies with a policy term of at least six (6) years from and after the effective time of the merger.

Tax Matters and Stock Option Plans

Prior to the merger, we have agreed to timely file our tax returns as consistent with past practice. We have also agreed to take all actions necessary such that outstanding stock options and restricted stock unit awards are terminated upon the merger in exchange for the merger consideration as previously described.

Agreement to Take Further Action

Subject to the terms and conditions of the merger agreement and in accordance with applicable laws, each party to the merger agreement has agreed to use commercially reasonable efforts to take, or to cause to be taken, all appropriate

actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate the merger and the transactions contemplated by the merger agreement, including using its reasonable efforts to obtain all permits, consents, approvals, authorizations, qualifications and orders of governmental authorities with us and our subsidiaries as are necessary for the consummation of the transactions contemplated by the merger agreement and to fulfill the conditions to the merger and the transactions contemplated by the merger agreement. These actions include specific requirements with respect to filings and agreements that may be required under the anti trust laws of the United States and Canada.

Table of Contents

Each party to the merger agreement has agreed to cooperate and use its commercially reasonable efforts to defend any legal action, including administrative or judicial action, asserted by any third party in order to avoid the entry of, or to have vacated, lifted, reversed, terminated or overturned any decree, judgment, injunction or other order that in whole or in part restricts, delays, prevents or prohibits consummation of the merger, including by vigorously pursuing all available avenues of administrative and judicial appeal.

Notices of Certain Events

Each of GE Capital, merger sub and us have agreed to notify the other parties to the merger agreement of:

any material notice or other communication from any governmental entity in connection with the transactions contemplated by the merger agreement;

legal proceedings commenced or, to its knowledge, threatened against, relating to us or our subsidiaries and joint ventures that would have otherwise been disclosable under the merger agreement or that materially affects a party s ability to consummate the merger;

any inaccuracy of any representation or warranty contained in the merger agreement that would reasonably be expected to cause any condition of closing not to be satisfied;

any failure of that party to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it hereunder; and

(a) the material breach of any material contract, or (b) the occurrence of any event of default, amortization or termination event, triggering the requirement to provide additional collateral or increase in overcollateralization levels or another similar event or condition, or the allegation by any party of any of the foregoing.

Interest Rate Risk and Hedging Policies

We have agreed to inform the Mortgage Business Purchaser of our interest rate hedging strategy and not to make any material change to that strategy without the consent of the Mortgage Business Purchaser.

Public Announcements and Expenses

We have agreed that all expenses under the merger agreement shall be the sole responsibility of the party incurring such expenses, except for the expenses of the paying agent and related to the distribution of funds as part of the merger consideration, for which GE Capital shall reimburse us.

Prepayment of Fleet Business Securitizations

We have agreed to use our commercially reasonable efforts to arrange for the prepayment or unwinding of securitizations related to our fleet management business at or after the effective time of the merger.

Delivery of Financial Statements

We have agreed:

prior to the effective time of the merger, to file all SEC reports required from and after December 31, 2005 through the effective time of the merger;

to provide GE Capital no later than September 30, 2007 with (i) our audited financial statements for the year ended December 31, 2006 and (ii) the unaudited financial statements for the fiscal quarter ending March 31, June 30, and September 30, 2006 and March 31, and June 30, 2007;

to provide GE Capital no later than 45 days after the end of each quarter of fiscal year 2007 ended after June 30, 2007 and prior to the closing date, with a copy of our unaudited financial statements for such quarter;

to provide GE Capital no later than September 30, 2007 with the audited financial statements of PHH Mortgage for the year ended December 31, 2006;

Table of Contents

to provide GE Capital no later than September 30, 2007 a copy of the revised consolidating balance sheet for us and our consolidated subsidiaries and consolidated joint ventures as of December 31, 2006 and the related consolidating statement of operations for the year ended December 31, 2006 reflecting any adjustments as a result of the audit of our 2006 financial statements; and

to provide GE Capital no later than September 30, 2007 with audited combined financial statements of our mortgage business for the years ended December 31, 2005 and 2006, and certain unaudited combined financial statements for each quarter of 2007 together with unaudited combined financial statements for the corresponding periods from 2006.

Provisions Related to the Mortgage Business Sale Agreement

We, GE Capital and merger sub have mutually agreed to use our reasonable best efforts to cooperate with the Mortgage Business Purchaser in its efforts to obtain financing to effect the transactions contemplated by the mortgage business sale agreement.

Atrium Dividend

We have agreed, except as prohibited by applicable law or the terms of any of our financing facilities, to cause Atrium to pay shareholder dividends in such amount as is requested by the Mortgage Business Purchaser, or such lesser amount as is approved by the New York State Superintendent of Insurance. Such dividends, if paid to us prior to the date of the sale of our mortgage business to the Mortgage Business Purchaser, will be immediately contributed to PHH Mortgage.

Other Agreements

We have also agreed to certain other covenants regarding general matters, including but not limited to (a) preparing and filing with the SEC this proxy statement and holding a stockholder s meeting to vote on the merger agreement and the merger, (b) subject to certain limitations, our board of directors recommending that the holders of our common stock vote in favor of approving the merger agreement and the merger, and (c) providing GE Capital, Blackstone and their respective representatives access to our and certain of our subsidiaries and joint ventures books and records and other information. GE Capital and the merger sub have also agreed to observe the requirements of the confidentiality agreement previously signed with us.

Conditions to the Merger

The obligations of the parties to complete the merger are subject to the satisfaction or waiver, at or prior to the effective time of the merger, of following mutual conditions:

we shall have obtained the requisite stockholder vote;

no governmental authority shall have enacted, issued, promulgated, enforced or entered any injunction, order, decree or ruling that would make the consummation of the merger illegal or otherwise prohibit the consummation of the merger; and

all waiting periods or extensions thereof applicable to the merger or any of the transactions contemplated by the merger agreement, under the HSR Act or the Canadian Antitrust Law (and the Competition Act Compliance shall have been obtained), and any agreement with any governmental entity not to consummate the

merger, transactions contemplated by the mortgage business sale agreement or the transactions contemplated by the merger agreement (including the transactions contemplated by the mortgage business sale agreement) shall have expired or early termination thereof shall have been granted. See Regulatory Approvals beginning on page [1].

The obligations of GE Capital and merger sub to complete the merger are subject to the following additional conditions:

our representations and warranties that (a) are not made as of a specific date shall be true and correct as of the date of the merger agreement and as of the closing, as though made on and as of the closing, and (b) are made

Table of Contents

as of a specific date shall be true and correct as of such date, except where the failure of our and our subsidiaries and joint ventures representations and warranties to be true and correct in all respects without regard to any materiality or material adverse effect qualifications (other than the representation relating to any material adverse effect) does not and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect, provided that certain representations and warranties pertaining to our capitalization must be true and correct in all material respects as of the closing;

the performance, in all material respects, by us of our obligations under the merger agreement and compliance, in all material respects, with the agreements and covenants to be performed or complied with under the merger agreement;

the receipt by GE Capital of a certificate signed by either our chief executive officer or chief financial officer with respect to the truth and correctness of our representations and warranties, the performance of our obligations under the merger agreement and compliance, in all material respects, with the agreements and covenants to be performed or complied with under the merger agreement;

there shall not be any action, investigation, proceeding or litigation instituted, commenced, pending or threatened by or before any governmental entity relating to the merger, transactions contemplated by the mortgage business sale agreement or any of the transactions contemplated by the merger agreement in which a governmental entity is a party that would or is reasonably likely to (a) restrain, enjoin, prevent, restrict, prohibit or make illegal the acquisition of some or all of the shares of our common stock by GE Capital or merger sub or the consummation of the merger or the transactions contemplated by the merger agreement, or (b) result in a governmental investigation or material governmental damages being imposed on GE Capital or the surviving corporation or any of their respective affiliates;

the merger and the transactions contemplated by the merger agreement and the mortgage business sale agreement, respectively, shall have been approved by the New York State Insurance Department;

certain specified consents, approvals, notifications, or certificates (including the approval of certain state and federal regulatory authorities related to the sale of our mortgage business) shall have been obtained and copies of such consents shall have been delivered by us to GE Capital;

we shall have filed all forms, reports, and other documents required to be filed with the SEC with respect to periods from January 1, 2006 through the effective time of the merger;

our audited financial statements for the year ended December 31, 2006 shall not reflect a consolidated financial condition or results of operations of us, our consolidated subsidiaries and our consolidated joint ventures that is different from the consolidated financial condition or results of operations of us, our consolidated subsidiaries and our consolidated joint ventures reflected in the unaudited financial statements for the year ended December 31, 2006 that we provided to GE Capital in connection with the execution of the merger agreement, unless such difference would not constitute, or would not reasonably be expected to constitute, a material adverse effect;

all of the conditions to the obligations of the Mortgage Business Purchaser under the mortgage business sale agreement to consummate the sale of our mortgage business (other than the condition that the merger shall have been consummated) shall have been satisfied or waived in accordance with the terms thereof, and the Mortgage Business Purchaser shall otherwise be ready, willing and able (including with respect to access to financing) to consummate the transactions contemplated thereby; and

we shall have delivered to the Mortgage Business Purchaser acknowledgement agreements fully executed by the applicable agency and us and/or our applicable mortgage entity.

Our obligation to complete the merger are subject to the following additional conditions:

the representations and warranties of GE Capital and merger sub, that (a) are not made as of a specific date shall be true and correct as of the date of the merger agreement and as of the closing, as though made on and as of the closing, and (b) are made as of a specific date shall be true and correct as of such date, except where

Table of Contents

the failure of their representations and warranties to be true and correct in all respects without regard to any materiality;

each of GE Capital and merger sub shall have performed in all material respects the obligations, and complied in all material respects with the agreements and covenants, required to be performed by or complied with by it under the merger agreement at or prior to the effective time of the merger; and

the receipt by us of an officer s certificate from either the chief executive officer or chief financial officer of both GE Capital and merger sub with respect to the truth and correctness of the representations and warranties of GE Capital and merger sub and the performance of their obligations under the merger agreement and compliance, in all material respects, with the agreements and covenants to be performed or complied with under the merger agreement.

Pursuant to the mortgage business sale agreement, GE Capital has agreed not to consummate the merger unless all the mutual conditions to closing and the closing conditions pertaining to GE Capital and the merger sub specified in the merger agreement have been satisfied or waived. GE Capital and the merger sub are required to obtain the prior written consent of the Mortgage Business Purchaser before agreeing to any waiver of such conditions, unless such waiver relates solely to our fleet management business and would not otherwise materially prejudice the Mortgage Business Purchaser s position or obligations under the mortgage business sale agreement.

Termination

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, as follows:

by mutual written consent of the parties;

by either GE Capital or us if:

requisite governmental approval with respect to anti-trust laws of the United States and Canada shall have been denied and such denial shall have been final and non-appealable, or any governmental authority shall have enacted, issued, promulgated, enforced or entered any injunction, order, decree or ruling or taken any other action which has the effect of making consummation of any of the merger illegal or otherwise prevents or prohibits the consummation of the merger and is final and non-appealable, provided that this right shall not be available to a party if either the failure to obtain the governmental approval or the action taken by the governmental authority was primarily due to the action or failure to fulfill such party s obligations under the merger agreement and such action or failure constitutes a breach of the merger agreement,

the merger has not occurred on or before December 31, 2007, provided that this right will not be available to a party whose failure to fulfill its obligations under the merger agreement primarily contributed to the failure of the merger to occur on or before December 31, 2007 and such action or failure constitutes a breach of the merger agreement, or

the requisite stockholder vote was not obtained at a duly convened meeting of our stockholders in accordance with the requirements of the merger agreement;

by us if:

we are not in material breach of our obligations under the merger agreement such that certain closing conditions pertaining to GE Capital and the merger sub are incapable of being satisfied, and (a) any of GE Capital s or merger sub s representations and warranties are or become untrue or incorrect such that the closing condition pertaining to their representations and warranties would be incapable of being satisfied by December 31, 2007, or (b) there has been a breach of any of GE Capital s or merger sub s covenants or agreements under the merger agreement such that the closing condition pertaining to their performance and compliance with covenants and agreements would be incapable of being satisfied by December 31, 2007, or

Table of Contents

prior to obtaining the requisite stockholder vote, our board of directors approves and authorizes us to enter into a definitive agreement to implement a superior proposal in accordance with the terms of the merger agreement.

by GE Capital if:

each of GE Capital and merger sub are not in material breach of their respective obligations under the merger agreement, and (a) any of our representations and warranties are or become untrue or incorrect such that the closing condition pertaining to our representations and warranties would be incapable of being satisfied by December 31, 2007, or (b) there has been a breach of any of our covenants and agreements under the merger agreement such that the closing condition pertaining to our performance and compliance with covenants or agreements would be incapable of being satisfied by December 31, 2007;

our board of directors fails to recommend the merger agreement and the merger in this proxy statement, fails to take certain enumerated actions or withdraws, modifies or amends its recommendation that our stockholders vote to approve the merger agreement and the merger in any manner adverse to GE Capital or merger sub; or

if the mortgage business sale agreement is terminated by GE Capital, as a result of a breach of the Mortgage Business Purchaser s representations and warranties or covenants, in the mortgage business sale agreement, if such breach, either individually or in the aggregate, results in the failure of a closing condition pertaining to GE Capital, provided that GE Capital is not in material breach of its obligations under the merger business sale agreement such that certain closing conditions pertaining to the Mortgage Business Purchaser are incapable of being satisfied.

Pursuant to the mortgage business sale agreement, GE Capital has agreed to obtain the prior written consent of the Mortgage Business Purchaser prior to terminating the merger agreement pursuant to this section.

Termination Fee, Reverse Termination Fee and Expense Reimbursement

We have agreed to pay to GE Capital a termination fee of $50 million if:

we terminate the merger agreement because our board approves and authorizes us to enter into an agreement to implement a superior proposal in accordance with the terms of the merger agreement;

GE Capital terminates the merger agreement because our board of directors failed to recommend that holders of our common stock vote to approve the merger agreement and the merger;

GE Capital terminates the merger agreement because (a) our board has approved or recommended an acquisition proposal, (b) if any acquisition proposal is publicly announced and our board failed to issue a press release reaffirming our board s recommendation within a specified period of time following the public announcement, or (c) a tender offer or exchange offer for any of our outstanding stock has been commenced prior to us obtaining the requisite stockholder vote and our board has failed to recommend against such offer within ten business days of its commencement, or we or our board has publicly announced its intention to do any of the foregoing; or

we or GE Capital terminate the merger agreement because the requisite stockholder vote was not obtained at a duly convened meeting in accordance with the requirements of the merger agreement, but prior to date of such

termination, an acquisition proposal is made to us, or otherwise publicly announced, and within nine months following the termination, we enter into a definitive agreement with respect to or consummate any acquisition proposal; for purposes of determining whether a payment is required, references to 20% in the definition of acquisition proposal above are deemed to be references to 50% with respect to the acquisition proposal.

The merger agreement also provides that we shall receive a reverse termination fee in the amount of $50 million from the Mortgage Business Purchaser if either:

we or GE Capital terminate the merger agreement because the merger has not been consummated by December 31, 2007 and at the time of such termination the mutual closing conditions and each closing

condition pertaining to GE Capital (except for the condition related to the obligations of the Mortgage Business Purchaser under the mortgage business sale agreement to consummate the sale of our mortgage business) shall have been satisfied in accordance with the terms thereof; or

GE Capital terminates the mortgage business sale agreement due to the Mortgage Business Purchaser s breach of its representations and warranties, covenants or agreements resulting in a failure of the closing conditions pertaining to GE Capital and at such time, there is no state of facts or circumstances (other than those arising out of the Mortgage Business Purchaser s breach) that could reasonably be expected to cause the other closing conditions of the mortgage business sale agreement (except for the condition related to consummating the merger concurrently with closing of the transactions contemplated by the mortgage business sale agreement and the closing conditions pertaining to GE Capital) not to be satisfied.

The Mortgage Business Purchaser, however, is not required to pay this fee if:

our audited financial statements for the year ended December 31, 2006 provided to GE Capital pursuant to the merger agreement are different in any material and adverse respect from certain unaudited financial statements we previously delivered to GE Capital at the time of the execution of the merger agreement, unless such difference does not result in the Mortgage Business Purchaser being unable to consummate the debt financing contemplated by the debt commitment letter delivered to GE Capital pursuant to the mortgage business sale agreement or available alternative financing should the financing under the debt commitment letter previously delivered to GE Capital are no longer available on the terms and conditions contemplated by the debt commitment letter but similar financing is available from other financial institutions on terms no less favorable to the Mortgage Business Purchaser; or

there has been a material and adverse change in our stockholders equity or net income (loss) with respect to certain entities engaged in our mortgage business between the revised consolidating balance sheet for us and our consolidated subsidiaries and consolidated joint ventures as of December 31, 2006 and the related consolidating statement of operations for the fiscal year ended December 31, 2006 reflecting any adjustment as a result of the audit of our 2006 financial statements and the earlier version of the same financial statements previously delivered to GE Capital at the time of the execution of the merger agreement. However, no account shall be taken of a change in net income (loss) if there was no associated change in such stockholder s equity as of December 31, 2006 as reflected in such revised financial statements and such change in net income (loss) is related to a change in income tax expense arising from revised estimates of tax contingencies or valuation allowances or a change in expense arising from a revised estimate of impairment of goodwill.

The merger agreement provides that we must reimburse GE Capital for its reasonable transaction expenses up to a limit of $5 million if either:

we, on the one hand, or GE Capital or the merger sub, on the other hand, terminate the merger agreement because we were unable to obtain the requisite stockholder vote at a duly convened meeting of our stockholders in accordance with the requirements of the merger agreement, or

GE Capital or the merger sub terminate the merger agreement, provided that each of GE Capital and merger sub are not in material breach of their respective obligations under the merger agreement, and (i) any of our representations and warranties are or become untrue or incorrect such that the closing condition pertaining to our representations and warranties would be incapable of being satisfied by December 31, 2007, or (ii) we have breached any of our covenants and agreements under the merger agreement such that the closing condition pertaining to our performance and compliance with covenants or agreements would be incapable of being satisfied by December 31, 2007.

In addition, in certain instances, we may be able to reduce the termination fee of $50 million payable by us to the extent we have previously reimbursed GE Capital for its reasonable transaction expenses pursuant to the terms of the merger agreement.

Table of Contents

Amendment and Waiver

The merger agreement may be amended by mutual agreement of the parties in writing, whether before or after we obtain the requisite stockholder vote, provided that after any such stockholder approval, no amendment shall be made which, by law or the rules of the New York Stock Exchange, requires further stockholder approval without first obtaining such stockholder approval. The merger agreement also provides that, at any time prior to the effective time of the merger we or GE Capital may extend the time for the performance of any obligations of the other parties, waive any inaccuracies in the representations and warranties of the other parties or waive compliance with any of the agreements or conditions to its obligations contained in the merger agreement.

Mortgage Business Sale Agreement

In conjunction with the merger agreement, GE Capital entered into the mortgage business sale agreement to sell our mortgage business to the Mortgage Business Purchaser. The Mortgage Business Purchaser was formed solely to effect the acquisition of our mortgage business and is an affiliate of Blackstone. Accordingly, upon the consummation of the merger and the transactions contemplated by the mortgage business sale agreement, GE Capital will own our fleet management business and Blackstone, through the Mortgage Business Purchaser, will own our mortgage business.

Simultaneous with entering into the mortgage business sale agreement, the Mortgage Business Purchaser entered into a debt commitment letter with JPMorgan Chase Bank, N.A., J.P. Morgan Securities Inc., Lehman Commercial Paper Inc. and Lehman Brothers Inc. pursuant to which these financial institutions have agreed, subject to terms and conditions contained in the commitment letter, to provide, or cause to be provided, seventy percent (70%) and thirty percent (30%), respectively, of the following debt facilities:

- a senior secured loan facility of up to a maximum of $800 million;
- a senior secured revolving loan facility of up to $800 million;
- a senior secured receivables-based facility of up to $100 million;
- a mortgage loan repurchase facility of up to $4 billion; and
- a senior bridge facility of up to $100 million, subject to certain reductions.

In addition, the debt commitment letter contemplates that the Mortgage Business Purchaser will issue up to $300 million of notes in a public offering or Rule 144A or other debt placement, or in the absence of this publicly-placed debt transaction, up to $300 million in an additional debt facility from JPMorgan Chase and Lehman Brothers.

We are explicitly named as a third-party beneficiary to certain provisions under the mortgage business sale agreement that pertain primarily to the reverse termination fee of $50 million payable to us by the Mortgage Business Purchaser under the following circumstances:

- if GE Capital terminates the mortgage business sale agreement due to the Mortgage Business Purchaser s breach of its representations and warranties, covenants or agreements resulting in a failure of the closing conditions pertaining to GE Capital s obligation to close and at such time, there is no state of facts or circumstances (other than those arising out of the Mortgage Business Purchaser s breach) that could reasonably

be expected to cause the other closing conditions of the mortgage business sale agreement (except for the condition related to consummating the merger concurrently with closing of the transactions contemplated by the mortgage business sale agreement and the closing conditions pertaining to GE Capital) not to be satisfied; or

if (i) we or GE Capital terminate the merger agreement because the merger has not been consummated by December 31, 2007, (ii) no later than December 31, 2007, the other closing conditions of the mortgage business sale agreement (except for the condition related to consummating the merger concurrently with closing of the transactions contemplated by the mortgage business sale agreement and the closing conditions pertaining to GE Capital) are satisfied, and (iii) the transactions contemplated by the mortgage business sale agreement

Table of Contents

could have been consummated no later than December 31, 2007, but for the failure of the Mortgage Business Purchaser to be ready, willing and able to consummate the transactions contemplated thereby.

The Mortgage Business Purchaser, however, is not required to pay this fee if:

our audited financial statements for the year ended December 31, 2006 provided to GE Capital pursuant to the merger agreement are different in any material adverse respect from certain unaudited financial statements we previously delivered to GE Capital at the time of the execution of the merger agreement, unless such difference does not result in the Mortgage Business Purchaser being unable to consummate the debt financing contemplated by the debt commitment letter delivered to GE Capital pursuant to the mortgage business sale agreement, or available alternative financing on terms no less favorable in any material respect to the Mortgage Business Purchaser than those set forth in the debt commitment letter should the financing under the debt commitment letter no longer be available but similar financing is available from other financial institutions; or

there has been a material and adverse change in our stockholder s equity or net income (or loss) related to our mortgage business, except if there is a material adverse change in our net income (or loss) but no corresponding change in our stockholder s equity or where such change in net income (or loss) is related to a change in income tax expense resulting from revised estimates of tax contingences, reserves or impairment due to goodwill.

Conditions to Closing

Under the mortgage business sale agreement, the obligation of the parties to consummate the transactions contemplated thereby are subject to the satisfaction of the following mutual conditions:

no court or other governmental entity shall have enacted, issued, promulgated, enforced or entered any law (and if an injunction, whether temporary, preliminary or permanent) that is in effect and prevents, enjoins or otherwise prohibits the consummation of the transactions contemplated by the mortgage business sale agreement or makes such consummation illegal;

all waiting periods or extensions thereof applicable to the transactions contemplated by the mortgage business sale agreement under the HSR Act or the Canadian Antitrust Law, and any agreement with any governmental entity not to consummate the transactions contemplated thereby shall have expired or early termination thereof shall have been granted;

the mutual conditions to closing and the closing conditions pertaining to GE Capital and the merger sub in the merger agreement shall have been satisfied or waived in accordance with the terms of the mortgage business sale agreement; and

the merger shall be consummated concurrently with the closing of the transactions contemplated by the mortgage business sale agreement.

Under the mortgage business sale agreement, the obligation of the Mortgage Business Purchaser to complete the transactions contemplated thereby are subject to the satisfaction of the following conditions:

GE Capital shall have performed in all material respects its obligations under the mortgage business sale agreement, the accuracy of the representations and warranties of GE Capital and the receipt of a certificate of an officer of GE Capital with respect to the foregoing; and

a condition to closing with respect to our audited financial statements for the year ended December 31, 2006 as described above relating to the instance when the Mortgage Business Purchaser is not required to pay the reverse termination fee.

Under the mortgage business sale agreement, the obligation of GE Capital to complete the transactions contemplated thereby are subject to the satisfaction of the following conditions:

the Mortgage Business Purchaser shall have performed in all material respects its obligations under the mortgage business sale agreement, the accuracy of the representations and warranties of the Mortgage

Table of Contents

Business Purchaser and the receipt of a certificate of an officer of the Mortgage Business Purchaser with respect to the foregoing.

In connection with the merger agreement, we entered into a limited guarantee, pursuant to which Blackstone has agreed to guarantee the obligations of the Mortgage Business Purchaser up to a maximum of $50 million, which equals the reverse termination fee payable to us under certain circumstances by the Mortgage Business Purchaser in the event that the Mortgage Business Purchaser is unable to secure the financing or otherwise is not ready, willing and able to consummate the transactions contemplated by the mortgage business sale agreement. In certain instances, GE Capital is obligated to pay to Blackstone, or its designee, one half of the termination fee it receives from us. In addition, GE Capital has also agreed to pay Blackstone or its affiliates all amounts received by it pursuant to the expense reimbursement provisions of the merger agreement.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our outstanding common stock, as of July 16, 2007, by those persons who are known to us to be beneficial owners of 5% or more of our common stock, by each of our directors, by each of our named executive officers and by our directors and executive officers as a group.

Name	Shares Beneficially Owned[1]	Percent of Common Stock Outstanding[2]
Principal Stockholders:		
Pennant Capital Management, LLC[3] 40 Main Street Chatham, NJ 07928	4,169,800	7.77%
Dimensional Fund Advisors Inc.[4] 1299 Ocean Avenue Santa Monica, CA 90401	3,843,640	7.16%
Michael A. Roth and Brian J. Stark, as joint filers[5] 3600 South Lake Drive St. Francis, WI 53235	2,854,432	5.32%
Directors and Named Executive Officers:		
Terence W. Edwards[6]	403,887	*
Clair M. Raubenstine		
George J. Kilroy[7]	36,812	*
Mark R. Danahy[8]	99,143	*
William F. Brown[9]	82,946	*
Neil J. Cashen[10]	126,810	*
James W. Brinkley[11]	9,232	*
A.B. Krongard[12]	16,983	*
Ann D. Logan[13]	8,982	*
Jonathan D. Mariner[14]	8,847	*
Francis J. Van Kirk[15]	7,112	*
All Directors and Executive Officers as a Group (13 persons)	848,725	1.56%

* Represents less than one percent.

(1) Based upon information furnished to us by the respective stockholders or contained in filings made with the SEC. For purposes of this table, if a person has or shares voting or investment power with respect to any of our common stock, then such common stock is considered beneficially owned by that person under the SEC rules. Shares of our common stock beneficially owned include direct and indirect ownership of shares, stock options and restricted stock units granted to executive officers and director restricted stock units granted to our directors which are vested or are expected to vest within 60 days of July 16, 2007. Due to the delay in the filing of our financial statements with the SEC, from March 2006 through June 2007 and during the blackout period, the issuance of our common stock for purposes of converting earned restricted stock units to shares for our

executive officers and the award of director restricted stock units for service by directors (collectively, the ***Earned Shares***) and the availability for exercise of certain earned stock options have been postponed for our directors and executive officers until the earlier of the consummation of the merger or the expiration of the blackout period. These Earned Shares and stock options have been included in the table in accordance with Rule 13d-3 of the SEC rules. Unless otherwise indicated in the table, the address of all listed stockholders is c/o PHH Corporation, 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054.

(2) Based upon 53,680,315 shares of our common stock outstanding as of July 16, 2007. Shares which vest or are expected to vest within 60 days of July 16, 2007 are deemed outstanding for the purpose of computing the percentage ownership for the named stockholder.

Table of Contents

(3) Reflects beneficial ownership of shares of our common stock as reported in a Schedule 13D/A filed with the SEC by Pennant Capital Management, LLC on behalf of itself and its affiliates on June 20, 2007.

(4) Reflects beneficial ownership of shares of our common stock as reported in a Schedule 13F filed with the SEC by Dimensional Fund Advisors Inc. on behalf of itself and its affiliates on April 19, 2007.

(5) Reflects beneficial ownership of shares of our common stock as reported in a Schedule 13G filed with the SEC by Michael A. Roth and Brian J. Stark, as joint filers, on behalf of themselves and their affiliates on June 26, 2007.

(6) Represents 10,056 shares of our common stock directly held by Mr. Edwards, options to purchase 367,021 shares of our common stock and 26,810 Earned Shares.

(7) Represents 9,184 shares of our common stock directly held by Mr. Kilroy, 635 shares of our common stock held in his 401(k) account, options to purchase 3,468 shares of our common stock and 23,525 Earned Shares.

(8) Represents 4,925 shares of our common stock directly held by Mr. Danahy, options to purchase 79,556 shares of our common stock and 14,662 Earned Shares.

(9) Represents 3,722 shares of our common stock directly held by Mr. Brown, options to purchase 67,696 shares of our common stock and 11,528 Earned Shares.

(10) Represents 4,974 shares of our common stock directly held by Mr. Cashen, 144 shares of our common stock held in his 401(k) account, options to purchase 108,377 shares of our common stock and 13,315 Earned Shares.

(11) Represents 5,260 restricted stock units, 250 shares of our common stock held by Brinkley Investments, LLC, a partnership among Mr. Brinkley, his wife and his children and 3,722 Earned Shares.

(12) Represents 8,594 restricted stock units and 8,389 Earned Shares.

(13) Represents 5,260 restricted stock units and 3,722 Earned Shares.

(14) Represents 5,205 restricted stock units and 3,642 Earned Shares.

(15) Represents 3,442 restricted stock units and 3,670 Earned Shares.

Table of Contents

MARKET PRICE OF COMMON STOCK

Shares of our common stock are listed for trading on the NYSE under the symbol PHH and began trading on that exchange immediately after our Spin-Off on February 1, 2005. The following table sets forth the high and low sales prices for our common stock as reported on the NYSE:

	Common Stock Price	
	High	Low
February 1, 2005 to March 31, 2005	$ 22.65	$ 20.04
April 1, 2005 to June 30, 2005	25.96	21.21
July 1, 2005 to September 30, 2005	31.13	25.60
October 1, 2005 to December 31, 2005	30.44	25.45
January 1, 2006 to March 31, 2006	29.29	23.70
April 1, 2006 to June 30, 2006	27.99	25.03
July 1, 2006 to September 30, 2006	27.99	23.99
October 1, 2006 to December 31, 2006	29.35	26.67
January 1, 2007 to March 31, 2007	31.10	27.55
April 1, 2007 to June 30, 2007	31.33	30.30

The closing sale price of our common stock on the NYSE on March 14, 2007, the last trading day prior to the public announcement of the merger, was $27.81 per share. On [l], 2007, the most recent practicable date before this proxy statement was printed, the closing price for our common stock on the NYSE was $[l] per share and there were approximately [l] holders of record of our common stock. You are encouraged to obtain current market quotations for our common stock in connection with voting your shares. No dividends were declared during the years ended December 31, 2006 or 2005.

Table of Contents

PROPOSAL NO. 2

PROPOSAL TO GRANT AUTHORITY TO ADJOURN THE SPECIAL MEETING

If, at the special meeting, the number of shares of our common stock present or represented and voting in favor of Proposal No. 1 is insufficient to approve that proposal under applicable law, we intended to move to adjourn the special meeting in order to enable our board of directors to solicit additional proxies in respect of approval of Proposal No. 1. In that event, we will ask our stockholders to vote only upon the adjournment proposal, and not Proposal No. 1.

In Proposal No. 2, we are asking our stockholders to authorize the holder or any proxy solicited by our board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the special meeting to another time and place for the purpose of soliciting additional proxies. If the stockholders approve Proposal No. 2, we could adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from stockholders that have previously voted.

Recommendation of Our Board of Directors

Our board of directors believes that if the number of shares of our common stock present or represented at the special meeting and voting in favor of Proposal No. 1 is insufficient to approve that proposal, it is in the best interests of our stockholders to enable our board of directors to continue to seek to obtain a sufficient number of additional votes in favor of Proposal No. 1.

Vote Required

Approval of Proposal No. 2, if necessary, requires the affirmative vote of a majority of the votes cast on the proposal. No proxy that is specifically marked AGAINST Proposal No. 1 will be voted in favor of Proposal No. 2, unless it is specifically marked FOR Proposal No. 2.

Our board of directors unanimously recommends that the holders of our common stock vote FOR the proposal to grant authority to adjourn the special meeting, if necessary, to solicit additional proxies.

Table of Contents

NO DISSENTERS RIGHTS OF APPRAISAL

Holders of our common stock are not entitled to dissenting stockholders appraisal rights or other similar rights in connection with the merger or any of the transactions contemplated by the merger agreement. The MGCL does not provide for appraisal rights or other similar rights to stockholders of a corporation in connection with a merger if the shares of the corporation are listed on the NYSE on the record date for determining stockholders entitled to vote on the merger.

SUBMISSION OF STOCKHOLDER PROPOSALS

If the merger is consummated, we will not have public stockholders and there will be no public participation in any future meeting of stockholders. However, if the merger is not consummated or if we are otherwise required to do so under applicable law, we would hold a 2007 annual meeting of stockholders. Proposals from stockholders are given careful consideration by us in accordance with Rule 14a-8 of the Exchange Act (***Rule 14a-8***). We provide all stockholders with the opportunity, under certain circumstances and consistent with our by-laws and the rules of the SEC, to participate in the governance of the Company by submitting stockholder proposals that they believe merit consideration at the 2007 annual meeting of stockholders. To enable management to analyze and respond to proposals stockholders wish to have included in the proxy statement and proxy card for that meeting, our by-laws, consistent with Rule 14a-8, require that any such proposal be received by us in writing no later than the tenth day following the public announcement of the date of the 2007 annual meeting of stockholders. Any stockholder proposal submitted must also be in compliance with our by-laws and must contain specified information about each nominee or the proposed business and the stockholder making the nomination or proposal. Pursuant to our by-laws, any stockholder proposal or director nomination for that meeting that is submitted outside the processes of Rule 14a-8 will be considered untimely unless it is received by us no later than the tenth day following the public announcement of the date of the 2007 annual meeting of stockholders.

Proxies solicited by the board of directors for the 2007 annual meeting of stockholders may confer discretionary authority to vote on any untimely stockholder proposals or director nominations without express direction from stockholders giving such proxies. All stockholder proposals and director nominations must be addressed to the attention of the Secretary at PHH Corporation, 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054. The Chairman of the annual meeting of stockholders may refuse to acknowledge the introduction of any stockholder proposal or director nomination not made in compliance with the foregoing procedures.

HOUSEHOLDING OF SPECIAL MEETING MATERIALS

In accordance with Rule 14a-3(e)(1) under the Exchange Act, one proxy statement will be delivered to two or more stockholders who share an address, unless the Company has received contrary instructions from one or more of the stockholders. The Company will deliver promptly upon written or oral request a separate copy of the proxy statement to a stockholder at a shared address to which a single copy of the proxy statement was delivered. Requests for additional copies of the proxy statement, and requests that in the future separate proxy statements be sent to stockholders who share an address, should be directed in writing to PHH Corporation Investor Relations at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054, or by calling (856) 917-4268. In addition, stockholders who share a single address but receive multiple copies of the proxy statement may request that in the future they receive a single copy by contacting PHH Corporation Investor Relations at the address and phone number set forth in the prior sentence.

You also may obtain free copies of the documents PHH Corporation files with the SEC by going to the Investors Relations section of our website at www.phh.com under the heading SEC Reports. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference.

THIS PROXY STATEMENT DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON

Table of Contents

THE INFORMATION CONTAINED IN THIS PROXY STATEMENT TO VOTE YOUR SHARES AT THE SPECIAL MEETING.

WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT.

THIS PROXY STATEMENT IS DATED , 2007. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO STOCKHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

Your vote is very important. Whether or not you plan to attend the special meeting, please sign and date the enclosed proxy card, and return it promptly in the envelope provided. Giving your proxy now will not affect your right to vote in person if you attend the meeting.

If you have questions about this proxy statement, the special meeting or the merger, you should contact: Nancy Kyle, Vice President of Investor Relations at (856) 917-4268 or Georgeson, who we expect to be our proxy solicitor, toll-free at (888) 605-7538.

If you have questions or need assistance in voting your shares, please call:

17 State Street, 10th Floor
New York, NY 10004
(888) 605-7538 (Toll Free)

Banks and Brokerage Firms please call:
(212) 440-9800

Table of Contents

Annex A

AGREEMENT AND PLAN OF MERGER

by and among

PHH Corporation,

General Electric Capital Corporation

and

Jade Merger Sub, Inc.

Dated as of March 15, 2007

Table of Contents

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS (continued)

Table of Contents

TABLE OF CONTENTS (continued)

Table of Contents

TABLE OF CONTENTS

INDEX OF PRINCIPAL TERMS

Table of Contents

Table of Contents

	Page
Future Company Financial Statements	45
Future Company SEC Reports	44
GAAP	57
Governmental Damages	57
Governmental Entity	9
Governmental Investigation	57
Hazardous Substance	21
HSR Act	9
Indebtedness	57
Indemnified Parties	38
Intellectual Property	19
IRS	15
Knowledge	57
Laws	9
Leased Properties	24
Legal Proceedings	55
Licenses	9
Liens	8
Material Company Joint Venture	6
Material Contract	24
Material Subsidiary	6
Merger	1
Merger Communication	44
Merger Consideration	2
Merger Sub	1
MGCL	1
Mortgage Business	57
Mortgage Business Financial Statements	45
Mortgage Business Purchaser	1
Mortgage Business Sale	1
Mortgage Business Sale Agreement	1
Mortgage Entity	57
Non-Employee Directors Deferred Compensation Plan	5
Option Amount	5
Order	47
Outside Date	50
Parent	1
Parent Beneficial Owners	27
Parent Disclosure Schedule	25
Parent Expenses	52
Parent Plans	37
Paying Agent	3
PBGC	15
Permitted Liens	58

Table of Contents

Table of Contents

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of March 15, 2007 (this ***Agreement***), by and among General Electric Capital Corporation, a Delaware corporation (***Parent***), Jade Merger Sub, Inc., a Maryland corporation and a wholly owned subsidiary of Parent (***Merger Sub***), and PHH Corporation, a Maryland corporation (the ***Company***).

WHEREAS, the board of directors of the Company (the ***Company Board***) has (i) approved this Agreement and the merger of Merger Sub with and into the Company (the ***Merger***) in accordance with the Maryland General Corporation Law, as amended (the ***MGCL***), (ii) declared that it is advisable and in the best interests of the Company and the stockholders of the Company to consummate the Merger, and (iii) resolved to recommend the approval of the Merger by the stockholders of the Company; and

WHEREAS, the Parent has approved, and the board of directors of Merger Sub has approved this Agreement and the Merger and each have determined or declared that it is advisable and in the best interest of their respective corporations and stockholders to consummate the Merger;

WHEREAS, concurrently with entering into this Agreement, Parent has entered into an agreement (the ***Mortgage Business Sale Agreement***) with Pearl Holding Corp. (the ***Mortgage Business Purchaser***), pursuant to which it has agreed to sell to the Mortgage Business Purchaser, immediately following the Effective Time, directly or indirectly, all of the shares of capital stock of each of the Mortgage Entities (the ***Mortgage Business Sale***).

NOW, THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, Parent, Merger Sub and the Company hereby agree as follows:

ARTICLE I

The Merger

Section 1.1 *The Merger.* Upon the terms and subject to the conditions set forth in this Agreement and in accordance with the MGCL, at the Effective Time (as defined below), Merger Sub shall be merged with and into the Company. As a result of the Merger, the separate legal existence of Merger Sub shall cease and the Company shall continue as the surviving corporation of the Merger (the ***Surviving Corporation***) and the separate corporate existence of the Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger.

Section 1.2 *Closing; Effective Time.* Subject to the provisions of Article VII, the closing of the Merger (the ***Closing***) shall take place at the offices of DLA Piper US LLP, 1251 Avenue of the Americas, New York, New York, as soon as practicable, but in no event later than the second Business Day following the day after the satisfaction or waiver of the conditions set forth in Article VII (other than those conditions that can only be fulfilled at the Effective Time, but subject to the fulfillment or waiver of those conditions), or at such other place or at such other date as Parent and the Company may mutually agree. The date on which the Closing actually occurs is hereinafter referred to as the ***Closing Date***. On the Closing Date, the parties hereto shall cause articles of merger (***Articles of Merger***) to be executed, acknowledged and filed with, delivered in the manner required by the MGCL to and accepted for record by the State Department of Assessments and Taxation of Maryland (the ***Department***) (the date and time of the acceptance for record of the Articles of Merger with the Department, or such later time as is specified in the Articles of Merger and as is agreed to by the parties hereto and specified in the Articles of Merger, being the ***Effective Time***) and shall make all other filings or recordings required under the MGCL in connection with the Merger.

Section 1.3 *Effects of the Merger.* From and after the Effective Time, the Merger shall have the effects set forth in the applicable provisions of the MGCL. Without limiting the generality of the foregoing and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation and all debts, liabilities, duties and obligations of the Company and Merger Sub shall become the debts, liabilities, duties and obligations of the Surviving Corporation.

Table of Contents

Section 1.4 *Charter; Bylaws.* The Charter (as defined below) of the Company, as in effect immediately prior to the Effective Time, shall be amended in the Merger to be in the form of Exhibit A hereto and, as so amended, shall be the charter of the Surviving Corporation until thereafter amended in accordance with its terms and applicable Law (as defined below). From and after the Effective Time, the bylaws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Corporation until thereafter amended in accordance with their terms, the charter of the Surviving Corporation and applicable Law.

Section 1.5 *Directors and Officers.* From and after the Effective Time, the directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation, each to hold office in accordance with the charter and bylaws of the Surviving Corporation and until their respective successors are duly elected and qualify, and the officers of the Company immediately prior to the Effective Time shall remain the officers of the Surviving Corporation, in each case until the earlier of their death, resignation or removal or the date their respective successors are duly elected or appointed (as the case may be) and qualify.

ARTICLE II

Effect of the Merger on the Capital Stock
of the Constituent Corporations

Section 2.1 *Conversion of Securities.* At the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or the holders of any capital stock of the Company or the Merger Sub:

(a) *Merger Consideration.*

(i) Subject to Section 2.1(c), each share of Company common stock, par value $0.01 per share (the ***Company Common Stock***) issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive from Parent an amount per share of Company Common Stock (subject to any Taxes (as defined below) withheld pursuant to Section 2.2(c)) equal to $31.50 in cash, without interest (the ***Merger Consideration***).

(ii) At the Effective Time, subject to Section 2.1(c), all shares of Company Common Stock outstanding immediately prior to the Effective Time shall cease to exist and shall no longer be outstanding and shall be automatically canceled and retired and each certificate (each, a ***Certificate***) formerly representing any such shares of Company Common Stock shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration upon surrender of such Certificate in accordance with Section 2.2, without interest.

(iii) Notwithstanding anything in this Agreement to the contrary (but without limiting the covenants of Section 5.1 hereof), if, between the date of this Agreement and the Effective Time, the outstanding shares of Company Common Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, stock split (including a reverse stock split), redenomination, merger, issuer tender or exchange offer, or other similar transaction, or a stock dividend thereon shall be declared with a record date within said period, the Merger Consideration and any other relevant provisions of this Agreement shall be equitably adjusted and as so adjusted shall, from and after the date of such event, be the Merger Consideration.

(b) *Common Stock of Merger Sub.* Each share of common stock, par value $0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become one validly issued, fully paid and nonassessable share of common stock, par value $0.01 per share, of the Surviving Corporation, or such greater number of shares as Parent shall determine prior to the Effective Time.

(c) *Cancellation of Parent-owned and Merger Sub-owned Company Common Stock*. As of the Effective Time, each share of Company Common Stock issued and outstanding immediately prior to the Effective Time and that is owned by Parent or Merger Sub (or any direct or indirect wholly owned Subsidiary (as defined below) of Parent or Merger Sub) shall, by virtue of the Merger and without any action on the part of the holder

thereof, cease to exist and no longer be outstanding and shall automatically be canceled and retired, and no cash or other consideration shall be delivered or deliverable in exchange therefor. Each share of Company Common Stock beneficially owned by any direct or indirect wholly-owned Subsidiary of the Company shall remain outstanding and no payment shall be made in respect thereof.

Section 2.2 *Exchange of Certificates.* Prior to the Effective Time, Parent shall select a bank or trust company (who is reasonably acceptable to the Company) as paying agent (the ***Paying Agent***) for payment of the Merger Consideration. At or prior to the Effective Time, Parent shall deposit with the Paying Agent, for the benefit of the holders of shares of Company Common Stock, for exchange in accordance with this Article II, cash amounts in immediately available funds necessary for the Paying Agent to make all required payments pursuant to Section 2.1(a) in exchange for and upon surrender of outstanding shares of Company Common Stock (such cash being hereinafter referred to as the ***Exchange Fund***). The Exchange Fund may not be used for any purpose that is not provided for in this Agreement.

(a) *Payment Procedures.* Promptly after the Effective Time, but in no event later than five (5) Business Days (as defined below) after the Effective Time, the Surviving Corporation shall cause the Paying Agent to mail to each holder of record of a Certificate or Certificates whose shares were converted into the right to receive the Merger Consideration pursuant to Section 2.1(a), the following: (i) a notice advising such holders of the effectiveness of the Merger, (ii) a letter of transmittal and (iii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration, such materials to be in a form substantially similar to that previously reviewed and found reasonably acceptable to the Parent and the Company. Upon surrender of a Certificate for cancellation to the Paying Agent together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the amount of cash into which the aggregate number of shares of Company Common Stock