PHH CORP
Form PRER14A
August 23, 2007

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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. 2)

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

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(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.

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(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.

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

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(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:

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

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(3) Filing Party:

(4) Date Filed:

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[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.

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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.

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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

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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

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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, which includes an amount equal to approximately $2,346 million to be paid in respect of outstanding indebtedness allocated to the mortgage business and to be repaid by GE Capital. The Mortgage Business Purchaser has also agreed to assume certain outstanding indebtedness of the Company of 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. The amount of such assumed indebtedness, when taken together with the portion of the purchase price to be paid to GE Capital by the Mortgage Business Purchaser in respect of the indebtedness of the Company allocated to our mortgage business, aggregated approximately $4,257 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.

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The Special Meeting (Page [l])

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

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 [1], 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 [1] 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

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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].

Interests of Our Directors and Executive Officers in the Merger (Page [1])

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 [1] % of the shares of our common stock entitled to vote at the special meeting.

Opinion of Financial Advisors (Page [1])

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.

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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.

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

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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.

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.

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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 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

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(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.

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.

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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:

